

Annual Report 2022-23



About this report

This report reviews the operations of Tasmanian Networks Pty Ltd and its subsidiaries. The subsidiaries of Tasmanian Networks Pty Ltd are TasNetworks Holdings Pty Ltd (non-trading subsidiary), Fortytwo24 Pty Ltd (42-24), Marinus Link Pty Ltd (MLPL) and TasNet Connections Pty Ltd for the 2022-23 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.



Interpreter

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.

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About us

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

We deliver safe, reliable, and affordable electricity supply to more than 295,000 residential, business, commercial and industrial customers. We also provide telecommunications and technology services.

As the Transmission and Distribution Network Service Provider in Tasmania, our core responsibilities include:

- Keeping our people and our customers safe,
- Maintaining and replacing network infrastructure to ensure a safe, reliable service for our customers,
- Serving as Tasmanian jurisdictional planner in the National Electricity Market,
- 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,
- Planning and developing Renewable Energy Zones,
- Maintaining the public lighting system,
- Recording and providing regulated meter data to retailers, and
- Providing telecommunications, data centre and information technology services to customers, including those in the Tasmanian electricity supply industry.

Our subsidiaries

The subsidiaries of Tasmanian Networks Pty Ltd are TasNetworks Holdings Pty Ltd (non-trading subsidiary), FortyTwo24 Pty Ltd (42-24), Marinus Link Pty Ltd (MLPL) and TasNet Connections Pty Ltd (TNC). Following are the core focus areas of each subsidiary.

42-24 was established to leverage TasNetworks' digital, data centre and telecommunications assets and capabilities required to operate the Tasmanian power system. By on-selling additional services to Tasmanian businesses and government, 42-24 helps TasNetworks reduce costs for Tasmanian electricity customers.

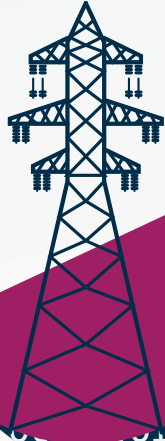
MLPL was established with a broad remit to allow for the Project Marinus feasibility and business case assessment; to take any steps necessary to establish the interconnector; to build, own or operate the interconnector; and to undertake any other associated activity. The proposed interconnector, known as Marinus Link, comprises of two 750-megawatt capacity undersea and underground high voltage direct current electricity and telecommunications connections that will link Tasmania's renewable energy generation and storage resources to Victoria and the rest of National Electricity Market.

TNC (formerly Large Scale Renewables Pty Ltd) was established to support the growth of TasNetworks' competitive transmission connection services business, facilitating generation and industry connections to the network in Tasmania. Services to be provided include professional services to support project development (such as preliminary design) as well as build, own and operate asset services.

Our locations

Our field-based team members are located at four major resource centres at Cambridge, Rocherlea, Devonport and Burnie; at substations in Trevallyn and Glenorchy; and at smaller regional depots known as response centres. Our Training Centre is at Mornington and administrative offices at Lenah Valley and Rocherlea.

What it takes to deliver your power



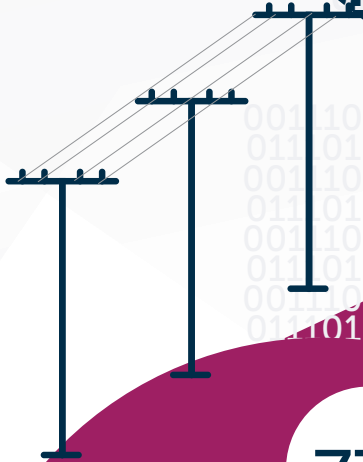
Transmission

3350
Circuit kilometres of transmission lines

7500
Transmission line support structures

11200
Hectares of easement

49
Substations



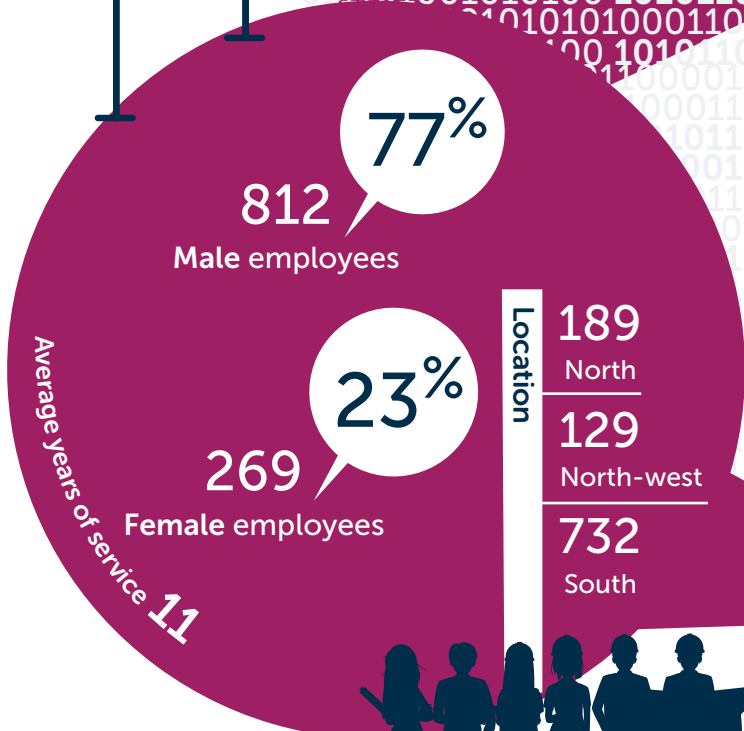
Distribution

15410
Kilometres of high voltage powerlines

4900
Kilometres of low voltage powerlines

2730
Kilometres of high and low voltage underground cables

231600
Poles



Telecommunications

2100
Kilometres of fibre optic cable

2
Data centres

People

1050
Employees



*Data excludes TasNetworks' subsidiaries

Chairman message

TasNetworks has a vital role to play in our community. Our world is increasingly reliant on safe, reliable and secure electricity supply and that is what the TasNetworks team focuses on every day. In these challenging times of high inflation we are doubly-focused on delivering on our shareholders' expectation of providing the lowest sustainable prices for our regulated services.



We're restructuring our business to put affordability and customer needs at the very core. Our transformation won't just save about \$200 million over five years, it'll refocus our resources into the things Tasmanian customers most care about – rapid supply restoration after outages, shortened connection times for new infrastructure, simple and efficient service, and the most affordable prices possible. The Board has been consistent in our ground rules for that transformation – no reduction of safety or reliability, no forced redundancies, a meaningful role for every team member who wants to stay, and a culture of decency, support and connection across our business.

This year, we farewelled Directors Joanne Doyle and Sarah Merridew in great appreciation for their strong contributions to the governance of TasNetworks. We welcomed new directors, Miles Smith and Cheryl Hopkins, who are already bringing their deep experience to the Boardroom.

Our activities are set in the most significant period of change in our industry for decades, where solar photovoltaic (PV), electric vehicles and new industrial opportunities such as green hydrogen are blossoming in the drive to a low-carbon economy. This brings great opportunities for Tasmania to develop more renewable energy for use here and, with further interconnection, to export into the wider National Energy Market. We're at the front-line of efforts to double Tasmania's clean energy and seize those new opportunities, in line with our shareholders' expectations.

TasNetworks is at the heart of Tasmania's energy system. This year has seen TasNetworks continuing to concentrate on bringing to life its strategic objectives: supporting the delivery of the 200 per cent Tasmanian Renewable Energy Target, working to connect new wind farms and emergent industries, progressing the design and approvals for Marinus Link and Renewable Energy Zones, and delivering value to our electricity customers through fundamental transformation of the way we work.

Following the recent Marinus Link announcement in September 2023, the project has a clear path forward that significantly reduces the cost to Tasmania. Marinus Link and the North West Transmission Developments (NWTD) are essential to unlocking our renewable energy potential and we can expect more positive announcements ahead as we continue to progress these critical developments.

TasNetworks' commitment to the development of new transmission in Tasmania is a key driver behind the increasing interest by local and international companies seeking to leverage our natural assets to develop wind farms across the State and beyond into Bass Strait. At the same time, our investment in new transmission is expediting commercial investigations into emergent high-value production industries including green hydrogen, green methane and green aluminium. These industries will make a generational impact via their contribution to net-zero targets, the Tasmanian economy and supporting clean energy careers that are already an expanding feature of our State's job outlook.



The Board are proud to witness the passion and skill of TasNetworks' people exhibiting genuine care for the wellbeing of Tasmanians, a commitment to community, and the determination to keep electricity as affordable as possible for Tasmanian customers, both now and into the future.

We are confident TasNetworks has the capabilities, enthusiasm and drive to deliver for Tasmanians and power a brighter future for us all.

Roger Gill
TasNetworks Chairman

CEO message

Our core mission is giving Tasmanians clean and reliable power, as affordably as possible. These are tough times for that mission. But we're more focused and committed to it than ever.



We're focused and committed to cutting our own costs and being as efficient as possible, while better supporting our front-line. From a peak workforce of more than 1,200, we're reducing to slightly below 1,000 roles, with no forced redundancies or depot closures. Our transformation process will save about \$200 million over five years, which is crucial for keeping prices as low possible for Tasmanians – especially in tough inflationary times.

Our transformation includes a key focus on reducing layers of management and empowering our people on the ground to get things done safely and efficiently. We're genuinely determined to do less with less; to prioritise the core work that keeps customers happy, warm and less financially-stretched. We know Tasmanians generally don't want explanations, complexity, road-blocks or excuses. They want speedy connections, few outages, quickly-resolved outages, and the lowest possible power bills. Let there be no ambiguity that that's our short and long-term mission.

We're focused and committed to helping double Tasmania's clean energy which means building Marinus Link and North-West Transmission, because that's the pathway to getting cheaper clean power into Tasmanian homes and businesses as soon as possible. While they carry up-front costs, our overwhelming motive for building North-West Transmission and supporting Marinus is to bring Tasmanians the lowest possible power bills in coming years.

Doubling Tasmania's clean energy carries the bonus of cutting Australia's emissions by about 140-million tonnes by 2050 (the equivalent of taking a million cars off the road). That's surely the biggest contribution Tasmania will ever make towards combatting climate change and protecting future generations.

Major electricity projects are rarely cheap, simple, well-understood or universally popular. But there's a good reason why Marinus is the number one actionable project in the National Energy Market; a good reason why it's passed every cost-benefit test it's been subjected to (with an estimated \$4.5 billion in net benefits); a good reason why it has in-principle bi-partisan political support; a good reason why the Australian, Tasmanian and Victorian governments want to fund it and own it. It's a great project. It'll richly benefit Tasmanians and Australians. It deserves our support, through good times and tough.

We're focused and committed to putting every downward pressure possible on power prices, without compromising safety or reliability. Our 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 went up, 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 Tasmanian power system is unique and we take its reliability seriously. I would particularly like to acknowledge the multi-agency team of dedicated and highly skilled specialists who worked diligently in tough conditions to bring the Waddamana to Palmerston corridor back online following a massive landslide in October 2022. The Tasmanian power system held up well when the incident occurred, and during the period of the significant repair works undertaken by our teams. All our major protection systems operated as intended to keep the lights on.

Global inflation means the price of virtually everything is now going up painfully. In our particular sector, rising insurance and cyber-security costs are weighing hard. However, I was pleased that we could limit our 2023-24 Annual Pricing Proposal to an increase at or about CPI, and no more. Based on typical customer calculations, we estimate network charges for most residential and small business customers will increase on average by around 3.7 per cent in 2023-24. Plenty of skill, commitment and sacrifice has gone into keeping that figure down.

We're focused on listening and prioritising the needs of our customers. To that end, in 2022-23, we've conducted our most personal and in-depth customer engagement and consultation ever. Our R24 Revenue Reset program consulted with more than 560 people over 18 months, from a wide cross-section of the community. The work included face-to-face, online and survey contact, to help develop TasNetworks' proposal for the regulatory control period from 1 July 2024 to 30 June 2029. Our proposal sets out the funding TasNetworks' needs to plan, build, maintain and operate our transmission and distribution networks during that five year period, to provide Tasmanians with safe, reliable and affordable electricity.

We've largely always known that price and affordability are customers' main priority. It's hard to care intensely about much else if your own security and finances are a struggle. And we've made trade-offs in our proposal to help keep prices as low as possible. But the R24 process, along with our Annual Customer Survey, has also made clear Tasmanians' priorities in relation to clean energy investment, sustainability and social responsibility, as well as the fairest approach to evening up quality and reliability of supply around Tasmania. Those honest findings will help us plan and adjust to Tasmanians needs for years to come.

And finally – we're focused and committed to being a great supportive place to work, and making a kind and thoughtful contribution to our community and people's lives. We've made huge strides in becoming a safer business in a hazardous industry, and now routinely leap on any indication that standards may be slipping, or improvements can be made. We operate a number of partnerships that help support Tasmanians in need, particularly through winter and at Christmas. We've started running 'Call it Out' workshops to help guide the best standards of respect, unity and good behaviour in our workplaces. Our Aboriginal Innovate Reconciliation Action Plan is progressing strongly, and now involves Cultural Awareness training for many of our people – including those who regularly interact with Aboriginal heritage.

And as well as helping double Tasmania's clean energy, we're honing our own strategies to become a climate-friendly business – including transitioning much of our vehicle fleet to electric vehicles in coming years.

Our mission is saving Tasmanians money wherever possible, keeping the lights on, and serving Tasmanians 24/7 in virtually any conditions. We'll keep our eye firmly on those priorities, as we work towards a bright future.

Seán Mc Goldrick
TasNetworks Chief Executive Officer



2022-23 Highlights

Performance

Our customers

We care for our customers and make their experience easier.

Customer satisfaction

7.2/10*

Customer net promoter score:

+12*

Customer complaint volume:

789

Engaged

567

people on our 2024-29 Revenue Proposal

* Figures inclusive of customer complaints

Our people

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

22

Graduates employed to date

39

Apprentices employed to date

7

Team members completing Cable Joining Apprenticeships

55%

Engagement Score

Gender Pay Gap

11.2%

(reduced from 11.9% in 2021-22) calculated from total remuneration*

* 2021/22 Annual Report calculated from base salaries only: 4.3% in 2021/22, reduced to 1.5% in 2022/23.

* Average gender pay gap in Australia is 22.8%, or 15.9% for Electricity, Gas, Water & Waste Services.

Our business

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

Invested back into our network

\$277m

North West Transmission Developments include 240km of new and upgraded transmission lines and other energy infrastructure to increase the capacity of Tasmania's electricity network, and support Marinus Link and other renewable energy developments.

Bird mitigation installed on distribution lines this financial year

80km

Total bird mitigation on distribution lines to date: approximately

450km

Our owners

We operate our business to deliver sustainable shareholder outcomes.

Operating profit after tax

\$26.18m

Dividends

\$22.583m

Large scale connections revenue

\$6.1m

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.

Progress towards 2030

TasNetworks is focused on the delivery of value to electricity consumers, while managing risk and reliability of its assets. It plays a substantial role in the achievement of the Tasmanian Renewable Energy Target, its associated major transmission works and the future distribution network in Tasmania.

Our enduring focus is to deliver value to electricity consumers and create opportunities for Tasmania to grow value from its renewable electricity. To achieve this, we have set out five long-term focus areas which are Safety, Resilience, Efficiency, Renewable Energy and Growth for TasNetworks in our 10-year vision, Towards 2030. Success in 2030 means we are:

- Maintaining sustainable, affordable prices for transmitting and distributing electricity.
- Renowned for effectively managing and responding to challenges and risks that impact network services to customers and delivering solutions that are valued by customers.
- Efficiently integrating new wind farms, pumped hydro, photovoltaic solar electricity generators and batteries into the Tasmanian electricity transmission and distribution networks.
- Moving electricity between the Tasmanian and other National Electricity Market electricity networks, benefiting customers across Australia via Marinus Link cables.
- Helping more Tasmanian consumers and businesses connect and use the electricity network the way they want, and to generate and manage their own electricity.





Transforming TasNetworks

TasNetworks continues to play a critical role in energy transition. Our transformation is focused on ensuring the business is optimised and in a strong position to meet future challenges, driving better outcomes and value for our customers.

In 2022-23, TasNetworks successfully executed a number of initiatives that make up our Transformation Program, identified as part of a Strategic Review run to assess the way we do business in late 2021-22.

TasNetworks:

- ✓ maintained a heavy focus on driving the organisational re-design of the business, which saw 85 per cent of the teams' new structures approved;
- ✓ successfully redeployed a number of team members to new roles within the business;
- ✓ successfully delivered and closed out 8 out of 18 transformation initiatives, further sharpening our focus on the remaining deliverables;
- ✓ realised \$17.3 million in benefit realisation against a forecast target of \$16.8 million; and
- ✓ largely achieved our overall FY22/23 targets related to resource efficiency, with the implementation of new team structures now progressing through different phases of the program.

Our Transformation program will:

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

Our priorities for FY23/24 will be to deliver a number of critical processes and digital enablers to support a successful transformation outcome for sustainability and ongoing business affordability, ensuring network charges remain as low as they can be. This includes key initiatives that will streamline our program of work execution processes, increase productivity, eliminate duplication, improve our customers' experience, and provide platforms for automation and efficiency.

Our program focus for 2023-24:

- Streamline the core works delivery processes to reduce lead times, maximise productivity, and allocate critical resources to the right priorities to drive customer value.
- Implement digital solutions and organisational frameworks aligned to strategy, to empower our people in the field and support excellence.
- Build our capability and prepare our people for the opportunities and challenges of the energy transition, enabling organisational agility and performance.
- Improve upon our commercial mindset and ensure ongoing sustainable affordability for our business and customers.
- Continue to invest in our people so we can grow, both personally and professionally, in a vibrant workplace that embraces core behaviours of curiosity, bravery, and ownership. A one-team approach for the benefit of us all.

We are transforming TasNetworks to be strategically re-organised, digitally enabled and focused firmly on our core business: providing safe, reliable and affordable power to our customers.

Our commitment to sustainability

As a large business responsible for keeping the lights on for all Tasmanians, we recognise our relationship to the community, the economy and the environment. We are working to build trust by minimising our impact and creating shared value for our customers, our people and our broader community.

Climate change continues to affect our lives, as well as the fate of all other species around the planet. At this time, our most important contribution in tackling climate change is our role in the renewable energy transition, which can drastically reduce carbon emissions.

We must see this transition through by upgrading our existing electricity grid so that impacted communities can benefit, and our natural environment is respected. Without a doubt, this challenge is enormous. Our passionate, skilled and innovative people are taking on this challenge every-day, while balancing the needs of our customers, communities and environment.

We are a member of the Energy Charter, providing a whole-of-sector platform to collaborate and proactively co-design customer-led solutions. We use this framework to put customers at the centre as we transition to a clean energy future that is more affordable, sustainable and reliable.

We recognise that we have a role to play in acknowledging the truth of our history and working collaboratively, particularly within Tasmania and with Tasmanian Aboriginal people. At TasNetworks, we are in a unique position to connect to Tasmanians and we strive to make a positive difference to reconciliation.

Through our Reconciliation Action Plan (RAP) we are working to improve the cultural awareness of our workforce, and we are fostering a culturally safe environment for Aboriginal and Torres Strait Islander peoples working at TasNetworks, now and in the future.



2022-23 Sustainability snapshot

Our Sustainability Snapshot highlights actions and initiatives from across the business, reported under our focus Sustainable Development Goals (SDGs). The SDGs are a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. For us the SDGs recognise that we are part of a global community, help us define our material impacts and opportunities, and communicate how we can deliver our Purpose of Powering a Bright Future.

Goal	Our 2022-23 highlights
<p>Affordable and Clean Energy</p> <p><i>Supporting the renewable energy transition and keeping prices sustainable.</i></p> <ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Considering customer needs and preferences demonstrated through a 'genuine and high standard' of 2024-29 Revenue Proposal engagement, as stated as by the Australian Energy Regulator (p.g 24). Putting downward pressure on prices by seeking to achieve productivity improvements of 3 per cent in 2024-25, and 0.5 per cent for each subsequent year in our 2024-29 Revenue Proposal. Meeting our target not to increase prices any greater than CPI in 2022-23. Supporting education by delivering energy efficiency training to customers and launching a Concessions Awareness and Engagement Campaign. Providing clearer price signals by supporting the transition to cost reflective pricing – with 22 per cent of our total customer base now on cost reflective pricing. Reducing network augmentation costs by applying a new overhead lines thermal rating classification, allowing us to utilise greater line capacity across our distribution network. Supporting lower electricity bills and reducing pressure on the grid by securing two grants under the Australian Government's Community Batteries for Household Solar program. Preparing for the impact of electric vehicles on our network by participating in a national Electric Vehicle Grid trial.
<p>Life on Land</p> <p><i>Minimise environmental risks posed by our operations and assets and improve conservation outcomes.</i></p> <ul style="list-style-type: none"> We care about our environment and advocate for a sustainable future. We minimise the impact of our activities on the environment and cultural heritage. We will reduce our GHG emissions. 	<ul style="list-style-type: none"> Reducing our impact on threatened birds by installing 80 km of bird mitigation on distribution lines in 2022-23 and implementing a new 'bird safe' design standard for our network. Taking climate action by committing to phase out SF6¹ where alternative technologies are available and implementing recommendations in the Taskforce of Climate Related Financial Disclosures. Lifting our environmental maturity from "basic" to "established" by enhancing our environmental management system and due diligence processes, and obtaining ISO 14001 certification. Better understanding impacts on Aboriginal and Torres Strait Islander peoples by developing a First Nations Better Practice Community Engagement Toolkit in collaboration with the water sector. Ensuring our infrastructure developments deliver cultural, social and economic benefits by joining the Infrastructure Sustainability Council and commencing ratings on North West Transmission Developments. Helping to manage invasive weeds that pose a threat to the environment, economy and community by supporting a number of weed management projects in collaboration with councils, government and business.

¹ SF6 is a potent greenhouse gas which is used in transmission and distribution assets as an insulator.

Decent Work and Economic Growth

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

- 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.



- **Building trust with Aboriginal and Torres Strait Islander peoples**, submitting the first draft of our Innovate RAP to Reconciliation Australia, the next stage of our RAP process.
- **Improving disability inclusion** by undertaking an accessibility audit of our website, customer letters and online tools.
- **Balancing the needs of transmission projects and local communities** by developing a Community Benefits Sharing Program, co-designed by the NWTD Youth Panel.
- **Building digital literacy** by repurposing and donating 140 laptop computers, with training for those who need assistance.
- **Creating a workplace that is psychologically safe and inclusive** by delivering the first phase of our Diversity, Equity and Inclusion Action Framework.
- **Attracting future investments** in renewable energy generation, data centres and new industries by progressing Marinus Link and NWTD.

Sustainable Cities and Communities

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

- No harm to our people and the public.
- We support diversity, equity and inclusion and embrace our differences.
- We promote sustainable economic growth and stimulate demand for socially responsible products and services.



- **Responding to the needs of landholders and the community** by adjusting or moving the location of 62 towers along proposed NWTD route, a result of field studies and engagement.
 - **Improving outcomes for agricultural landholders** affected by Transmission developments by co-designing Better Practice Social Licence Guideline.
 - **Strengthening a safe and reliable electricity supply** by improving processes for notifying life-support customers of planned outages, resulting in zero life-support breaches for 2022-23.
 - **Working to keep vulnerable customers connected** through 'Knock to Stay Connected', delivering information and referral services to those at risk of disconnection. Initial results show that 60 per cent of de-energisations are cancelled after 'the knock'.
 - **Improved the resilience of our networks to climate change** by transitioning to assets with increased bushfire resilience in high risk locations.
 - **Improving community safety, reliability and performance** by expanding the Loss of Neutral (LoN) technology to all advanced meters in the state, and to new meters as they come online.
 - **Tackling mental health in rural Tasmania** by partnering with Rural Alive and Well (RAW) to deliver a pilot of the Beyond the Sidelines program in sporting clubs.
 - **Educating primary-school aged kids** across Tasmania about the safe use of electricity through our free electrical safety in schools program, Bright Sparks with 9,527 children participating in 2022-23.
 - **Providing energy security and access to power** at the lowest cost by progressing Marinus Link.
-



Marinus Link is an underground and undersea electricity and data cable that will further connect Tasmania and Victoria.

The cable will run 255km undersea from North West Tasmania to Waratah Bay in Victoria, then a further 90km underground to the Latrobe Valley. Converter stations at each end will enable alternating current to be directed back and forth as needed into the energy grid.

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

Why do we need Marinus Link?

The National Electricity Market is changing. Renewable generation, such as wind, solar and hydro, is becoming a bigger part of our energy mix. Big renewable energy projects are planned or already underway across Australia. Such a fundamental change in the way we power our towns, businesses and industries requires investment and long-term planning.

Marinus Link will support economic growth and stronger, more resilient communities.

With electricity demand forecast to surge 15 per cent by 2029, Marinus Link will provide energy security for Tasmania for generations to come – even when there are events such as drought or a Basslink outage.

In delivering a reliable, secure energy supply and stronger data connections, Marinus Link will allow Tasmania to attract investment in renewable energy generation, data centres and new industries, providing more than \$10 billion in gross market benefits.

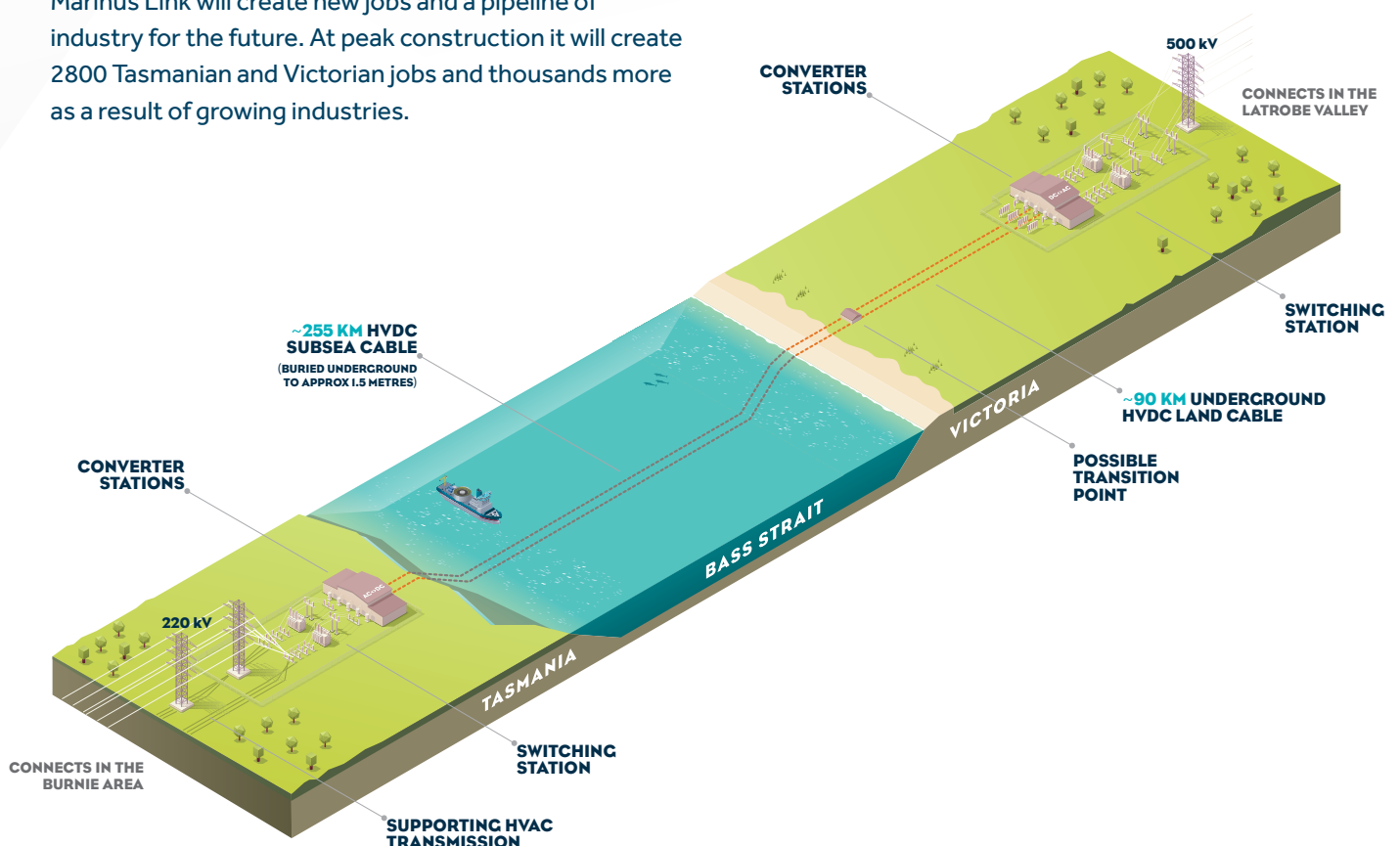
Marinus Link will create new jobs and a pipeline of industry for the future. At peak construction it will create 2800 Tasmanian and Victorian jobs and thousands more as a result of growing industries.

Marinus Link will ensure customers and businesses have access to the cheapest, most reliable power.

Marinus Link will allow Tasmania to import, store and export energy when the prices are right, while giving new industries the energy confidence to establish in Tasmania.

Wind and solar are the lowest cost forms of renewable energy, while hydro's value comes from storing energy. When the wind doesn't blow or the sun doesn't shine, hydro's storage capability increases in value.

Marinus Link unlocks hydro storage capacity for Australia that is 30,000 times the size of Victoria's Big Battery, ensuring we get best value from Tasmania's hydro.



Highlights

**August
2022**

Independent MLPL Board

To support Project Agreement between the Australian and Tasmanian Governments, an independent Board was established.

**October
2022**

Tri-partisan funding agreement

The Australian, Tasmanian and Victorian governments signed a letter of intent for the joint ownership of the delivery of Marinus.

**December
2022**

Completion of the technical specifications for major work packages

A major milestone for the project and an important step towards securing tenderers for the construction of Marinus Link.

Major work packages tender release

Marinus Link released the tender for HVDC cables in December, followed by the HVDC converter station tender in January 2023.

Application for a Victorian transmission licence submitted

Marinus Link submitted an application for a transmission licence to the Essential Services Commission Victoria. This is a key milestone in the design and approvals phase of Marinus Link.





**February
2023**

Completion of initial geotechnical investigations

The initial round of geotechnical investigations along the proposed transmission route were completed in Victoria. Information from these investigations will be used to inform the transmission route.

**June
2023**

Revenue determination process decision

the Australian Energy Regulator (AER) agreed to Marinus Link providing a revenue determination submission in two parts – early works (Part A) and construction costs (Part B).

**March -
April
2023**

Community engagement continues

Marinus Link delivered a program of engagement events in communities near the converter stations and proposed transmission route in Tasmania and Victoria. Meaningful engagement has continued between July 2022 and June 2023 with:

- 11 drop-in information sessions;
- 12 pop-up information stalls at local events;
- 4 webinars; and
- 6 newsletters distributed to landowners and local community.

**June
2023**

Launch of our Sustainability Framework

Marinus Link's Sustainability Framework will guide how Marinus Link will leave a positive legacy through three focus areas: healthy planet; community prosperity and trusted organisation.

MARINUS
LINK

For more information visit
marinuslink.com.au



Our customers

Energy Charter – National Concessions Awareness Campaign

TasNetworks is a proud signatory to the Energy Charter. A core aim of this work includes supporting customers facing vulnerable situations.

Given the rising cost of living being faced by all Australians, the Energy Charter launched its National Energy Concessions Awareness and Engagement Campaign to encourage people to take up the government support they could be eligible for on their energy bills. This year, many people across Australia faced increasing energy prices and other cost-of-living pressures. However, around 40 per cent of people who are eligible for ongoing concessions were not taking them up.

In collaboration with other Energy Charter Signatories, TasNetworks supported the development of this campaign through the sharing of our insights and experience working with vulnerable communities, along with the provision of a financial contribution.

The Energy Concessions Awareness Campaign is aimed at educating and informing people who have a Commonwealth concession card (such as a Centrelink Pensioner Concession Card, a Centrelink HealthCare Card or Veterans' Affairs Gold Card), and supporting them to access any concessions they are eligible for in their state or territory.

To support the delivery of the campaign, the Energy Charter produced a Concessions Campaign Toolkit for all member energy companies to get the key message out there: 'Keep the Money. It's yours'. The toolkit contains a range of assets, prepared specifically for First Nations communities, non-English speaking groups and the hearing impaired. These assets are being tracked against the take up concessions by the Melbourne Institute at the University of Melbourne, so we can understand the impact of this important message for our customers.

TasNetworks shared, and will continue to share, these materials across all of our internal and external channels. We also shared these materials far and wide with our key stakeholders in the community sector, including the Tasmanian Neighbourhood House Network.



First Nations Engagement

Through our relationship with the Aboriginal Land Council of Tasmania (ALCT), TasNetworks provided a donation of laptops to be dispersed to the Aboriginal community across the state, with particular focus on those living in remote areas. Our Information Technology team continues to work with the ALCT to build upon the community's computer literacy, including supportive training by TasNetworks volunteers. This work will be especially beneficial for the interpretation of Aboriginal sites and its land management regimes across lutruwita.

TasNetworks' Aboriginal Community Engagement Advisor, Graeme Gardner introduced Marinus Link staff to members of the local Aboriginal community in the North-West region, as part of TasNetworks' ongoing consultation with the Aboriginal community. Gippsland-based Marinus Link staff have since arranged future meetings with the community, including a session with the Pakana Rangers on the underwater archaeology survey at Heybridge.

TasNetworks' Environment and Sustainability Specialist, Kate Lawrence attended a cultural food walk at piyura kitina (Risdon Cove) as part of TasNetworks' ongoing work to increase its cultural awareness. Members of the commercially-operating palawa kipli passed on information about how native plant species play a key role in the dietary needs of Aboriginal people and how these plants are now being introduced into the culinary scene today.

With our support, Walantalaniny Palingina (WAPA) presented their pilot program, *Yanalangami Lutruwita: Strong Women, Strong Communities* at the Spring Bay Mill in Triabunna. The program aims to instil an ideology of culturally-safe methods and holistic approaches to healing, supporting Aboriginal women through building their 'toolkits' and activating their change-making potential. By investing in cultural leadership practices, it strengthens the networks of support for Aboriginal women, as well as sharing resources, knowledge and healing.



Energy Charter – Knock to Stay Connected

As part of our Energy Charter commitments, TasNetworks is supporting a number of *#BetterTogether* initiatives designed to deliver tangible customer and community outcomes. The 'Knock to Stay Connected' initiative works to support customers who are at risk of their services being disconnected (due to non-payment).

Our aim is to maintain a customer-centric approach while keeping as many customers connected as possible.

How does this program work? When TasNetworks receives a request from an energy retailer, our field crew visit the site at risk of disconnection. We provide the customer with key information regarding the support and referral services available to them when facing payment difficulties. This gives the customer an opportunity to speak with their retailer and make arrangements to avoid disconnection. If our field crew are then required to disconnect the site, they are at least assured they first tried all they could to keep the customer connected.

Since March 2023, 60 per cent of processed disconnection requests have been cancelled as a result of this initiative.

While the true impact of this program won't be known until a number of full bill cycles have completed, TasNetworks continues to work closely with the retailer customer code signatories to ensure our processes align and run smoothly for all involved. It will certainly take some time to see the long term benefits. However, in the meantime, for each customer who stays connected, it is making a difference in real time.

Customer Satisfaction Program

Through our Customer Satisfaction Program, we conduct monthly surveys with customers who have experienced an outage, arranged a new connection, or raised a general enquiry or complaint with us. Ratings from these surveys tell us how happy our customers are with the services we're providing.

The average overall satisfaction score for 2022-23 came in at 7.20 out of 10. This is slightly below our target of 7.6. 2022-23 was also the first year in which we changed our survey methodology to a dual approach – adding in online surveys to complement the pre-existing telephone surveys.

Customer survey data has helped drive many initiatives and process improvements, including the expansion to our SMS service and streetlight fault online reporting tool.

We also participate in the energy benchmarking research program, where our survey results are compared to other energy distribution businesses in the program.

For 2022-23, TasNetworks ranked first for satisfaction in Planned Outage and Complaint categories, and second in the other categories (Unplanned Outage, New Connection, and General Enquiry).



Planning for the future Revenue Reset 2024-29 (R24)

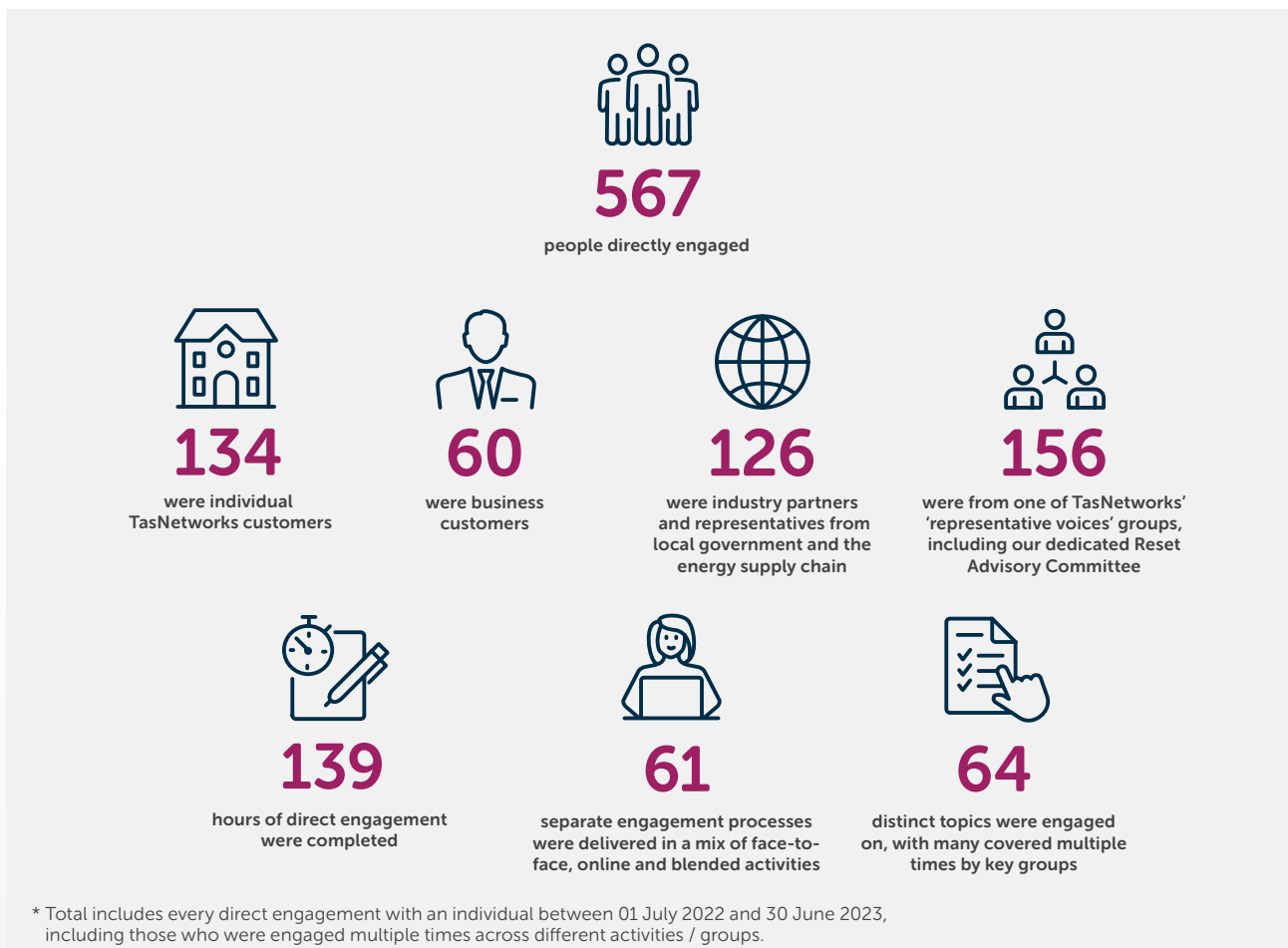
The Revenue Reset centres around the development of a Combined Proposal that details the funding we need to plan, build, maintain and operate our transmission and distribution networks to provide Tasmanians with safe, reliable and affordable electricity. During the financial year, our people remained focused on the goal of developing a Combined Proposal that will help meet the identified priorities of our customers and stakeholders, as well as being capable of acceptance by the Australian Energy Regulator (AER).

Customer priorities



The business successfully submitted the Combined Proposal to the AER in January 2023 following an intense period of preparation and modelling. Much of this work was informed by our most comprehensive and diverse engagement program to date.

2022-23 Revenue Reset engagement at a glance





How feedback shaped our Combined Proposal

Priority	How we have responded
Affordable for all	<ul style="list-style-type: none"> We constrained our capital expenditure, resulting in forecasts in line with the AER's approved allowances for our current regulatory control period (2019-2024). Our base operational expenditure forecasts maintained our position as an efficient Network Service Provider (compared against the AER's economic benchmarking standards). We are aiming to achieve a productivity improvement of 3 per cent in 2024-25, and 0.5 per cent for each subsequent year.
Reliable now, resilient for the future for the entire state	<ul style="list-style-type: none"> We rebalanced our reliability and resilience expenditure, refocusing on reliability in poor performing communities. We will take more specific actions in our Network Resilience Strategy to build a more resilient network in a sustainable and affordable way for our customers.
Transparent, socially responsible approach that ensures a sustainable solution for Tasmania	<ul style="list-style-type: none"> As a signatory to the Energy Charter, we are ensuring customers are at the centre of our planning and decision making. See how we are tracking in our sustainability snapshot on page 14. Our priority areas for action against the United Nations Sustainable Development Goals are affordability, reliability, climate change and the transition to renewable energy. These were identified as the most important issues to communities and our business, and we have attempted to balance our investments to reflect these preferences.
Proactive, long-term investment in renewable energy that increases Tasmania's capability and unlocks associated community benefits	<ul style="list-style-type: none"> We proposed seven transmission contingent projects, outlining major additions to the transmission network to build Tasmania's renewable energy capabilities. We proposed steady and modest investment in enabling Consumer Energy Resources (CER) using initiatives like tariff and community battery trials and improving our visibility of the low voltage network.



A delicate balance

As Tasmania's only provider of electricity transmission and distribution services, we are committed to providing our customers with affordable and reliable electricity, and helping Australia transition to cleaner energy sources.

The Australian economy and National Electricity Market have undergone rapid transformations in the past 12 months, resulting in increased cost of living pressures for most. Our plans for the coming regulatory period, running from July 2024 to June 2029, involve smart investments that will maintain the reliability of our electricity services and provide access to renewable energy resources, all while keeping prices as sustainably low as possible.

The AER released their draft determination on our Combined Proposal in September 2023. Our revised Combined Proposal will be submitted to the AER in December 2023. Follow our progress on our dedicated engagement platform, Talk with TasNetworks.



Our energy future

North West Transmission Developments

NWTD includes 240km of new and upgraded transmission lines and other energy infrastructure that will increase the capacity of Tasmania's electricity network and support Marinus Link and other renewable energy developments as Tasmania strives to be a world-leading renewable energy provider.

The NWTD will strengthen the transmission network in North-West Tasmania by creating a 220 kilovolt (kV) 'loop' that connects new and upgraded transmission substations and switching stations at Sheffield, Staverton, Hampshire Hills and in the Burnie area. The existing transmission corridor between Sheffield and Palmerston will also be strengthened, with a new transmission line and upgrades to substations at either end.



In June 2023, the NWTD reached a key procurement milestone with three contractors selected to proceed to the next stage of the tendering process and submit a Request for Proposal (RFP). The project is presently in the Design and Approvals phase and is subject to a Final Investment Decision (FID) currently scheduled for December 2024.

Environment, Planning and Heritage approvals

Like any major project developer, TasNetworks is required to prepare and submit a Development Application and an Environmental Impact Statement as part of the environment, planning and heritage approvals process for the NWT. These documents will form one consolidated application that will enable the Tasmanian Planning Commission to assess the environmental, social and economic aspects of the project against the project assessment criteria; and determine whether approvals will be granted and what conditions will be applied to allow the project to proceed to the construction phase.

Commencing in 2020, a team of technical and environmental specialists have undertaken comprehensive field surveys and technical studies to understand the existing conditions along the route. The findings of the studies will be shared at public information sessions as part of ongoing engagement for the project.

Community, landholder and stakeholder engagement

NWT is committed to working closely with landholders and the community as the project develops to achieve the best outcomes for the environment, landholders, and community.

TasNetworks achieved 86 per cent voluntary negotiated land access for private landholders across the remaining NWT route. Where access has not been provided, we are continuing to work closely with landholders to address any questions or concerns.

Since August 2022, the placement of 42 towers have been adjusted along the proposed route as a result of engagement with landholders concerning their land use requirements, such as locations of pivot irrigators. Another 20 towers have been moved due to technical findings as a result of field studies and some adjustments have also been made to the design of towers.

The NWT team have continued to undertake engagement activities to raise awareness about the project and to increase our understanding of what is important to the community and stakeholders. Activities throughout the year included:

- Holding regular community information sessions at locations along the proposed route.
- Attending community events including Agfest, EcoFest, Taste of the North West and Cradle Coast Business, Tourism and Travel Expo.
- Continuing meetings with the NWT Stakeholder Liaison Group (SLG). Established in 2021, the SLG includes 15 representatives from key industry groups, peak bodies, education, skills, housing and training sectors, as well as state government organisations.



Image: L – R: TasNetworks CEO, Sean Mc Goldrick with Craig Kerr and Chris Fletcher from Cradle Coast Mountain Bike Club

- Presenting at key industry events such as the Tasmanian Energy Development Conference, as well as conducting stakeholder briefings.
- Establishing a community partnership and schedule of community events with Rural Alive and Well – providing free counselling and support services for rural and regional Tasmanian communities.

In June 2023, the NWT Land Access Team held a national first and industry leading Land Agent Professional Development course. The aim of the course was to better equip land agents with the tools and knowledge required to be able to meaningfully engage with landholders and achieve better outcomes for those landholders affected by major transmission projects. The course was developed by TasNetworks with input and strong backing from the Australian Energy Infrastructure Commissioner.

TasNetworks proudly support initiatives that contribute to the health and wellbeing of the community. NWT helped deliver the upgrade of a popular mountain bike track, the Montgomery Loop trail, located near Penguin. This opportunity arose during discussions with the Cradle Coast Mountain Bike Club to minimise potential impacts to those who use the track near the existing Mount Montgomery Reserve transmission easement during future transmission line construction. Closed for the past two winters, the upgraded track means that it can now be used year-round and is a great example of how we are working positively with communities.



The Energy Charter's Better Practice Social Licence Guideline

TasNetworks is proud to have contributed to the development of The Energy Charter's Better Practice Social Licence Guideline, officially launched in May 2023.

Led by Energy Charter Full Signatories, a collective approach between a Community Outcomes Group, made up of landholder and community representatives, and a group of nationwide Transmission Network Service Providers, including TasNetworks, steered the co-developed Guideline.

The product of effective listening and strong collaboration between the agriculture and energy sectors, the Guideline provides a priority checklist of actions and activities required to minimise impact and meet landholders' expectations. There are identified principles that underpin building and maintaining social licence for landholders and communities affected by transmission developments, as well as practical opportunities to consider during the planning, construction, operation and decommissioning of transmission infrastructure.

As Tasmania continues to work towards its legislated Renewable Energy Target to double clean energy production by 2040, TasNetworks congratulates and thanks The Energy Charter, landholders, community representatives and other industry collaborators in delivering this important Guideline.



Innovating for our energy future

TasNetworks has been undertaking projects across the state to explore new ways of integrating and managing distributed resources, such as rooftop solar, household batteries, electric vehicles and community batteries. In many cases, this will support customers who own the assets to realise greater value from them, and for them to support the network to operate smoothly.

In 2023, TasNetworks completed a trial in partnership with four other network service providers to provide smart chargers to customers for their electric vehicles and explore how these can support the grid to operate in an efficient manner.

In addition, during the year TasNetworks received grant funding from the Federal Government to deliver two community batteries in Tasmania. These will be delivered into Burnie and Howrah in the coming years and will support realising better value from rooftop solar and reducing peak demand on the grid.

TasNetworks has also deployed solar and batteries into Derwent Bridge to explore how these solutions can improve customer experience and electricity reliability and price.

These projects support TasNetworks in learning and innovating on how new technologies can support the network to operate in a smarter way for the future.

Our people

Diversity, equity and inclusion

We have continued on our journey to create a workplace at TasNetworks that is a psychologically safe and inclusive environment to best enable a diverse and included workforce of the future.

In order to achieve a place for all within the Tasmanian and broader community, we have developed and begun implementation of the initial phase of our Diversity, Equity and Inclusion (DEI) Action Framework which provides the foundations to lift the experience and development of everyone at TasNetworks.

The Framework acknowledges and raises awareness of globally celebrated events such as International Women's Day, Pride Month, Global Accessibility Awareness Day and many more to come.

The DEI Action Framework is focused on three key elements, these involve:

1. Building a solid foundation for team members to better understand what DEI is and its importance in the workplace.
2. Shifting mindsets to create and sustain a safe and inclusive workplace.
3. Focusing on community to ensure TasNetworks plays our part in developing the Tasmanian community to embrace and celebrate diversity and to create equitable and inclusive communities.

The first key step in our DEI Action Framework is rolling out TasNetworks Respectful Workplace Program which currently consists of our 'Call it Out' workshops. These workshops are resetting workplace expectations of behaviour and the role and power held by bystanders who witness inappropriate behaviour to 'call it out'. The workshops are facilitated by 19 TasNetworks team members who volunteered their time to be trained. Training is being rolled out across the State to ensure that all team members have the opportunity to take part. Over 550 team members have completed this training so far.

We are excited to continue to roll out the TasNetworks Respectful Workplace Program alongside our other DEI Action Framework initiatives and look forward to collaboratively making TasNetworks a great place to work for all.

TasNetworks 'Call it Out' facilitators



Early careers programs – growing the skills of the future

Apprentice

2023 brought a targeted focus on Lineworkers. This niche skill set is challenging to source and secure in the marketplace and it therefore makes complete sense to grow our own talent. This focused approach has seen 10 Lineworker apprentices join the business to ensure the delivery of safe and reliable services, now and into the future.

Our state-wide apprentices undertake competency-based training at our registered training organisation at Mornington and infield, on the job.

Graduate

Graduate programs by nature are all about learning and growth. The TasNetworks' Graduate program is no exception – this year's 10 Graduates are exposed to a wide range of business functions in each rotation and tailored individual development, ensuring a saturated learning experience.

Our attraction strategy continues a focus on skills of the future for our business needs, diversity of thought and the inclusion of minority groups.



2023 Apprentices and Graduates

Investing in our community

TasNetworks is committed to working in partnership with our community to make a meaningful difference to the lives of Tasmanians. Through our partnerships, we provide not-for-profit groups with funding support to deliver initiatives designed to make lasting positive impacts at a local level.

Helping Tassie Seniors to be Wise, Warm and Well

Council of the Ageing

Seniors Week is an annual campaign organised by Council of the Ageing (COTA), which provides an exciting calendar of events and activities that allow older Tasmanians to connect, share experiences, learn new things and find out useful information.

As a sponsor of Seniors Week in 2022, TasNetworks partnered with Sustainable Living Tasmania to deliver free energy efficiency information sessions, designed to help participants to be *Wise, Warm and Well* at home.

The sessions included simple and tangible tips to improve household energy efficiency, information on tariffs, an electricity bill analysis and assistance to navigate the Energy Made Easy service.

“So much is online these days. It was good to see this in the Seniors Week program and to get all the information and answers in one place. Very helpful.”

Donna, Seniors Week participant



Tackling mental health in rural communities

Rural Alive and Well

Being there to support and help our community when they need it most is an important part of what we do. For us, this also means focusing our efforts where we can make the biggest difference.

In rural Tasmania, sporting clubs play an important role in keeping communities connected, helping foster a sense of belonging and instilling pride in local areas. This year, we partnered with Rural Alive and Well (RAW) to deliver a pilot of the Beyond the Sidelines program: a multi-faceted initiative designed to tackle mental health in Tasmanian rural sporting clubs.

Delivered in the club environment, the interactive program aims to equip players, members and officials with the knowledge to better understand mental health factors and manage their own wellbeing as well as the tools to support their mates in a practical, tangible way.

“I always like the clubs and teams I’m involved in as “a safe place”; so the ability to connect with this RAW program is a comfort to me.”

Brad, Sorell FC Under the pilot: Sourced from RAW





North West Community Events

Recognising the significant activity occurring in North-West Tasmania as part of TasNetworks' North West Transmission Developments, we also partnered with RAW to host a number of dedicated activities, specifically tailored toward supporting communities directly or indirectly impacted by the developments.

These events include RAW's 'Fast 5 Talks', various 'RAW Community Connect' events and a 'Utes and Boots' event in Sheffield.



CLUB ENGAGEMENT

35 Clubs
3 different leagues statewide
1 formal league supported partnership



RAW CONVERSATIONS

325 people
15 requests for support



ONE ON ONE SUPPORT

35 people have connected with RAW for one on one support



BRAND PROMOTION

40,986 kms state wide
32,572 reached online



Amplifying community voices

TasCOSS

People living on low incomes in Tasmania are often silenced, stigmatised or discriminated against. Until recently, there has been no formal, recognised or dedicated platform for people with lived experience of living on low incomes to have a direct or collective voice in systems and decisions which affect them.

In 2022, as part of a cross sector collaboration with TasCOSS, Aurora Energy, Hydro Tasmania and a number of community service providers, TasNetworks has supported the development and implementation of the Community Voices Program – a lived experience advocacy program for people living on low incomes, to sit within TasCOSS.

The program launched in 2023 and provides Community Voice Partners with training, support and payment in recognition for sharing their lived experience expertise, giving them a voice in the very services, systems and decisions which affect them and their communities.

“I’m learning to turn my vulnerability into power through an outlet where I’m respected and my input matters.” TasCOSS Community Voice Partner



Working together to bridge the digital divide

Neighbourhood Houses Tasmania

We recognise that having access to technology is one of the barriers preventing many people from participating in the digital world. As a way of bridging the digital divide in our community, in 2022 we donated 90 of our refurbished laptops to Neighbourhood Houses Tasmania.

So far under this partnership, 11 Neighbourhood houses have been provided with laptops, which have been used for various purposes – such as the establishment of a digital training program in partnership with TAFE, which provides participants with an Accreditation Certificate and refurbished laptop upon completion.

“Over 15 participants are increasing digital literacy in a structured course, finding important community connection and newfound confidence. The positive feedback has been excellent. Alongside this, all will receive a refurbished laptop to support ongoing learning, thanks to TasNetworks. The impact is significant and represents a critical investment in community at grass roots level.”

Ben Cooper, Warrane Neighbourhood House Manager



Community Benefit Sharing Program

During 2022, NWTD delivered a unique, industry leading co-design process to develop a Community Benefit Sharing Program (CBSP) for the communities in North-West Tasmania impacted by the proposed NWTD.

At the centre of this co-design process was a Youth Panel, with members aged 18-25 years from six affected local government municipalities, offering them, along with community members and stakeholders, the opportunity to strongly influence the development and implementation of the program.

The Youth Panel were empowered to develop eligibility requirements and draft a CBSP framework to ensure the values, concerns and priorities of the local community were reflected in the benefits the program will deliver.

The co-design process included thorough engagement with the broader community, to inform the Youth Panel's thinking, and with stakeholders on the governance arrangements for the CBSP.

In March 2023, the TasNetworks Board approved the Youth Panel's recommended CBSP eligibility requirements and stakeholders' preferred governance arrangements for the Program's implementation. A maximum \$10 million funding, subject to project approval, was committed by TasNetworks to implement the CBSP during the construction stage of the NWTD project and deliver a lasting positive legacy for communities.

TasNetworks' Innovate Reconciliation Action Plan

Our Innovate RAP (launching in early 2024) includes more than a dozen actions to protect Aboriginal heritage, uplift cultural awareness and improve the lives of Tasmanian Aboriginal people.

We own and manage a lot of Tasmanian land, bringing us into contact with sacred Aboriginal cultural sites and heritage. The RAP will ensure all of our field leaders and crew are trained in cultural awareness, to embed meaning into practical processes and procedures and ensure we have minimal impact to Aboriginal cultural heritage.

We can still do better at recruiting and retaining Tasmanian Aboriginal people in our business. We know that is built on better cultural awareness, inclusiveness and sensitivity. Our Innovate RAP will see us employ a Tasmanian Aboriginal employment consultant to help us maximise opportunity and inclusiveness in our hiring and development. A number of trained 'Cultural Champions' in our business will help support that work.

We want to maximise opportunities for Tasmanian Aboriginal people. Our current procurement policies carry weighting towards Aboriginal and Torres Strait Islander businesses, but we need to make it more effective. The Innovate RAP will include an Aboriginal and Torres Strait Islander Procurement Strategy to help firm up our procurement goals in relation to Aboriginal suppliers, not least by helping educate our leaders in the importance of social procurement.

TasNetworks is working to become an organisation that respects Aboriginal cultural heritage, provides equal opportunities, and is culturally diverse and proud.



Education at TasNetworks

Bright Sparks and STEAM

This year, the TasNetworks' Bright Sparks and Graduate STEAM (Science, Technology, Engineering, Arts and Mathematics) programs combined to deliver education to around 120 students at King Island District School.

Students participated in practical and interactive activities across both programs – with Bright Sparks educating kids around the dangers of electricity and how to use it safely; and the STEAM program delivering design challenges related to Science, Technology, Engineering, Arts and Maths, with the aim to inspire the next generation of graduates.

“The Bright Sparks programs being offered from our Kinder to Grade Six classes is an interactive and fun experience that teaches our students about the importance of safety around electricity. The students also enjoyed completing fun and engaging STEAM activities.”

Denise Bryant, Principal of King Island District High School



Protecting our environment

TasNetworks threatened bird incidents

TasNetworks recorded 26 threatened bird incidents* in 2022-23 (17 wedge-tailed eagles, seven grey goshawks and two white-bellied sea eagles).

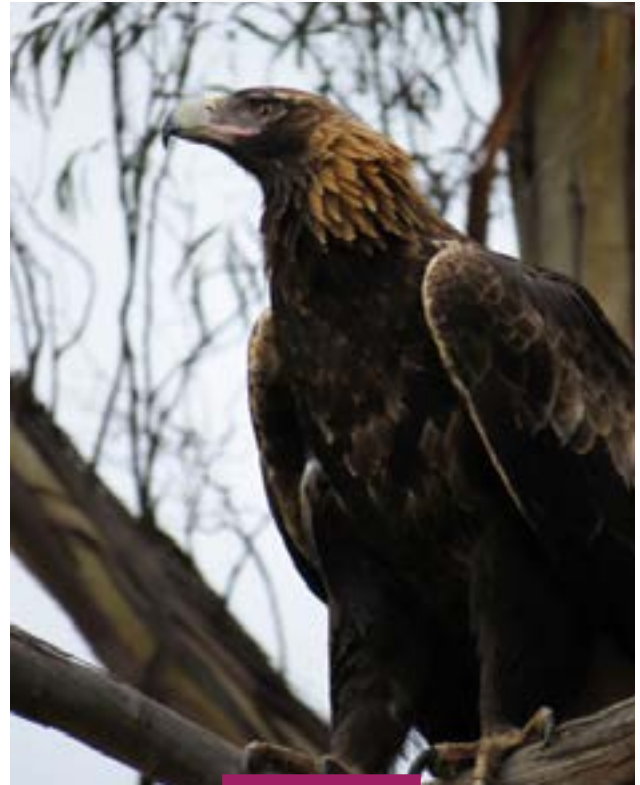
This decrease in number of reported incidents from 2021-22 (32) brings the annual number of reportable incidents closer in line with the average number of incidents over the last five years.

A consistent number of incidents are attributed in part to greater community awareness about reporting suspected power line interactions. TasNetworks has continued with newspaper and radio ads in 2022-23 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 is assisting with the more timely determination of incident cause. All deceased threatened birds are sent to the Tasmanian Museum and Art Gallery (TMAG) for necropsy to determine cause of death, if possible. TasNetworks works with TMAG to ensure all TasNetworks reportable threatened bird incidents have been independently assessed. There was also a substantial rise in the number of grey goshawk deaths reported, indicating that there was a historic level of undetected incidents of this species.



Dr David Hocking (Senior Curator of Vertebrate Zoology and Palaeontology) and Judy Clarke BVSc, PhD (Technical Officer, Threatened Birds Project) from TMAG with our environment team.



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 approximately 450 km of our overhead distribution network to date. 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, and the roll out of our new more bird safe design standard. TasNetworks also installed 80 km of bird mitigation in 2022-23 and continues to install bird mitigation measures in response to all reported incidents.

Next year, we are committed to installing a minimum of 30 km of bird 'flappers' using drones as part of our proactive program.

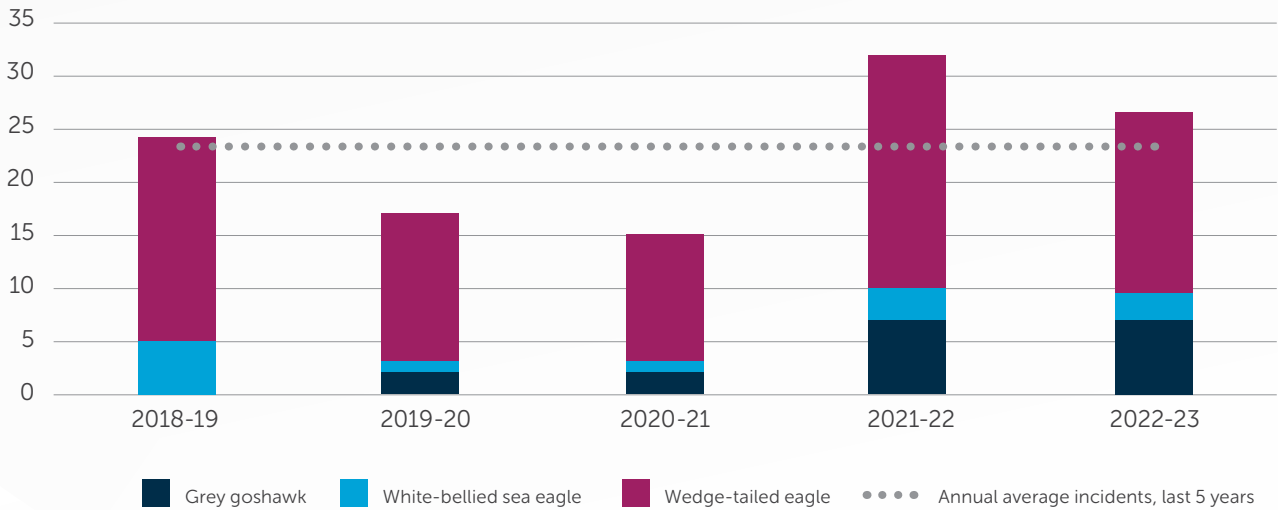
* All 26 threatened bird incidents occurred on the distribution network.

Strategy and Design

This year, TasNetworks has rolled out a new more ‘bird safe’ design standard for our network.

This involves increasing the separation between conductors by adopting a delta conductor configuration and using fibreglass cross arms.

TasNetworks Reportable Threatened Bird Incidents – Last 5 Years



TasNetworks' crew installing a new delta pole top (using fibreglass cross arms) on our distribution network.

Extending our support for environmental partnerships

TasNetworks is committed to operating our business in a way that retains environmental and cultural heritage values and supports biodiversity outcomes. We're working closely with our partners to support broader protection and conservation outcomes.



Tasmanian Museum and Art Gallery

We are proud to extend our three year partnership with the TMAG for a further two years. The partnership continues funding of a part-time TMAG technical officer, to facilitate research and necropsy of threatened birds. The researcher helps TMAG process remains more effectively – giving invaluable information on where and why birds have died or been injured, enabling TasNetworks to respond quicker to mitigate high-risk sites and protect other birds, as part of TasNetworks 2022-2032 Threatened Bird Strategy.

Bookend Trust

We are excited to extend our partnership with Bookend Trust for a further two years. The funding supports the annual *Where? Where? Wedgie!* citizen science surveys, supporting research into eagle populations, aiming to detect whether there is a significant increase or decrease in eagle numbers. The partnership also supports GPS tagged eagle research, giving irreplaceable insight into eagle behaviour.

Biosecurity

We're addressing biosecurity, as it is an important 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.

Collaborative weed management

We have joined forces with a range of councils and groups working in weed management across the state to get the best outcomes managing weeds near our power lines.

Some of projects and groups supported in the previous year includes:

- The Derwent Catchment Project
- North-West Spanish Heath Weed Action Fund Project
- Coal River Weed Action Fund Project
- State Roads Weed Management Program
- Mount Roland Landcare Group



Dee lagoon weed control

Dee Lagoon is an area identified in the Central Highlands Weed Management Plan 2021-2026 as a significant source of weed spread in a region that is otherwise in good condition.

As part of engagement by the Derwent Catchment Project in 2022-23, Hydro Tas, Sustainable Timbers Tas, Central Highlands Council and TasNetworks agreed to jointly fund a collaborative weed management effort in the area, with the joint aim of improving environmental and biosecurity outcomes in Tasmania.

42-24

As we celebrate our fifth birthday, and reflect on the year that has past, we are proud of 42-24's contribution to the Tasmanian ICT industry and to Tasmania as a whole. We are a technology provider, but above all, we're experts in finding solutions, with an end to creating a reliable and resilient foundation for Tasmanian businesses.

Our People

A key pillar of our 2022-23 business plan was to deliver rapid and sustainable growth. We could not do this without growing our people's skills and competence and by introducing new capabilities into the team. Over the past 12 months we have created several new roles in our business. These include two enterprise engineers, a customer and operations coordinator, a cyber-security architect, a technology leader, an additional business development manager and two cyber security analysts. All of these roles have assisted us in delivering exceptional services to our customers and have helped us move further towards operational independence. These jobs did not exist in the Tasmanian ICT market prior to this year and we are delighted to be contributing to job growth in the state.

New Products & Customers

The past year saw significant growth in our product offerings to market and with it, new customers.

We acquired our first Security Operations Centre customers who have helped us define and mature the product. This also led to the realisation of an opportunity to deliver cyber security consultancy services.

42-24 partnered with PaloAlto to build and deliver Firewall as a Service (FWaaS) to our customers. This product now facilitates secure and resilient access to the internet by proactively monitoring incoming and outgoing traffic in line with our customer's security policies, whilst providing local support.

Our professional services product has developed further through strong partnerships with the likes of CrowdStrike, Cisco and Microsoft. Although still in its infancy, early customer feedback indicates that this product will contribute significantly to our growth over the coming months and years.



Meeting a 25 per cent increase in customer numbers this financial year, a key strategy for growth for 42-24 has been, and will continue to be, offering effective, reliable and agile products to our customers. As we continue to build these value-added products over the top of our infrastructure, we are confident this growth will remain on an upward trajectory.

Our Culture

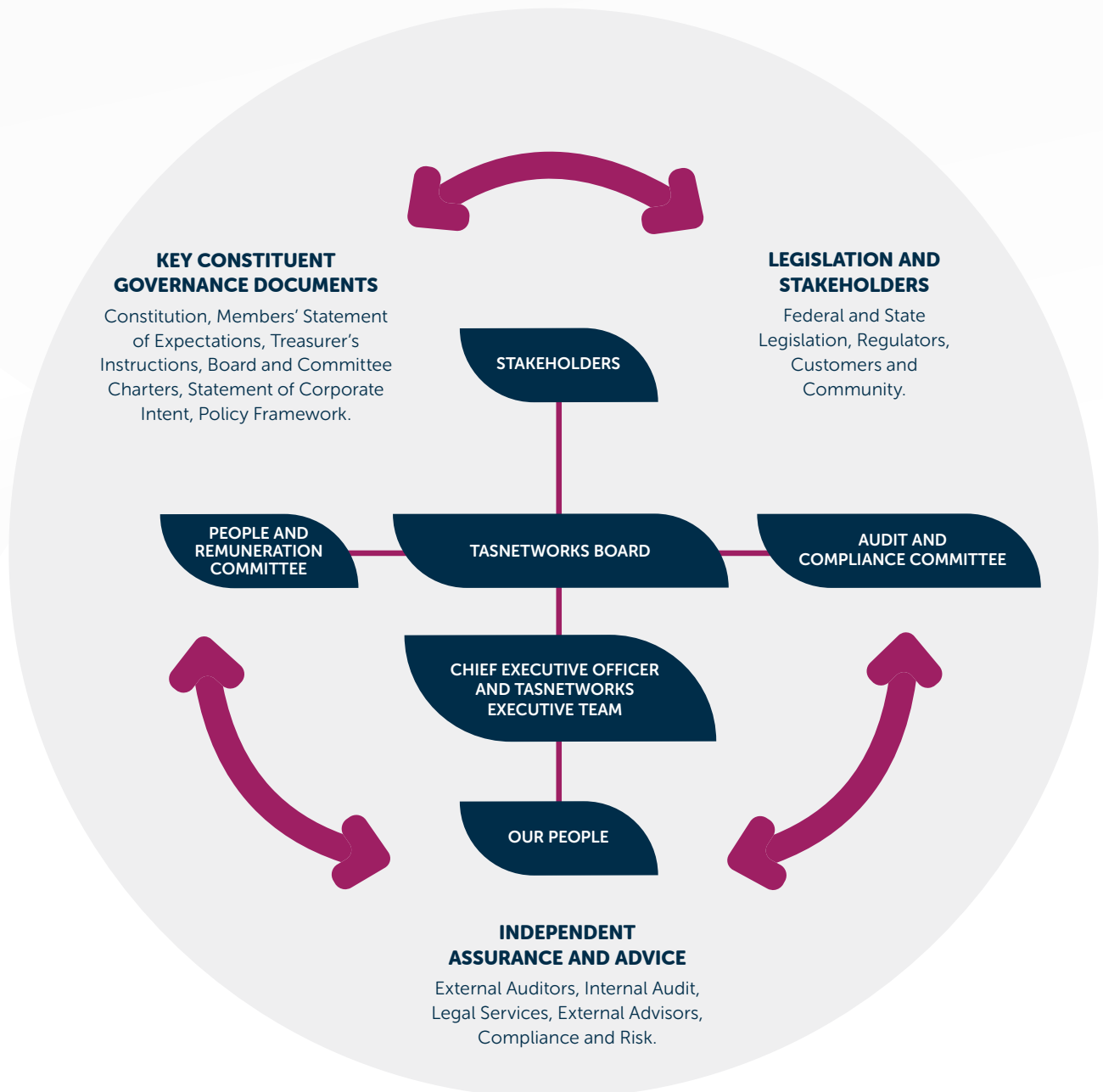
We are extremely proud and excited to have achieved a 98 per cent staff engagement score from our latest CultureAmp survey. This outstanding score has not happened by accident. We created a strong vision, acted with courage and transparency and ensured our people understood the value they brought to our business each day.

We understand that the success of our business lies with the success of our people.



Corporate governance

Our governance structure



Board of directors



Board members as at 30 June 2023.

L-R: Cheryl Hopkins, Julie Beeby, Kevin Kehl, Katherine Schaefer PSM, Roger Gill, Miles Smith

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 (ET). 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 of six non-executive directors.

At the Annual General Meeting on 25 November 2022, Joanne Doyle's term expired and Miles Smith was appointed as a non-executive director for a three year period. Kevin Kehl was re-appointed to the Board as a non-executive director, for a further three year period.

Sarah Merridew retired from the board on 23 April 2023, and Cheryl Hopkins was appointed as a non-executive director.

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 currently President of the International Hydropower Association (UK), Chair of Marinus Link Pty Ltd, Chair of the Technical Review Panel for Queensland Hydro, and a Non-Executive Director of Pacific Hydro (Aust.), Upper Hunter Hydro, SPIC Pacific Energy Pty Ltd and UHE São Simão Energia S.A. (Brazil).

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 30 years' experience in the energy and resources sector. She has technical, operations and strategy expertise and has held senior and executive positions in coal mining, mining services and coal seam gas, after commencing her career in coal, mineral processing and environmental research.

She is currently an Independent Director and Chair of ElectraNet Pty Ltd, a Non-Executive Director of Whitehaven Coal Ltd and a member of the Queensland Financial Provisioning Scheme Advisory Panel. Julie has previously held non-executive director positions on the Boards of Powerlink Queensland (as Chair for the last four years of her tenure), Zerogen, Gloucester Coal, Forge Group, CRC Mining, Australian Coal Association Low Emissions Technology and Australian Coal Research.

Her qualifications include Bachelor of Science (Hons), PhD in Physical Chemistry, 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.

Kevin Kehl

BE (Hons), GAICD

Appointed 23 November 2021

Re-appointed 25 November 2022

Current term expires November 2025

Previously an executive leader, Kevin has more than 40 years' experience in the energy industry across the distribution and transmission networks sector. He is currently a non-executive Director of Marinus Link Pty Ltd, and 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 three Government jurisdictions.

Kathy is currently a non-executive Director on the Sustainable Timber Tasmania Board, 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.

In 2016, Kathy was awarded the Public Service Medal in the Australia Honours and Awards System.

Miles Smith

BCom. BSc(Hons) GradDipEnvMan GAICD FCPA

Appointed 25 November 2022

Current term expires November 2025

Miles is an experienced executive who has worked internationally in the energy and mining sectors. He has had a diverse commercial career spanning strategy, analysis, finance, business-development and information technology. This included a stint with Transend Networks in 1999 and at Hydro Tasmania from 2003-2017 in a number of roles including Chief Financial Officer.

Miles is currently a Director of the Hobart City Mission Foundation and a member of the Tasmanian Council of the Australian Institute of Company Directors. Miles was previously the Chair of UTAS Nexus Aquasciences Pty Ltd, Chief Investment Officer and Chief Executive Officer of UTAS Innovation Ventures, and is an active volunteer in the State Emergency Service.

Miles holds a Bachelor of Commerce, honours in Science and a Graduate Diploma of Environmental Management. Miles is also a Fellow of CPA Australia, a Graduate of the Australian Institute of Company Directors and is on the AICD National Reporting Committee.

Cheryl Hopkins

MBA GradCert(Man) GAICD

Appointed 28 April 2023

Current term expires November 2024

Cheryl has accumulated more than 35 years' experience in the Australian energy industry, working in executive positions across the supply chain in retail, wholesale, upstream gas, networks, and strategic risk and governance. Cheryl's diverse experience includes leading transformational change within large private businesses and government-owned corporations who operate in highly competitive energy markets.

Cheryl is currently Deputy Chair of Jacana Energy and Chair of the Jacana Energy Audit and Risk Committee. Cheryl holds a Graduate Certificate (Management), Master of Business Administration through Macquarie Graduate School of Management and is a Graduate of the Australian Institute of Company Directors.

Joanne Doyle

BCom, FCA, RCA, MAICD

Appointed 1 July 2016

**Re-appointed 20 November 2018 and
23 November 2021**

Term expired 25 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.

Sarah Merridew

BEC, FCA, FAICD

Appointed 20 February 2019

Re-appointed 23 November 2021

Retired on 27 April 2023

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.

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 135 to 141.

Board Committees

The Board has two standing committees:

- the People and Remuneration Committee (previously 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.

Prior to the establishment of an independent board for Marinus Link Pty Ltd in August 2022, TasNetworks convened a dedicated Project Marinus Board Committee.

People and Remuneration Committee	Audit and Compliance Committee	Project Marinus Board Committee *
Dr Julie Beeby (Chair)	Miles Smith (Chair)	
Roger Gill	Kevin Kehl	All Directors
Katherine Schaefer PSM	Cheryl Hopkins	

* Committee ceased meeting in September 2022.

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 2022-23 financial year and provided the Board with minutes from each meeting.

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

The People and Remuneration Committee met four times during the 2022-23 financial year and provided the Board with minutes from each meeting.

Subsidiary companies

TasNetworks has four wholly-owned subsidiary companies. As at 30 June 2023, the composition for these companies were as follows:

- **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 Ross Burridge (Executive, Operations), and the Company Secretary is Madeline Sheehan (TasNetworks' Corporate Counsel). During 2022-23, Michael Chan was a Company Secretary for TasNetworks Holdings Pty Ltd until his resignation on 2 December 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 (Chairman and TasNetworks' Chief Executive Officer) Renee Anderson (TasNetworks' Executive People) and Michael Ash (TasNetworks' Executive, Stakeholders) and the Company Secretary is Madeline Sheehan (TasNetworks' Corporate Counsel). During 2022-23, Michael Chan was a Company Secretary for Fortytwo24 Pty Ltd until his resignation on 2 December 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 Roger Gill (Chairman and TasNetworks' Chairman), Dr Collette Burke, Kevin Kehl (TasNetworks' Director), Warwick Smith AO and Dr Seán Mc Goldrick (TasNetworks' Chief Executive Officer) and the Company Secretary is Maryanne Young (Executive Manager, Governance & Legal).

During 2022-23, Samantha Hogg was Chairman until 13 June 2023; Dr Sean Mc Goldrick (Chairman and TasNetworks' Chief Executive Officer), Ross Burridge (TasNetworks' Executive Operations), Renee Anderson (TasNetworks' Executive People) and Michael Chan (TasNetworks' Executive Governance) were also Directors of Marinus Link Pty Ltd prior to the appointment of the independent Board on 4 August 2022.

- **TasNet Connections Pty Ltd**, which was incorporated to hold unregulated transmission connection assets.

The directors of TasNet Connections Pty Ltd are Dr Seán Mc Goldrick (Chairman and TasNetworks' Chief Executive Officer), Ross Burridge (TasNetworks' Executive, Operations) and Michael Westenberg (TasNetworks' Executive, Finance) and the Company Secretary is Madeline Sheehan (TasNetworks' Corporate Counsel). During 2022-23, Michael Chan was a Company Secretary for TasNet Connections Pty Ltd until his resignation on 2 December 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 (including 'Call it Out' training for all staff and Board Members);
- 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 2022-23 financial year, seven formal applications for Assessed Disclosure were received. In four out of the seven applications received, all of the information sought was provided to the applicant. One application had twelve components and took over six months to process following negotiations with the applicant given its voluminosity. In the three applications where exemptions were also claimed, s 31, 36, 37 and 38 of the Act were all invoked. Four of the seven applicants were politicians, one was on behalf of an association and another on behalf of a conservation foundation. Two related to Marinus link and one to the North West Transmission Project. As at 30 June 2023, none of these decisions had been appealed, however two internal reviews were received in relation to decisions made in 2021-22. Both internal reviews were upheld in part. 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 March 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.

Two protected disclosures were received during the year and both were determined to be public interest disclosures. One disclosure was investigated and completed, with the alleged conduct not substantiated. That matter was referred to the Ombudsman for investigation, and the Ombudsman referred it back to TasNetworks. As at 30 June 2023, one disclosure is still being investigated. 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.

Modern Slavery

TasNetworks is committed to implementing and enforcing effective systems and controls to ensure Modern Slavery is not taking place in our business or in any of our supply chains. Our Policy Against Modern Slavery is available on the TasNetworks website, and our previous Modern Slavery Statements are published on the Modern Slavery Register and also available on TasNetworks website. The Modern Slavery Statement for 2022-23 will be submitted to Modern Slavery Register by the end of 2023 calendar 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 2022-23 financial year, the TasNetworks Board was made up of six independent, non-executive directors.

The Board's responsibilities are summarised at page 44 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 52 in Principle 8: Remunerate fairly and responsibly.

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 45 to 46 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 People and 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. Evaluations are being conducted for the 2022-23 financial year internally, with the Board undertaking a number of questionnaires to assess and provide feedback on the performance of individual directors, Committees and the Board. 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 Health and Safety 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 47 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 on page 48.

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 Management 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' Business Governance 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 61 of this annual report.

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

The TasNetworks People and 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 2022-23, the People and 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.



L-R: Peter Stuckey, Ross Burridge AM, Seán Mc Goldrick, Renee Anderson, Andrew Davis, Michael Westenberg.
Absent: Wayne Tucker, Michael Ash, Michael Chan, Mike Paine.

TasNetworks Executive team

TasNetworks' executive management team comprises a chief executive officer and seven executive managers.

Dr Seán Mc Goldrick

B.A., B.A.I., Ph. D, EngExec and CPEng
Chief Executive Officer

Ross Burridge AM

BCom, FCPA, FAICD, FFTP
Executive, Operations

Wayne Tucker

Grad Dip Eng. Maint, Ass Dip Elect Eng., MBA, GAICD
Executive, Growth

Michael Ash

Executive, Stakeholders

Michael Westenberg

GAICD
Executive, Finance

Renee Anderson

BBus, GAICD
Executive, People

Andrew Davis

BA, MA (Marketing)
Executive, Transformation
Executive, Strategy, Transformation and Digital
(from 20 August 2022)

Peter Stuckey

LLB
Executive, Governance (from 27 March 2023)

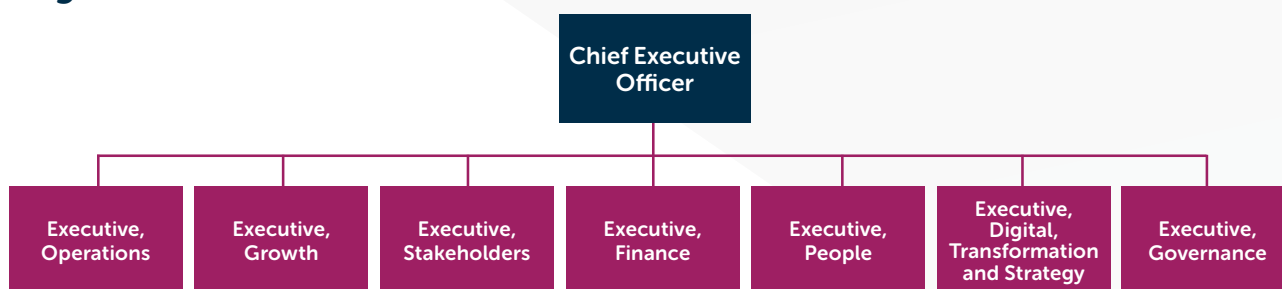
Michael Chan

BA, LLB, MEc
Executive, Governance (until 2 December 2022)

Mike Paine

BEng, Grad Dip Eng, FIE Aust, GAICD
Executive, Digital (until 19 August 2022)

Organisational structure



Governance

The Governance Group comprises Legal Services, Company Secretariat and Business Governance 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.

Transformation, Strategy and Digital

The group comprises transformation, strategy, digital solutions and operational systems teams.

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. 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.

Stakeholders

Stakeholder is responsible for Regulation, Revenue Reset, Customer Experience, Government Relations & Communications, Corporate Social Responsibility, Land Access & Acquisitions, and 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 135 to 141.

TasNetworks has complied with the Government's Director and Executive Remuneration Guidelines, applicable at the time, for the year ended 30 June 2023 with the exception of two variations. These are the confidentiality and termination provisions contained in executive contracts which pre-date the June 2014 Shareholders Direction to comply with the Guidelines. For details of payments made to senior executives, refer to note F3 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 Sean 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	2022-23 Target	2022-23 Result	
Safety and Wellbeing	Safety & Wellbeing (S&W) Plan	Maintain Safety and Wellbeing maturity at 'Established' level	'Established' level maintained	✓
	Total Recordable Injury Frequency Rate (TRIFR)	≤ 2	5.0	✗
	Significant incidents	< 6	4	✓
	Reportable incidents	< 49	38	✓
Customer	Customer net promoter score	≥ +18	+12	✗
	Customer satisfaction	≥ 7.6	7.2	✗
	Customer complaints – volume	< 2,000	789	✓
	Basic distribution connections completed on time	> 80%	84.5%	✓
	Negotiated distribution customer connections – Construction phase on time	> 80%	92%	✓
People	Employee engagement	≥ 67%	55%	✗
Our Business				
Network service	Service Incentive bonuses earned – transmission and distribution (\$m)	≥ 3.4	4.6	✓
	Sustained cost management	Operating expenditure (\$m)	≤ 175.7	179.8
Capital expenditure (\$m)		< 206.4	221.7	✗
Our Owners				
TasNetworks consolidated performance	EBITDA (\$m)	≥ 297.1	321.8	✓
	Profit after tax (\$m)	≥ 21.7	26.2	✓
	Return on assets (%)	≥ 2.5	3.0%	✓
	Return on equity (%)	≥ 1.9	2.0%	✓
	Dividends (\$m)	≥ 20.1	22.6	✓
	Gearing Ratio (%)	≤ 64.6	62.5%	✓
Large competitive connections	Revenue (\$m)	≥ 6.1	6.1	✓
	EBITDA (\$m)	≥ 4.3	5.4	✓
Fortytwo24 Pty Ltd	Revenue (\$m)	≥ 34.3	21.8	✗
	EBITDA (\$m)	≥ 11.6	3.2	✗
Project Marinus – Marinus link	Project Milestones	Complete activities in Tender Preparation sub-phase of the Development and Approvals (D&A) phase and pass the tender Readiness Decision Gate. Commence the Business Case Confirmation Sub-phase of the D&A phase.	Below target	✗

Performance commentary

Safety, Wellbeing and Environment

TasNetworks has maintained a high focus on safety and wellbeing of our people and environment throughout the year, seeing a reduction in the number of significant incidents compared to prior years and maintaining maturity at the 'established' level. This reflects a focus on minimising incidents of high potential harm to people and environment.

The total recordable injury frequency target lifted as a result of six low energy and low consequence incidents in December and January. These injuries were comprised of minor muscle strains and cuts, which resulted in restricted work duties for short periods or minor medical treatment.

Reportable incidents also reduced in both the Safety and Environment areas reduced for the year. Although the analysis of the datasets are not conclusive, indications are the downward trend is due to the growth in maturity of both systems and knowledge of the management of these risks throughout the business.

Our Customers

While our volume of complaints reduced, and connections metrics met targets, our customers' ratings of satisfaction and net promoter score reduced. Analysis of the data and commentary from customers indicates this is due to failing to meet customer expectations of delivery timeframes in activities such as new connections, streetlight repairs and complaint resolution.

Our People

Employee engagement did not achieve target for the year at a total engagement of 55 per cent compared to the target of 67 per cent. This reflected a more challenging environment as the business undertook a significant transformation program resulting from the 2021-22 Strategic Review.

Our Business

The operating expenditure in the business has held broadly flat with less than 1 per cent increase in a higher inflation environment. This was below target but reflects the focus on cost discipline and efficiency in partnership with transformation.

Capital expenditure for the year was above target, reflecting delivery against the multi-year program of work under our regulatory framework.

The combined Service Incentive bonus from the Australian Energy Regulator for the performance of the transmission and distribution networks was above target for the year, and a significant increase upon the prior year. This reflected the improved service levels delivered to Tasmania across both networks in the year. The Service Target Performance Incentive Scheme (STPIS) is designed to ensure that service levels do not reduce as a result of efforts to achieve efficiency gains. Achieving the increased service incentive while holding operating expenditure reflects achieving a positive balance in outcomes for customers and Tasmanians.

Our Owners

Overall profit for the consolidated business was slightly above target, and EBITDA increased year-on-year as the effects of a multi-year transformation program begin to flow through the business to operate more efficiently for the benefit of customer service and the Tasmanian community.

In TasNetworks' growth businesses, the large competitive connections grew and achieved its uplift target, though this remained small in the overall context of the TasNetworks business as the competitive connections business continues to operationalise. The telecommunications, data and IT subsidiary of FortyTwo24 did not achieve target, which was forecast as a high uplift aligned to planned growth transactions that did not eventuate.

Project Marinus has remained a key project for the business to enable further flows of electricity and corresponding value between Tasmania and the remainder of the National Electricity Market. In October 2022, the Australian, Tasmanian and Victorian Governments entered an historic agreement for joint ownership of Marinus Link, securing it as a critical transmission project for the nation. The project remains in an important phase of progressing the work towards a Final Investment Decision.

Tasmanian Government reporting requirements

Purchases from Tasmanian Businesses during 2022-23

% of Tasmanian purchases	67.3%
Value of Tasmanian purchases	\$222,221,557

Accounts due or paid during 2022-23

Creditor days (average days)	24
Number of accounts due for payment	31,611
Number of accounts paid on time	26,550
Amount due for payment	\$337,804,139
Amount paid on time	\$278,206,483
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				
Ernst & Young	Sydney, NSW	Market modelling studies for Palmerston	July 2022 – March 2023	229,015
Deloitte Touche Tohmatsu	Hobart, TAS	Advisory services to support with the Digital Strategy and Roadmap	April 2023 – August 2023	165,834
White & Case	Melbourne, VIC	Provision of legal and advisory services to support TasNetworks unregulated business growth	July 2022 – March 2023	164,458
National Institute of Economic and industry Research	Melbourne, VIC	Provision of demand forecast analysis	October 2022 – May 2023	155,515
Ernst & Young	Sydney, NSW	Review of Cost Allocation Method	November 2022 – March 2023	128,814
PricewaterhouseCoopers Consult. NSW	Sydney, NSW	Cybersecurity Expenditure Review	August 2022 – November 2022	125,000
Page Seager Lawyers	Hobart, TAS	External legal advisory services	July 2022 – June 2023	118,548
White & Case	Melbourne, VIC	External legal advisory services	July 2022 – June 2023	104,281
Michael McCafferty Pty Ltd	Hobart, TAS	External legal advisory services – miscellaneous advice	July 2022 – June 2023	87,635

Name of Consultant	Location	Description	Period of Engagement	Amount (\$)
Michael McCafferty Pty Ltd	Hobart, TAS	External legal advisory services advice relating to renewable energy zones	July 2022 – June 2023	77,666
Ernst & Young	Melbourne, VIC	Review and advice on TasNetworks' capital structure and provision of recommendations	February 2023 – May 2023	75,000
Cutler Merz Pty Ltd	Sydney, NSW	Roadmap of Electricity Network development for George Town Hydrogen Hub	July 2022 – August 2022	61,252
Trevor Armstrong & Associates	Cambridge, TAS	Review of proposed asset management structure and recommended actions	December 2022	51,821
Total engaged by Tasmanian Networks Pty Ltd for business as usual activities				1,544,841
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	July 2022 – June 2023	108,729
MBB Group Pty Ltd	Sydney, NSW	Provision of procurement strategy advice	July 2022 – June 2023	192,223
White & Case	Melbourne, VIC	Provision of legal advice	July 2022 – June 2023	91,972
Total engaged by Tasmanian Networks Pty Ltd for Project Marinus				392,924
Engaged by Marinus Link Pty Ltd				
Herbert Smith Freehills	Melbourne, VIC	Provision of legal advice	July 2022 – June 2023	1,131,969
Boston Consulting Group	Sydney, NSW	Provision of strategic advice	July 2022 – September 2022	707,000
Tetra Tech Coffey	Chatswood, NSW	Provision of environmental advice	July 2022 – June 2023	590,456
Ernst & Young	Sydney, NSW	Provision of commercial and regulatory advice	July 2022 – June 2023	296,058
Jacobs Group (Australia) Pty Ltd	Naremburn, NSW	Provision of quality assurance and due diligence advice	July 2022 – June 2023	116,100
Mercer Consulting (Australia) Pty Ltd	Melbourne, VIC	Provision of strategic workforce planning advice	July 2022 – June 2023	70,100
Total engaged by Marinus Link Pty Ltd				2,911,684
Total engaged for Project Marinus				3,304,608

Name of Consultant	Location	Description	Period of Engagement	Amount (\$)
Engaged by Fortytwo24 Pty Ltd				
KPMG	Adelaide, SA	Financial advisory services supporting 42-24's growth strategy	July 2022 – June 2023	268,530
K&L Gates	Melbourne, VIC	Provision of legal and advisory services to support 42-24's growth strategy	July 2022 – June 2023	180,656
Page Seager Lawyers	Hobart, TAS	Provision of legal and advisory services to support 42-24's growth strategy	July 2022 – June 2023	119,190
Altman Solon Australia Pty Ltd	Sydney, NSW	Engaged to undertake market research to assist with 42-24's growth strategy	February 2023 – March 2023	95,000
Total engaged by Fortytwo24 Pty Ltd				663,377
Engaged by TasNet Connections Pty Ltd				
PricewaterhouseCoopers Consult. NSW	Sydney, NSW	Current State Operating Model Review	August 2022 – September 2022	111,000
KPMG	Adelaide, SA	Provision of corporate advisory services in relation to the operationalisation of TasNetworks Connections	February 2023 – June 2023	74,601
Total engaged by TasNet Connections Pty Ltd				185,601
TOTAL				5,698,428
There were 48 Consultants engaged for \$50,000 or less totalling				802,438
TOTAL PAYMENTS TO CONSULTANTS				6,500,867

Director's Report

The Directors of TasNetworks at any time during the 2022-23 financial year were:

<p>Roger Gill Chairman</p>	<p>Mr Gill was first appointed to the Board in November 2017. He is a member of the Remuneration Committee.</p> <p>Appointed: 27 November 2017 Current Term: 23 November 2021 until November 2024</p> <p>Mr Gill was appointed as Chairman in November 2021.</p>
<p>Dr Julie Beeby Director</p>	<p>Dr Beeby was first appointed to the Board in November 2018. She is Chair of the Remuneration Committee.</p> <p>Appointed: 20 November 2018 Current Term: 13 November 2020 until November 2023</p> <p>Dr Beeby will be eligible for re-appointment at the 2023 AGM.</p>
<p>Kevin Kehl Director</p>	<p>Mr Kehl was appointed to the Board as a replacement director in September 2021. He is a member of the Audit and Compliance Committee.</p> <p>Appointed: 23 November 2021 Current Term: 25 November 2022 until November 2025</p> <p>Mr Kehl will be eligible for re-appointment at the 2025 AGM.</p>
<p>Katherine Schaefer PSM Director</p>	<p>Ms Schaefer PSM was appointed to the Board as a replacement director upon Mr Gill's appointment as Chairman in November 2021. She is a member of the Remuneration Committee.</p> <p>Appointed: 22 February 2022 Current Term: 22 February 2022 until November 2023</p> <p>Ms Schaefer PSM will be eligible for re-appointment at the 2023 AGM.</p>
<p>Miles Smith Director</p>	<p>Mr Smith was appointed to the Board in November 2022. He is the Chair of the Audit and Compliance Committee.</p> <p>Appointed: 25 November 2022 Current Term: 25 November 2022 until November 2025</p> <p>Mr Smith will be eligible for re-appointment at the 2025 AGM.</p>
<p>Cheryl Hopkins Director</p>	<p>Ms Hopkins was appointed to the Board as a replacement director in April 2023 upon Ms Merridew's resignation, for the remainder of the approved term (until November 2024). She is a member of the Audit and Compliance Committee.</p> <p>Appointed: 27 April 2023 Current Term: 27 April 2023 until November 2024</p> <p>Ms Hopkins will be eligible for reappointment at the 2024 AGM.</p>
<p>Joanne Doyle Director</p>	<p>Ms Doyle was first appointed to the Board in July 2016. She was Chair of the Audit and Compliance Committee.</p> <p>Appointed: 1 July 2016 Term: 23 November 2021 until November 2022.</p> <p>Ms Doyle's term concluded in November 2022. Mr Smith was appointed as Director and Chair of the Audit and Compliance Committee to replace Ms Doyle for the remainder of the approved term – until November 2025.</p>
<p>Sarah Merridew Director</p>	<p>Ms Merridew was first appointed to the Board as an additional sixth director in February 2019. She was a member on the Audit and Compliance Committee.</p> <p>Appointed: 20 February 2019 Term: 27 April 2023</p> <p>Ms Merridew resigned from the Board in April 2023. Ms Hopkins was appointed as the replacement director for the remainder of the approved term - until November 2024.</p>

Consolidation

During financial year 2022-23, 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.

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 \$26.1 million for the year ended 30 June 2023 and the company invested \$291.5 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

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.

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 37 reportable environmental incidents during the financial year which included 27 impacts to listed threatened fauna species (comprising 17 Wedge-tailed Eagles, two White Bellied Sea Eagles, seven Grey Goshawks, and 1 Central North Burrowing Crayfish) and 10 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

On 26 July 2023, The TASCORP Board approved an increase to the Borrowing Limit under the Master Loan Facility Agreement from \$2.2b to \$2.5b.

On 4 August 2023, the Premier of Tasmania issued a media release raising concern over material and significant cost increases for the Marinus Link Project, the significant cost burden this would present for Tasmania, and the need to consider alternative funding options to cover the increased costs of the Project. The Premier advised he had written a letter to the Australian Prime Minister and the Australian Minister for Climate Change and Energy regarding these matters in July 2023, a copy of which was tabled in the Tasmanian Parliament on 8 August 2023. The letter stated the Project may not remain in the long-term interests of Tasmanian consumers or the State, and as such, the Tasmanian Government was not in a position to continue to take the Project forward and was seeking further engagement with the Australian Government regarding alternative pathways to deliver the Project. The letter also outlined Tasmania's continued commitment to transitioning the national electricity market, the success of the project and on island energy projects including North West Development.

The effect of this event was considered with reference to *AASB 110 Events after the Reporting Period*. The Tasmanian Government's announcement regarding the exploration of alternative pathways and funding options to deliver the Project was a 'non-adjusting event' as it did not provide evidence of conditions that existed at 30 June 2023. Consequently, no change was made to the carrying amounts of assets or liabilities relating to the Marinus Link Project or the North West Transmission Developments Project in the financial statements. The announcement had no effect on existing funding or financing arrangements for the Project, the Group, or the Directors' intent to progress the Project to Final Investment Decision stage.

There have been no other matters or circumstances arising since 30 June 2023 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 \$22.583 million on 31 December 2022 from after-tax profits during the financial year 2021-22.

In respect of the financial year ended 30 June 2023 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 2023. 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		People and 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	13	13	-	6	4	4
Dr Julie Beeby	13	13	-	1	4	4
Kevin Kehl	13	13	6	6	-	-
Katherine Schaefer PSM	12	12	-	3	4	4
Miles Smith	6	6	2	2	-	2
Cheryl Hopkins	2	2	1	1	-	-
Joanne Doyle	7	7	4	4	-	-
Sarah Merridew	10	11	4	5	-	-

Signed in accordance with a resolution of the TasNetworks directors.



Mr Roger Gill
Chairman

Date: 11 August 2023

Auditor's independence declaration



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Web: www.audit.tas.gov.au

7 September 2023

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 2023, 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 black ink, appearing to read "R Whitehead".

Rod Whitehead
Auditor-General

Independent Auditor's report



Independent Auditor's Report

To the Members of Tasmanian Networks Pty Ltd

Report on the Audit of the Consolidated Financial Report

Opinion

I have audited the financial report of the Tasmanian Networks Pty Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

In my opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

I conducted the audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

I confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the directors on the same date as this auditor's report and is included in the Directors' 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>Valuation of regulated transmission and distribution network assets <i>Refer to note B2</i></p>	
<p>The Group’s regulated transmission and distribution network assets are recognised at fair value and were carried at \$1.35 billion and \$1.99 billion, respectively, at 30 June 2023</p> <p>The fair value of these networks assets is determined in using an income valuation methodology based on discounted cash flows. The projected cash flows are discounted to present value using a discount rate based on a real pre-tax weighted average cost of capital (WACC).</p> <p>The calculation of fair value is judgemental and highly dependent on a range of assumptions and estimates, such as the allowable revenue to be earned as determined by the Australian Energy Regulator (AER), operating and capital expense allowances in line with the determination of the AER, terminal value multiple, and WACC.</p>	<ul style="list-style-type: none"> • Obtaining an understanding of the discounted cash flow model, and assessing its design, integrity and appropriateness. • Testing, on a sample basis, the internal mathematical accuracy of the valuation model’s calculations. • Assessing the reasonableness of cash flow forecasts relative to board approved budgets, historical growth trends, long term asset management plans and other relevant internal and external evidence, including the determination and guidelines issued by the AER. The reasonableness of board approved budgets was assessed with reference to their historical accuracy and the budget preparation process. • Assessing the reasonableness of the terminal value multiple with reference to market data, including information published by the AER. • Evaluating the reasonableness of the discount rate applied, with reference to the AER rate of return guideline.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
	<ul style="list-style-type: none"> Evaluating the adequacy of disclosures made in the financial report, including those regarding key assumptions used in the valuation, in light of the requirements of AASB 13 <i>Fair Value Measurement</i>.
<p>Capital works in progress Refer to note B1 and B2</p>	
<p>During 2022-23 the Group expended \$290.02 million on capital expenditure and major projects included in capital works in . Major projects included the Marinus Link Project and North West Transmission Developments Project.</p> <p>This is a key audit matter due to:</p> <ul style="list-style-type: none"> the complexity of the cost allocation principles and methodology for capitalising costs into capital projects judgement involved in determining whether expenditure was research or capitalised development in accordance with AASB 138 <i>Intangible Assets</i> judgement involved in assessing whether expenditure is of a capital or operating nature judgment involved in determining the amount of borrowing costs eligible for capitalisation on qualifying assets judgement involved in accounting for government grants received for the purchase or construction of long-term assets the timing of commissioning of assets constructed or remediated 	<ul style="list-style-type: none"> Obtaining an understanding of the cost allocation principles and methodology for capitalising costs into capital projects and assessing their design, integrity and appropriateness. Evaluating the design and implementation of internal controls to monitor capital work in progress and assessing their operating effectiveness. Testing, on a sample basis: <ul style="list-style-type: none"> the classification of expenditure as research or capitalised development expenditure the classification of expenditure as operating or capital expenditure the commissioning of assets from capital works in progress whether projects in capital works in progress were unfinished. Assessing the reasonableness of the capitalisation rate determined for including borrowing costs in the cost of qualifying assets, and testing, on a sample basis, the capitalisation of borrowing costs on qualifying assets.

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
<ul style="list-style-type: none"> • judgement involved in assessing whether there is any indication that property, plant and equipment capital works in progress may be impaired • the requirement for management to test whether the carrying amount of the Marinus Link Project intangible asset work in progress exceeded its recoverable amount. 	<ul style="list-style-type: none"> • Evaluating management’s allocation of grants received between those related to assets and those related to income, and testing, on a sample basis, those deducted from the carrying amount of the cost of the asset to which they relate. • Evaluating the reasonableness of management’s assessment of whether there was any indication that property, plant and equipment capital works in progress may be impaired. • Reviewing management’s calculation of recoverable amount for the Marinus Link Project intangible asset work in progress, including: <ul style="list-style-type: none"> - obtaining an understanding of the value in use model, and assessing its design, integrity and appropriateness - testing, on a sample basis, the internal mathematical accuracy of the model’s calculations - assessing the reasonableness of cash flow forecasts relative to board approved budgets and other Marinus Link Project documentation - evaluating the reasonableness of the discount rate applied - evaluating whether the recoverable amount exceeded the carrying amount. • Evaluating the reasonableness of the disclosures in the financial report in accordance with the requirements of Australian Accounting Standards.

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:

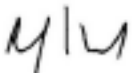
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material 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

7 September 2023
Hobart



Consolidated Financial Statements

Consolidated Statement of Profit or Loss

For the financial year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Revenue	A1	509,509	501,212
Grant revenue – Project Marinus*	A1	7,298	12,117
Total revenue		516,807	513,329
Operating expenses			
Employee benefit expenses		(140,908)	(132,050)
Employee benefit expenses – Project Marinus*		(4,294)	(2,979)
Other operating expenses		(43,102)	(46,464)
Other operating expenses – Project Marinus*		(6,721)	(9,138)
Total operating expenses	A2(a)	(195,025)	(190,631)
Depreciation and amortisation expenses	A2(b)	(199,345)	(185,797)
Finance costs	A3	(85,451)	(79,905)
Share of joint venture result	B4	34	-
Total expenses		(479,786)	(456,333)
Profit before income tax equivalent		37,021	56,996
Income tax equivalent expense on profit	A4(a)	(10,843)	(17,251)
Net profit for the year		26,178	39,745

*Project Marinus is the project name encompassing 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 2023

	Note	2023 \$'000	2022 \$'000
Net profit for the year		26,178	39,745
Items that will not be reclassified subsequently through profit or loss:			
Net fair value movements on property, plant and equipment	D3	229,791	87,751
Superannuation actuarial gains/(losses)	F2	5,892	34,066
Income tax equivalent expense on items that will not be reclassified subsequently through profit or loss	A4(b)	(70,705)	(36,545)
		164,978	85,272
Items that have or may be reclassified subsequently through profit or loss:			
Hedge reserve			
– Gain/(loss) recognised in equity	D3	25	44
– Reversal of prior year losses	D3	-	-
Income tax equivalent expense on items that have or may be reclassified subsequently through profit or loss	D3, A4(b)	(7)	(13)
		17	31
Total comprehensive income for the year		191,174	125,048
Total comprehensive income for the year attributable to:			
Owners of TasNetworks		191,174	125,048
		191,174	125,048

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 As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	C5(a)	9,639	8,638
Trade and other receivables	E1	111,874	86,429
Inventories	E2	38,013	33,039
Other assets	E3	7,257	7,310
Total current assets		166,783	135,416
Non-current assets			
Intangible assets	B1	104,194	122,069
Property, plant and equipment	B2	3,849,943	3,538,621
Right-of-use assets	B3	6,020	5,989
Investment in joint venture	B4	2,034	2,000
Other assets	E3	2,566	1,166
Total non-current assets		3,964,757	3,669,845
Total assets		4,131,540	3,805,261
Current liabilities			
Trade and other payables	E5	70,051	74,604
Borrowings	C1	260,550	220,550
Lease liabilities	C2	799	590
Employee benefits	F1	37,523	38,483
Provisions	E4	6,219	497
Tax liabilities	A4(c)	1,540	2,454
Contract liabilities	E6	54,513	41,094
Total current liabilities		431,195	378,272
Non-current liabilities			
Borrowings	C1	1,934,800	1,871,300
Lease liabilities	C2	5,914	5,992
Net deferred tax equivalent liabilities	A4(d)	269,702	218,068
Employee benefits	F1	142,359	149,831
Provisions	E4	151	421
Contract liabilities	E6	31,901	34,450
Total non-current liabilities		2,384,828	2,280,062
Total liabilities		2,816,022	2,658,334
Net assets		1,315,518	1,146,927
Equity			
Retained earnings	D1	207,384	199,665
Contributed equity	D2	62,724	62,724
Reserves	D3	1,045,409	884,538
Total equity		1,315,518	1,146,927

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

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2023

	Note	Contributed Equity \$'000	Asset Revaluation Reserve \$'000	Hedge Reserve \$'000	Retained Earnings \$'000	Total \$'000
As at 1 July 2022		62,724	884,507	31	199,665	1,146,927
Net profit for the year		-	-	-	26,178	26,178
Other comprehensive income:						
Net fair value movements on property, plant and equipment	D3	-	229,791	-	-	229,791
Superannuation actuarial gains/(losses)	F2	-	-	-	5,892	5,892
Hedge reserve	D3	-	-	25	-	25
Income tax relating to components of other comprehensive income	A4(b)	-	(68,937)	(7)	(1,768)	(70,712)
Total comprehensive income for the year		-	160,854	17	30,302	191,174
Transactions with owners in their capacity as owners:						
Dividends paid	D1	-	-	-	(22,583)	(22,583)
As at 30 June 2023		62,724	1,045,361	48	207,384	1,315,518

		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

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 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities:			
Receipts from customers		549,739	552,880
Grants received		1,527	-
Interest received		40	20
Payment to suppliers and employees		(251,391)	(231,437)
Interest paid		(65,340)	(65,241)
Guarantee fee paid		(6,685)	(6,963)
Income tax equivalents paid		(31,472)	(26,550)
Net cash provided by operating activities	<i>C5(b)</i>	196,418	222,709
Cash flows from investing activities:			
Proceeds from sale of property, plant and equipment		1,450	3,569
Grant proceeds for asset development		3,900	-
Payment for property, plant and equipment		(226,842)	(205,532)
Payment for intangible assets		(14,206)	(21,029)
Payment for Marinus Link development intangible asset		(39,569)	(31,707)
Payment for joint venture		-	(2,000)
Net cash used in investing activities		(275,267)	(256,699)
Cash flows from financing activities:			
Proceeds from borrowings		753,104	609,365
Repayment of borrowings		(649,604)	(567,515)
Payment of lease principal		(1,067)	(555)
Dividends paid	<i>D1</i>	(22,583)	(5,122)
Net cash provided by financing activities	<i>C3</i>	79,850	36,173
Net increase/(decrease) in cash and cash equivalents		1,001	2,183
Cash and cash equivalents at the beginning of the financial year		8,638	6,455
Cash and cash equivalents at the end of the financial year	<i>C5(a)</i>	9,639	8,638

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 2023

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 H4) the group of companies is referred to as TasNetworks in these financial statements. The financial statements comply with effective 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 \$5.543 million (m) deficit (2022: \$22.308m deficit). Short-term debt maturities of \$260.550m (2022: \$220.550m) 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 \$4.650m of undrawn borrowing capacity at 30 June 2023 (2022: \$108.150m) (note C1). On 26 July 2023, the TASCORP Board approved an increase to the Borrowing Facility Limit under the Master Facility Loan Agreement from \$2,200m to \$2,500m.

The financial statements were authorised for issue by the directors on 11 August 2023.

(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 for certain financial instruments and certain non-current assets which are measured at revalued amounts or fair values at the end of each reporting period. TasNetworks uses an income based approach to value its regulatory asset classes (see Note B2). Historical cost is based on the fair values of the consideration given in exchange for good and services.

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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

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.

(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
A1	Grant revenue
A4	Recovery of deferred tax assets
B2	Asset useful lives
B2	Asset valuation
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 obligation

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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

(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

The accounting policies as set out in these notes, have been applied in preparing the financial statements for the financial year ended 30 June 2023 and the comparative information presented in these financial statements for the period ended 30 June 2022. 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 2023 are detailed in note H8.

Global environment

The current economic conditions have provided disruption to the global supply chain and driven a higher level of inflation. TasNetworks has undertaken a review of its assumptions and estimates used in preparing the financial statements. Other than where inflation has been applied as an input to valuation calculations and disclosed in the notes to the financial statements there have been no other material impacts to the financial statements.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

TasNetworks' performance

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

A1. Revenue

	Note	2023 \$'000	2022 \$'000
(a) Revenue from contracts with customers			
Provision of regulated distribution services*		285,636	281,876
Provision of regulated transmission services*		168,410	160,058
Provision of other non-regulated services		28,529	27,233
Customer contributions		19,164	21,338
		501,740	490,505
(b) Other revenue			
Rent and lease income		1,977	1,862
Interest received		294	20
Grants received – Project Marinus	A1	7,298	12,117
Other grants and subsidies		1,252	2,410
Gain on disposal of property, plant and equipment		1,281	2,817
Other revenue	A1	2,965	3,598
		15,067	22,824
Total revenue		516,807	513,329
Revenue from contracts with customers by timing of revenue			
Services transferred at a point in time		41,264	37,763
Services transferred over time		460,476	452,742
		501,740	490,505

*The current year result includes \$22 million (2022: \$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 \$248 million (2022: \$250 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 2023 or 2022.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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 (continued)

For the financial year ended 30 June 2023

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 not recognised until there is reasonable assurance that TasNetworks will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that TasNetworks should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as a direct contribution to the asset. This contribution reduces the carrying amount of the asset in the statement of financial position; subsequently reducing the impact on the profit or loss in future years.

Grants received – Project Marinus

The primary objective of Project Marinus is to support Australia's continuing transition to a clean energy future by progressing the Marinus Interconnector and the supporting Tasmanian transmission network development required to meet these objectives. These objectives involve costs to both TasNetworks and Marinus Link that are directly attributable to the development of assets (capital) as well as incidental operational and administrative costs of the project. TasNetworks' position is to apportion grant funding between grants to assets and grants related to income based on the capex / opex split for the period to which the grant relates.

- The portion of the grant related to income will be recognised in the Profit and Loss in the period in which the costs are incurred.
- The portion of the grant related to assets will be recognised as a reduction of the carrying amount of the asset on the Statement of Financial Position.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

A1. Revenue (continued)

Grants received (continued)

Key Assumption

Marinus Revenue

In April 2022, the Commonwealth committed \$75m in funding under the Federal Funding Agreement (FFA) to progress Project Marinus to a Final Investment Decision which is apportioned between Marinus Link and North West Transmission components of the projects on the basis of estimated project costs of 77.62% (\$58.2m) and 22.68% (\$16.8m) respectively. Payments are being received over three financial years in line with completion of agreed milestones.

At 30 June 2023, the grant received in cash totalled \$5m with a Grant receivable recognised of \$30m based on the milestones being achieved as per the FFA agreement. Grant funding for the 2022-23 financial year has been apportioned between grants related to assets and grants related to income based on the actual split of operating and capital expenditure for the period, with grants related to income of \$7.3m and grants related to a contribution towards the asset of \$27.7m, totalling \$35m.

Other grant revenue

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

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 (continued)

For the financial year ended 30 June 2023

A2. Expenses	Note	2023 \$'000	2022 \$'000
(a) Operating expenses			
Employee benefits	A2(c)	140,908	132,050
Services ¹		42,159	38,257
Information technology and communications		13,014	13,282
Property costs		6,610	6,801
Materials		3,658	4,848
Licence fees		7,929	8,653
Insurance		5,516	4,629
Claims and payments ²		1,889	6,019
Other		13,526	14,414
Capitalised indirect costs ³		(51,201)	(50,439)
		184,010	178,514
Operating expenses – Project Marinus			
Employee benefits	A2(c)	4,294	2,979
Services ¹		5,453	7,748
Other		1,268	1,390
		11,015	12,117
Total operating expenses		195,025	190,631

- Services expenditure comprises the provision of both the cost of professional services and services incurred in maintaining TasNetworks' assets.
- Claims and payments are lower than the 2021-22 financial year due to major storms that occurred in June 2022 which led to widespread power outages in the North-West of Tasmania leading to 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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

Expenses (continued)			2023	2022
	Note		\$'000	\$'000
(b) Depreciation and amortisation expenses				
Depreciation of property, plant and equipment	B2		174,861	162,630
Amortisation of intangible assets	B1		23,701	22,764
Amortisation of right-of-use assets	B3		783	403
			199,345	185,797
(c) Employee benefits expenses*				
Post employment benefits				
Defined benefit plans	F2		9,626	8,028
Defined contribution plans			12,202	12,556
			21,828	20,584
Termination benefits			15,025	615
Other employee benefits (salary and wages)			116,236	119,617
Total employee benefit expenses			153,089	140,816
Net interest cost on defined benefit plans	F2		(7,887)	(5,787)
Employee benefits expenses in profit or loss	A2(a)		145,202	135,029

*includes Project Marinus employee expenses of \$4.294m (2022: \$2.979m).

A3. Finance costs

Finance costs incurred during the financial year			69,215	65,776
Government guarantee fee*			6,675	6,816
Net interest costs on defined benefit plan	F2		7,887	5,787
Interest on finance leases	G1		385	191
Interest on long-term revenue contracts			1,289	1,335
Total finance costs			85,451	79,905

*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 (continued)

For the financial year ended 30 June 2023

A4. Income tax equivalents		2023 \$'000	2022 \$'000
(a) Recognised in profit or loss			
Income tax equivalent (expense)/income comprises:			
Current income tax expense		(29,921)	(33,597)
Net (increase)/decrease in deferred tax equivalent liability		19,078	16,346
Total income tax equivalent (expense)/income		(10,843)	(17,251)
Numerical reconciliation between income tax equivalent expense and pre-tax net profit:			
Profit before income tax equivalent		37,021	56,996
Income tax equivalent calculated at 30%		(11,106)	(17,099)
Increase in income tax equivalent expense due to:			
Non-deductible expenses		(9)	(8)
Prior year under/over provision		848	(101)
Other changes		(576)	(43)
Total income tax equivalent (expense)/income		(10,843)	(17,251)
(b) Recognised in other comprehensive income			
Items that will not be reclassified subsequently through profit or loss:			
Income tax equivalent on fair value movements	<i>D3</i>	(68,937)	(26,325)
Income tax equivalent on superannuation actuarial (gains)/losses	<i>D1</i>	(1,768)	(10,220)
Total recognised in other comprehensive income		(70,705)	(36,545)
Items that have or may be reclassified subsequently through profit or loss:			
Income tax equivalent on hedge reserve	<i>D3</i>	(7)	(13)
Total recognised in other comprehensive income		(7)	(13)
Total income tax equivalent recognised in other comprehensive income		(70,712)	(36,558)
(c) Current tax equivalent assets and liabilities			
Current tax equivalent payable/(receivable)		1,540	2,454

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

A4. Income tax equivalents (continued)

	2023 \$'000	2022 \$'000
(d) Deferred tax equivalent balances		
Deferred tax equivalent liabilities comprise:		
Temporary differences	(337,909)	(292,549)
Deferred tax equivalent assets comprise:		
Temporary differences	68,207	74,481
Net deferred tax equivalent liabilities	(269,702)	(218,068)

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

	Balance 1-Jul-22 \$'000	Recognised in income \$'000	Recognised in equity \$'000	Balance 30-Jun-23 \$'000
Deferred tax equivalent liabilities:				
Property, plant and equipment	(292,549)	23,577	(68,937)	(337,909)
	(292,549)	23,577	(68,937)	(337,909)
Deferred tax equivalent assets:				
Employee benefits	63,369	(843)	(1,768)	60,758
Provisions	1,506	(767)	-	739
Derivatives	(13)	-	(7)	(20)
Inventory	(2,393)	2	-	(2,391)
Other items	12,012	(2,891)	-	9,121
	74,481	(4,499)	(1,775)	68,207
Net deferred tax equivalent liabilities	(218,068)	19,078	(70,712)	(269,702)

(f) Movements in temporary differences during the previous 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)

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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 (continued)

For the financial year ended 30 June 2023

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

	Other Intangible Computer Software \$'000	Internally Generated Marinus Link WIP \$'000	Other Intangible Computer Software WIP \$'000	Total Intangible Assets \$'000
Cost				
At 1 July 2022	230,103	31,707	3,494	265,304
Additions during the year	-	10,930	8,203	19,133
Transfer from WIP	2,327	-	(2,327)	-
Grant contribution towards asset	-	(13,307)	-	(13,307)
Balance at 30 June 2023	232,430	29,330	9,370	271,130
Accumulated amortisation				
At 1 July 2022	(143,235)	-	-	(143,235)
Disposals	-	-	-	-
Amortisation	(23,701)	-	-	(23,701)
Balance at 30 June 2023	(166,936)	-	-	(166,936)
Carrying amount at 30 June 2023	65,494	29,330	9,370	104,194

	Other Intangible Computer Software \$'000	Internally Generated Marinus Link WIP \$'000	Other Intangible Computer Software WIP \$'000	Total Intangible Assets \$'000
Cost				
At 1 July 2021	202,267	-	10,301	212,568
Additions during the year	-	31,707	21,029	52,736
Transfer from WIP	27,836	-	(27,836)	-
Balance at 30 June 2022	230,103	31,707	3,494	265,304
Accumulated amortisation				
At 1 July 2021	(120,471)	-	-	(120,471)
Disposals	-	-	-	-
Amortisation charge for the year	(22,764)	-	-	(22,764)
Balance at 30 June 2022	(143,235)	-	-	(143,235)
Carrying amount at 30 June 2022	86,868	31,707	3,494	122,069

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

B1. Intangible assets (continued)

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. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the profit or loss in the period in which it is incurred.

Post October 2021, directly attributable costs associated with Project Marinus have been capitalised on the basis that the criteria have been met to capitalise the assets under AASB 138 *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 2023.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

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 at least annually and whenever there is an indication that the asset may be impaired (note B5).

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

B2. Property, plant and equipment	2023	2022
	\$'000	\$'000
Network assets – Transmission		
Network assets – at fair value	2,603,197	2,424,609
Accumulated depreciation	(1,253,486)	(1,119,177)
Carrying amount	1,349,711	1,305,432
Network assets – Distribution		
Network assets – at fair value	4,569,060	4,131,146
Accumulated depreciation	(2,583,869)	(2,310,136)
Carrying amount	1,985,191	1,821,010
Communication assets		
Communication assets – at fair value	100,088	82,138
Accumulated depreciation	(60,898)	(53,299)
Carrying amount	39,190	28,839
Easements		
Easements – at fair value	91,854	85,212
Accumulated impairment	(50)	(50)
Carrying amount	91,804	85,162
Land		
Land – at fair value	52,834	52,608
Buildings		
Buildings – at fair value	122,124	121,136
Accumulated depreciation	(48,097)	(44,215)
Carrying amount	74,027	76,921
Other plant and equipment		
Other plant and equipment – at cost	214,131	208,288
Accumulated depreciation	(153,768)	(143,843)
Carrying amount	60,363	64,445
Capital works in progress – at cost	196,823	104,204
Total property, plant and equipment	3,849,943	3,538,621

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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.

TasNetworks uses an income based approach to value its regulatory asset classes, the fair value of the Group's regulated assets was determined using the income based approach, which reflects the present value of an investment's future cash flows in order to arrive at a current fair value estimate for an investment. The regulated revenue that the assets are allowed to earn under the National Electricity Rules 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.

Key estimates

Asset valuation

Key inputs and assumptions for the discounted cash flow include:

- Revenue cash flows as per the revenue proposal determination by the Australian Energy Regulator (AER)
- Operating expenditure is equal to the allowances set by the AER
- Capital expenditure is equal to the allowances set by the AER
- Terminal value equal to the forecasted Regulated Asset Base (RAB) using a multiple of 1.00
- Weighted Average Cost of Capital (WACC) discount rate as determined/revenue proposal by the AER
 - Standard Control 5.71%
 - Prescribed 5.68%

No material change in value was determined for the 2023 financial year.

The income approach based on a discounted cash flow methodology was adopted from the beginning of the financial year and is a change from the AER RAB methodology applied in the prior year. The change in valuation approach is a change in accounting estimate which did not give rise to any change in assets and liabilities or an item of equity at the beginning of the financial year.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

B2. Property, plant and equipment (continued)

Communication assets

Communication assets are recorded at fair value based on an income based approach to best represent their fair value and income earning capacity.

Opening asset values are indexed annually based on the CPI movement for the year.

Easements

Easements are recorded at fair value based on an income based approach to best represent their fair value and income earning capacity.

Opening asset values are indexed annually based on the CPI movement for the year.

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

B2. Property, plant and equipment (continued)

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.

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

B2. Property, plant and equipment (continued)

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

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

B2. Property, plant and equipment (continued)

	2023								
	Transmission network at fair value \$'000	Distribution network at fair value \$'000	Communication assets at fair value \$'000	Easements at fair value \$'000	Land at fair value \$'000	Buildings at fair value \$'000	Other plant & equipment at cost \$'000	Capital works in progress at cost \$'000	Total \$'000
Gross value									
At beginning of financial year	2,424,609	4,131,146	82,138	85,212	52,608	121,136	208,288	104,204	7,209,341
Additions during the year	-	-	-	-	-	-	-	270,890	270,890
Disposals	-	-	-	-	-	-	(1,868)	-	(1,868)
Transfers of WIP to non-current assets	24,116	116,562	14,339	-	226	988	7,711	(163,942)	-
Grant contribution towards an asset	-	-	-	-	-	-	-	(14,329)	(14,329)
Net revaluation increments/ (decrements)	154,472	321,352	3,611	6,642	-	-	-	-	486,077
Balance at end of financial year	2,603,197	4,569,060	100,088	91,854	52,834	122,124	214,131	196,823	7,950,111
Accumulated depreciation and impairment losses									
At beginning of financial year	(1,119,177)	(2,310,136)	(53,299)	(50)	-	(44,215)	(143,843)	-	(3,670,720)
Disposals	-	-	-	-	-	-	1,699	-	1,699
Net revaluation increments/ (decrements)	(67,876)	(185,764)	(2,646)	-	-	-	-	-	(256,286)
Depreciation charge for the year	(66,433)	(87,969)	(4,953)	-	-	(3,882)	(11,624)	-	(174,861)
Balance at end of financial year	(1,253,486)	(2,583,869)	(60,898)	(50)	-	(48,097)	(153,768)	-	(4,100,168)
Carrying amount at 30 June 2023	1,349,711	1,985,191	39,190	91,804	52,834	74,027	60,363	196,823	3,849,943
Carrying amount of assets had they been recognised at cost									
Balance at 30 June 2023	1,126,198	1,726,125	37,064	73,690	44,510	63,572	60,363	196,828	3,328,350

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

B2. Property, plant and equipment (continued)

2022

	Transmission network at fair value \$'000	Distribution network at fair value \$'000	Communication assets at fair value \$'000	Easements at fair value \$'000	Land at fair value \$'000	Buildings at fair value \$'000	Other plant & equipment at cost \$'000	Capital works in progress at cost \$'000	Total \$'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)	(1)	-	-	-	-	(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

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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 2023 \$'000	30 June 2022 \$'000			
Network assets, Communication assets and Easements	3,465,896	3,240,443	CPI	+/- 5%	A 5% increase in CPI increases the fair value of assets by \$173m
			AER Determination	N/A	AER determination of the asset values via regulatory revenue reset process
Buildings	74,027	76,921	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 (continued)

For the financial year ended 30 June 2023

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 and vehicles for contract terms of 3 years, as well as fibre optic equipment for a contract term of 25 years.

	Telecommu- nication sites \$'000	Substation sites \$'000	Depots \$'000	Equipment \$'000	Vehicles \$'000	Total \$'000
Opening balance at 1 July 2022	206	240	272	5,271	-	5,989
Revaluation of leases	-	-	37	359	-	396
Depreciation charge for the year	(19)	(9)	(166)	(590)	-	(783)
Additions to right-of-use assets	-	-	267	-	151	418
Balance at 30 June 2023	187	231	410	5,040	151	6,020

	Telecommu- nication sites \$'000	Substation sites \$'000	Depots \$'000	Equipment \$'000	Vehicles \$'000	Total \$'000
Opening balance at 1 July 2021	224	229	357	1,461	-	2,271
Revaluation of lease	(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

Recognition and measurement

Right-of-use assets

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

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 (continued)

For the financial year ended 30 June 2023

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.

TasNetworks undertakes an annual impairment assessment of right of use assets, with any identified impairment losses accounted for per note B5.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

B4. Investment in Joint Venture

	Note	2023 \$'000	2022 \$'000
Measured using the equity method	H5	2,034	2,000
		2,034	2,000
Share of profit/(loss) of joint venture	H5	34	-
		34	-

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.

In May 2022, TasNetworks invested in a joint venture which 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 an entity of the TasNetwork Group 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 this Group.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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 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 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 or 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 assets value in use to determine future recoverable cash flows.

Internally generated intangible assets (including those held by subsidiary companies) are reviewed annually to ensure they continue to meet the recognition criteria for internally generated intangible assets. The value in use of the intangible asset is calculated using an estimate of expected future cash flows.

Significant events

During the year there were no significant asset impairment events.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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. On 26 July 2023, the Tasmania Public Finance Corporation Board approved an increase to the Borrowing Facility Limit under the Master Facility Loan Agreement from \$2,200m to \$2,500m.

	2023 \$'000	2022 \$'000
Current:		
Overnight borrowings	24,050	40,550
Borrowings	236,500	180,000
	260,550	220,550
Non-current:		
Borrowings	1,934,800	1,871,300
	1,934,800	1,871,300
Total borrowings	2,195,350	2,091,850

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 \$236.5m (2022: \$180m) 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, and has validated that it will remain outside the benchmark in line with its Treasury Risk Management Policy.

Unused borrowing facilities at balance date

	Limit 2023 \$'000	Drawn 2023 \$'000	Undrawn 2023 \$'000	Limit 2022 \$'000	Drawn 2022 \$'000	Undrawn 2022 \$'000
Unsecured bank overdraft facility	1,000	–	1,000	1,000	–	1,000
Corporate MasterCard	1,500	399	1,101	1,500	325	1,175
Guarantee facility	1,000	–	1,000	1,000	–	1,000
TASCORP Master Loan Facility	2,200,000	2,195,350	4,650	2,200,000	2,091,850	108,150

The Treasurer provided explicit support to the Tasmanian Public Finance Corporation for TasNetworks' borrowings as part of the Government's response to the COVID-19 pandemic. As at 30 June 2023, this support was limited to a maximum borrowing limit of \$2.100m. On 7 July 2023 a temporary borrowing limit of \$50m was approved by the Tasmanian Public Finance Corporation Board taking the limit to \$2,250m until 7 August 2023. On 26 July 2023, the Tasmanian Finance Corporation Board approved an increase to the Borrowing Facility Limit under the Master Facility Loan Agreement from \$2,200m to \$2,500m.

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 (continued)

For the financial year ended 30 June 2023

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

	2023 \$'000	2022 \$'000
Not Later than 1 year	1,103	590
Later than 1 year and not later than 5 years	2,909	1,757
Later than 5 years	2,701	4,235
	6,713	6,582
<i>Analysed as:</i>		
Current lease liability	799	590
Non-current lease liability	5,914	5,992
	6,713	6,582

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 (continued)

For the financial year ended 30 June 2023

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 2024. 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 (continued)

For the financial year ended 30 June 2023

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 \$'000	Finance leases \$'000	Retained earnings \$'000	Total \$'000
Opening balance at 1 July 2022	2,091,850	6,582	199,665	2,298,097
Changes from financing cash flows:				
Proceeds from borrowings	753,104	-	-	753,104
Repayment of borrowings	(649,604)	-	-	(649,604)
Principal lease payments	-	(1,067)	-	(1,067)
Payment of dividend	-	-	(22,583)	(22,583)
Total changes from financing cash flows	103,500	(1,067)	(22,583)	79,850
Non-cash changes				
Liability changes				
Lease modifications, new leases and interest	-	1,198	-	1,198
Total liability changes	-	1,198	-	1,198
Equity related changes:				
Net actuarial gain/(loss)	-	-	4,124	4,124
Profit for year	-	-	26,178	26,178
Total equity related changes	-	-	30,302	30,302
Closing balance at 30 June 2023	2,195,350	6,713	207,384	2,409,447

	Borrowings \$'000	Finance leases \$'000	Retained earnings \$'000	Total \$'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

(a) Non-cash financing activities

During the year TasNetworks entered into two new leases which resulted in the recognition of right-of-use assets of \$0.418m, and a corresponding lease liability of \$0.418m (2022: \$3.879m).

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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:

		2023					
		Carrying amount			Fair value		
Note		Hedging instrument	At amortised cost	Other liabilities	Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets measured at amortised cost:							
	C5(a)	-	9,639	-	n/a	n/a	n/a
	E1	-	111,874	-	n/a	n/a	n/a
Financial assets measured at fair value:							
	E3	69	-	-	-	69	-
		69	121,513	-	-	69	-
Financial liabilities measured at amortised cost:							
	E5	-	-	70,051	n/a	n/a	n/a
		-	2,171,300	-	-	2,012,838	83,835
		-	24,050	-	-	24,062	-
		-	2,195,350	70,051	-	2,036,900	83,835

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

		2022					
		Carrying amount			Fair value		
Note		Hedging instrument	At amortised cost	Other liabilities	Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets measured at amortised cost:							
	C5(a)	-	8,638	-	n/a	n/a	n/a
	E1	-	86,429	-	n/a	n/a	n/a
Financial assets measured at fair value:							
	E3	44	-	-	-	44	-
		44	95,067	-	-	44	-
Financial liabilities measured at amortised cost:							
	E5	-	-	74,604	n/a	n/a	n/a
		-	2,051,300	-	-	1,852,076	97,837
		-	40,550	-	-	40,582	-
		-	2,091,850	74,604	-	1,892,658	97,837

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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 (continued)

For the financial year ended 30 June 2023

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.

	Note	2023 \$'000	2022 \$'000
Debt to total capital ratio			
Debt (borrowings)	C1	2,195,350	2,091,850
Cash and cash equivalents	C5(a)	9,639	8,638
Net debt		2,185,711	2,083,212
Total capital (net debt + total equity)		3,501,229	3,230,139
Debt to total capital ratio		62.4%	64.5%

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. The credit risk on derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

C4. Financial instruments (continued)

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 2022-23 year.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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 2023:

	Note	Weighted average effective interest rate	2023				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)	4.60%	9,639	-	-	-	-	9,639
Trade and other receivables	E1	n/a	-	-	-	-	111,874	111,874
Total financial assets			9,639	-	-	-	111,874	121,513
Financial liabilities:								
Trade and other payables	E5	n/a	-	-	-	-	70,051	70,051
Borrowings – fixed rate		3.32%	308,541	243,178	890,580	1,210,402	-	2,652,701
Borrowings – floating rate		4.45%	24,050	-	-	-	-	24,050
Total financial liabilities			332,591	243,178	890,580	1,210,402	70,051	2,746,802
Net financial assets/ (liabilities)			(322,952)	(243,178)	(890,580)	(1,210,402)	41,823	(2,625,289)

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

C4. Financial instruments (continued)

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 2022 was as follows:

		2022						
	Note	Weighted average effective interest rate	0 to 1 year \$'000	1 to 2 years \$'000	2 to 5 years \$'000	5+ years \$'000	Non-interest bearing \$'000	Total \$'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
Total financial liabilities			285,661	294,601	677,580	1,239,333	74,604	2,571,779
Net financial assets/ (liabilities)			(277,023)	(294,601)	(677,580)	(1,239,333)	11,825	(2,476,712)

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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	
	2023 \$'000	2022 \$'000
1.0% increase in interest rates	241	406
0.10% decrease in interest rates	(24)	(41)

(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.

Outstanding contracts	Average Exchange Rate	Notional value: USD	Notional value: AUD	Carrying Amount of the hedging instrument	Average Exchange Rate	Notional value: USD	Notional value: AUD	Carrying Amount of the hedging instrument
	2023	2023	2023	2023	2022	2022	2022	2022
Buy:		\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
greater than 6 months	0.66	677	944	69	0.72	708	987	44
		677	944	69		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 (continued)

For the financial year ended 30 June 2023

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	2023 \$'000	2022 \$'000
Cash at bank		9,639	8,638
		9,639	8,638

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

Net profit for the year		26,178	39,745
Depreciation and amortisation of non-current assets	<i>A2(b)</i>	199,345	185,797
Share of JV result	<i>H5</i>	34	-
(Gain)/loss on sale of property, plant and equipment	<i>A1(b)</i>	(1,281)	(2,817)
Increase/(decrease) in tax equivalent liabilities		(19,985)	(9,286)
(Increase)/decrease in trade and other receivables		(25,445)	(11,698)
(Increase)/decrease in inventories		(4,974)	(542)
(Increase)/decrease in other assets		(1,347)	1,883
Increase/(decrease) in trade and other payables		10,110	10,748
Increase/(decrease) in provisions		5,452	(44)
Increase/(decrease) in employee benefits		(2,540)	1,776
Increase/(decrease) in contract liabilities		10,870	7,147
Net cash provided by operating activities		196,418	222,709

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 (continued)

For the financial year ended 30 June 2023

TasNetworks' equity

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

D1. Retained earnings

	Note	2023 \$'000	2022 \$'000
Balance at beginning of financial year		199,665	141,196
Net profit for the year		26,178	39,745
Superannuation actuarial gains/(losses)	F2	5,892	34,066
Deferred tax effect on actuarial movement	A4(b)	(1,768)	(10,220)
Dividends paid during the year		(22,583)	(5,122)
Balance at end of financial year		207,384	199,665

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 (continued)

For the financial year ended 30 June 2023

D3. Reserves

	Note	2023 \$'000	2022 \$'000
Reserves comprise:			
Asset revaluation reserve		1,045,361	884,507
Hedge reserve		48	31
		1,045,409	884,538
Asset revaluation reserve			
Balance at beginning of financial year		884,507	823,081
Revaluation of assets during the year		229,791	87,751
Deferred tax liability arising on revaluation	A4(b)	(68,937)	(26,325)
Balance at end of financial year		1,045,361	884,507
Revaluation of assets during the year			
Revaluation of gross carrying value	B2	486,077	199,557
Revaluation of gross accumulated depreciation	B2	(256,286)	(111,806)
Net fair value movements on property, plant and equipment		229,791	87,751

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) was 7.8% (2022: 3.5%).

Hedge reserve			
Balance at beginning of financial year		31	-
- Gain/(loss) recognised in equity		25	44
- Reversal of prior year losses		-	-
Deferred tax asset arising on hedges	A4(b)	(7)	(13)
Balance at end of financial year		48	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 fully paid \$1 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 (continued)

For the financial year ended 30 June 2023

Other assets and liabilities

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

E1. Trade and other receivables

	2023 \$'000	2022 \$'000
Current:		
Trade receivables	8,664	7,900
Contract assets	19,225	9,336
Grant receivable	30,000	-
Accrued income	40,742	51,378
Unbilled use of system (UoS)	13,924	18,330
Allowance for impairment	(681)	(515)
	111,874	86,429
Movement in the allowance for impairment of debts		
Balance at beginning of financial year	(515)	(268)
Impairment gain/(loss) recognised on receivables	(378)	(581)
Amounts written off as uncollectable	213	339
Previously written off amounts recovered	(1)	(5)
Balance at end of financial year	(681)	(515)
Ageing of trade receivables that were past due but not impaired		
Less than 30 days overdue	528	346
Between 31 and 60 days overdue	72	105
Between 61 and 90 days overdue	102	420
Greater than 90 days overdue	1,386	599
	2,087	1,470

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.

Bad debts are written off in the year in which they are identified. Debts written off may still be subject to enforcement activities under TasNetworks debt recovery procedures. Any recoveries made are recognised in the profit or loss.

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

Amounts relating to contract assets are balances due from customers under construction contracts for distribution network connections. Contract assets are reclassified to trade receivables once the work has been scheduled to proceed. Once a job is scheduled to proceed payment must be made prior to work commencement thus eliminating any credit losses.

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 (continued)

For the financial year ended 30 June 2023

E1. Trade and other receivables (continued)

Impairment of financial assets

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.

The expected credit loss is estimated as the difference between contractual cash flows that are due to TasNetworks and all the cash flows TasNetworks expects to receive.

Key judgement

Impairment of financial assets

TasNetworks uses judgement to assess how changes in economic factors and conditions 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 customers, 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.

Of the trade receivables balance at the end of the year \$1.502 million is due from a TasNetworks customer. Apart from this TasNetworks does not have significant credit risk exposure to any single counterparty.

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	0.33%	1.42%	12.01%	46.55%	40.06%	
Gross carrying amount \$'000	6,577	528	72	102	1,386	8,664
Lifetime expected credit loss \$'000	22	7	9	48	555	640

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	0.64%	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

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

E2. Inventories

	Note	2023 \$'000	2022 \$'000
Inventory		38,557	33,578
Allowance for impairment on inventory		(544)	(539)
		38,013	33,039

During the financial year ended 30 June 2023, \$2.152m (2022: \$1.448m) of inventory was expensed in the statement of profit or loss including inventory issued to non-regulated services.

Movement in the allowance for impairment of inventory			
Balance at beginning of financial year		(539)	(1,556)
Impairment gain/(loss) provided for		6	(47)
Inventory written off during the year		(11)	1,064
Balance at end of financial year		(544)	(539)

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 (continued)

For the financial year ended 30 June 2023

E3. Other assets

	Note	2023 \$'000	2022 \$'000
Current:			
Prepayments		7,100	7,181
FX forward agreements	C4	69	44
Other		88	85
		7,257	7,310
Non-current:			
Prepayments		2,566	1,166
		2,566	1,166
Total:		9,823	8,476

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 (continued)

For the financial year ended 30 June 2023

E4. Provisions

	2023 \$'000	2022 \$'000
Workers compensation		
Opening balance	918	962
Provision increase/(decrease) during the year	1,533	1,661
Provision used during the year	(1,876)	(1,705)
Closing balance	574	918
Restructure provision		
Opening balance	-	-
Provision increase/(decrease) during the year	15,025	-
Provision used during the year	(9,229)	-
Closing balance	5,796	-
Total provisions	6,370	918
Shown as:		
Current provisions	6,219	497
Non-current provisions	151	421
	6,370	918

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 2023.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

E4. Provisions (continued)

Restructure provision

A restructuring provision is only recognised when general recognition criteria provisions are fulfilled. TasNetworks has provided for restructuring costs where a detailed formal plan is in place about the part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate timeline, and the people affected have a valid expectation that the restructuring is being carried out.

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.

E5. Trade and other payables

	2023 \$'000	2022 \$'000
Current:		
Trade payables	8,966	16,854
Accrued payables	26,760	26,561
Accrued expenses	2,106	3,321
GST payable	1,722	989
Accrued interest	30,497	26,879
	70,051	74,604

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

E6. Contract liabilities

Arising from connections to the transmission network	32,734	33,710
Arising from connections to the telecommunications network	4,538	3,079
Arising from connections to the distribution network	46,342	36,056
Arising from other services provided	2,800	2,699
	86,414	75,544
Shown as:		
Current contract liabilities	54,513	41,094
Non-current contract liabilities	31,901	34,450
	86,414	75,544

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.

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.

	2023 \$'000	2022 \$'000
Amounts from connections to the transmission network	976	1,419
Amounts from connections to the telecommunications network	868	1,738
Amounts from connections to the distribution network	31,906	28,199
Amounts from other services provided	358	257
	34,107	31,613

There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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	2023 \$'000	2022 \$'000
Current:			
Annual leave		12,746	13,355
Long service leave		13,486	13,524
Defined benefits superannuation	F2	6,488	6,778
Other employee benefits		4,803	4,826
		37,523	38,483
Non-current:			
Long service leave		3,572	4,664
Defined benefits superannuation	F2	138,194	144,416
Other employee benefits		593	751
		142,359	149,831
		179,882	188,314

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F1. Employee benefits (continued)

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 12 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 12 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.

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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F1. Employee benefits (continued)

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.

Defined contribution 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.

For defined benefit superannuation plans the cost of providing benefits is determined using the projected unit credit method with actuarial valuation being carried out at that end of each reporting period (see note F2).

Remeasurements comprising actuarial gains and losses, and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a change or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified.

Past service cost is recognised in the profit or loss when the plan amendment or curtailment occurs, or when TasNetworks recognises related restructuring costs or termination benefits if earlier. Gains or losses on a settlement of a defined benefit plan is recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset.

Defined benefit costs are split into three categories:

- Service costs which include current and past-service costs as well as gains and losses on curtailments and settlements
- Net interest expense or income
- Remeasurements

Service costs are recognised in the statement of financial position as an employee benefit expense (note A2(c)). Net interest is recognised within finance costs (note A3).

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 (continued)

For the financial year ended 30 June 2023

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* (as amended from time to time).

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 (continued)

For the financial year ended 30 June 2023

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 2023 and are set out below:

Assumptions to determine defined benefit cost and start of year defined benefit obligation

	2023	2022
	%	%
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

Assumptions to determine end of year defined benefit obligation

	2023	2022
	%	%
Discount rate (active members)	5.70	5.35
Discount rate (pensioners)	5.70	5.35
Expected salary increase rate	3.50	3.50
Expected rate of increase of compulsory preserved amounts	3.50	5.50
Expected pension increase rate	3.50	5.50

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F2. Defined benefit superannuation plan (continued)

Fair value of Scheme assets

	30 June 2023*		
	Total \$'000	Significant observable inputs – Level 2 \$'000	Unobservable inputs – Level 3 \$'000
Cash deposits	-	-	-
Australian equities	6,346	6,346	-
International equities	7,697	7,697	-
Infrastructure	6,510	1,597	4,913
Diversified fixed interest	9,661	9,661	-
Property	7,738	778	6,960
Alternative investments	2,989	2,989	-
Total	40,941	29,068	11,873

*Estimated based on assets allocated to TasNetworks as at 30 June 2023 and asset allocation of the RBF Scheme as at 30 June 2022.

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 4.3%, in order to be consistent with the allocation of assets reported to the Department of Treasury and Finance.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F2. Defined benefit superannuation plan (continued)

Amounts included in the balance sheet arising from TasNetworks' obligation in respect of its defined benefit plan

	Note	2023 \$'000	2022 \$'000
Present value of obligations at beginning of financial year		188,367	192,137
Total defined benefit obligation		188,367	192,137
RBF contributory scheme assets		40,941	40,943
Net liability at end of financial year		147,426	151,194
Movements in net liabilities			
Net liability at beginning of financial year		151,194	184,164
Expense recognised in profit or loss	A2(c)	9,626	8,028
Other comprehensive income recognised		(5,892)	(34,066)
Employer contributions paid by TasNetworks		(7,502)	(6,932)
Net liability at end of financial year		147,426	151,194
Current net liability	F1	6,488	6,778
Non-current net liability	F1	138,194	144,416
		144,682	151,194
Expenses recognised in profit or loss			
Employer service cost		1,739	2,241
Net interest cost	A2(c), A3	7,887	5,787
Expense recognised in profit or loss		9,626	8,028
Other comprehensive income recognised			
Superannuation actuarial gains	D1	(5,892)	(34,066)
Other comprehensive income recognised		(5,892)	(34,066)

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 \$7.502m (2022: \$6.932m) reflects the amount paid by TasNetworks.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F2. Defined benefit superannuation plan (continued)

	Note	2023 \$'000	2022 \$'000
Fair value of Scheme assets			
Fair value of plan assets at beginning of financial year		40,943	43,990
Interest income		2,146	1,382
Actual return /(diminution) on plan assets less interest income		(242)	(2,494)
Employer contributions received		7,502	6,932
Contributions by plan participants		793	729
Benefits paid		(10,172)	(9,568)
Taxes, premiums and expenses paid		(29)	(28)
Fair value of plan assets at end of financial year		40,941	40,943
Defined benefit obligations			
Present value of obligation at beginning of financial year		192,137	228,154
Employer service costs		1,739	2,241
Interest costs		10,033	7,169
Contributions by plan participants		793	729
Benefits paid		(10,172)	(9,568)
Taxes, premiums and expenses paid		(29)	(28)
Expected defined benefit obligation at year end		194,501	228,697
Actuarial (gain)/loss arising from changes in demographic assumptions		3,677	-
Actuarial (gain)/loss arising from changes in financial assumptions		(5,340)	(44,353)
Actuarial (gain)/loss arising from liability experience		(4,471)	7,793
Present value of defined benefit obligation at end of financial year		188,367	192,137

Effect of the asset ceiling

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

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F2. Defined benefit superannuation plan (continued)

Sensitivity analysis

The defined benefit obligation as at 30 June 2023 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.

	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	5.70%	4.70%	6.70%	5.70%	5.70%
Pension increase rate	2.50%	2.50%	2.50%	1.50%	3.50%
Defined benefit obligation (\$'000)	186	208	167	171	203

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

The pension increase assumptions in the above table are long-term pension increase assumptions. Higher rates are assumed for the next two years. In scenarios C and D, both the short and long-term assumptions have been adjusted.

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 2024 of \$6.488m (2023: \$6.778m).

Maturity profile of defined benefit obligation

The weighted average duration of the defined benefit obligation for TasNetworks is 11.4 years.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F3. Key Management Personnel compensation

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

	Director Remuneration		Executive Remuneration		Consolidated	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Benefits paid						
Short-term employee benefits	405	402	3,279	3,083	3,684	3,485
Post-employment benefits	41	33	293	271	334	304
Other long-term employment benefits	-	-	(111)	127	(111)	127
Other non-monetary benefits	-	-	-	45	-	45
Termination benefits	-	-	612	264	612	264
	446	435	4,073	3,790	4,519	4,225

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:

2023 Director remuneration¹

Name	Position	Period	Director Fees \$'000	Committee Fees \$'000	Superannuation ² \$'000	Total \$'000
Non-Executive Directors						
Mr R Gill	Chairperson	Full term	121	-	13	134
	Director					
Mrs J Doyle ³	Director	to 25/11/2022	26	-	-	26
Dr J Beeby	Director	Full term	56	-	6	62
Mrs S Merridew AM	Director	to 27/04/2023	46	-	5	51
Mr K Kehl	Director	Full term	56	-	6	62
Ms K Schaefer	Director	Full term	56	-	6	62
Mr M Smith	Director	from 25/11/2022	34	-	4	38
Ms C Hopkins	Director	from 28/04/2023	10	-	1	11
Total			405	-	41	446

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F3. Key Management Personnel compensation (continued)

2022 Director remuneration¹

Name	Position	Period	Director Fees \$'000	Committee Fees \$'000	Superannuation ² \$'000	Total \$'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 AM	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 McIntyre	Director	to 23/09/2021	15	-	1	16
Total			402	-	33	435

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, including accrued superannuation.
- 3 Mrs J Doyle's directors fees were paid directly to her employer in arrears.

Non-Executive Directors

Non-Executive Directors are appointed by the Shareholding Ministers. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be re-appointed in accordance with the relevant Guidelines for Tasmanian Government Businesses – Board Appointments. The level of fees paid to Non-Executive Directors is administered by the Department of Premier and Cabinet, as is additional fees paid in respect of their work on Board committees.

Superannuation is paid at the appropriate rate as prescribed by superannuation guarantee legislation. No other leave, termination or retirement benefits are accrued or paid to Directors. Directors are entitled to reimbursement of 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.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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:

Name	Position	Period	Salary ¹ \$'000	Short- Term Incentive Payments ² \$'000	Other Monetary Benefits ³ \$'000	Vehicle Benefits ⁴ \$'000	Other Non- Monetary Benefits ⁵ \$'000	Superannuation ⁶ \$'000	Reported Remuneration ⁷ \$'000	Other Long- Term Benefits ⁸ \$'000	Termination Benefits ⁹ \$'000	Total \$'000
Dr S McGoldrick	Chief Executive Officer	Full Year	456	-	-	-	-	25	481	(1)	-	480
Mr A Davis	Executive, Transformation and Strategy	to 19/08/2022	330	-	-	-	-	25	355	7	-	362
Mr W Tucker	Executive, Growth	Full Year	299	-	-	-	-	38	337	8	-	345
Mr M Paine	Executive, Digital	to 19/08/2022	43	-	-	-	-	3	46	(37)	371	380
Mr R Burridge AM	Executive, Operations	Full Year	341	-	-	-	-	44	385	2	-	387
Mr M Westenberg	Executive, Finance	Full Year	296	-	-	-	-	25	321	10	-	331
Mr M Ash	Executive, Stakeholders	Full Year	317	-	-	-	-	25	342	25	-	367
Mrs R Anderson	Executive, People Acting Executive, Governance	Full Year from 03/12/2022 to 26/03/2023	287	-	-	-	-	25	312	14	-	326
Mr M Chan	Executive, Governance	to 02/12/2022	106	-	-	-	-	11	117	(14)	21	124
Mr P Stuckey	Executive, Governance	from 27/03/2023	84	-	15	-	-	7	106	6	-	112
Ms B Clark	CEO, Marinus Link Pty Ltd	to 16/04/2023	271	-	-	-	-	20	291	(144)	220	367
Ms C Wykamp ¹⁰ Pty Ltd	CEO, Marinus Link Pty Ltd	from 17/01/2023	149	-	-	-	-	13	162	-	-	162
Ms K Walker	Head of 42-24	Full Year	234	35	-	16	-	32	317	13	-	330
Total			3,213	35	15	16	-	293	3,572	(111)	612	4,073

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F3. Key Management Personnel compensation (continued)

Name	Position	Period	Salary ¹ \$'000	Short-Term Incentive Payments ² \$'000	Other Monetary Benefits ³ \$'000	Vehicle Benefits ⁴ \$'000	Non-Monetary Benefits ⁵ \$'000	Other Benefits ⁶ \$'000	Superannuation ⁶ \$'000	Reported Remuneration ⁷ \$'000	Other Long- Term Benefits ⁸ \$'000	Termination Benefits ⁹ \$'000	Total \$'000
Dr S McGoldrick	Chief Executive Officer	from 02/08/2021	417	-	-	-	45	-	22	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
Mr M Paine	Executive, Growth General Manager Operations and Customer Service Delivery	from 02/05/2022 to 01/05/2022	330	-	-	-	-	-	24	354	4	-	358
Mr R Burridge AM	Executive, Digital Acting Chief Executive Officer	from 02/05/2022 from 01/07/2021 to 01/08/2021	335	-	-	-	-	-	43	378	4	-	382
Mrs P Bartlett	General Manager Strategy, Finance and Business Services	from 02/08/2021 to 01/05/2022	174	-	-	-	-	-	15	189	(33)	264	420
Mr M Westenberg	Executive, Operations Company Secretary and General Counsel	from 02/05/2022 to 11/02/2022	292	-	-	-	-	-	24	316	71	-	387
Mr M Ash	Executive, Finance General Manager Network, Commercial and Major Customer	from 02/05/2022 to 01/05/2022	318	-	-	-	-	-	24	342	30	-	680
Mrs R Anderson	Executive, Stakeholder General Manager People, Culture and Community	from 02/05/2022 to 01/05/2022	274	-	-	-	-	-	24	298	10	-	319
Mr M Chan	Executive, People Company Secretary and General Counsel	from 02/05/2022 to 01/05/2022	96	-	-	-	-	-	9	105	14	-	119
Ms B Clark	Executive, Governance General Manager Project Marinus	from 02/05/2022 from 14/02/2022 to 1/05/2022	327	-	-	-	-	-	24	351	(14)	-	337
Ms K Walker	CEO, Marinus Link Pty Ltd Head of 42-24	from 02/05/2022 from 01/07/2021 to 30/11/2021 from 1/12/2021	98	30	-	7	-	-	14	149	(8)	-	141
Sub-total			3,029	30	-	7	45	-	269	3,380	116	264	3,760
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	0	0	0	0	0	2	19	11	0	30
Total			3,046	30	0	7	45	0	271	3,399	127	264	3,790

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F3. Key Management Personnel compensation (continued)

Key management personnel services provided by separate entities

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.

Executive remuneration notes and statements

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

- 1 Salary includes all forms of consideration paid and payable for services rendered and compensated absences during the period.
- 2 Short-term incentive payments are non-recurrent amounts paid or payable which depend on achieving specified performance goals within specified timeframes. These payments are capped at 15% of salary as per the *Guidelines for Tasmanian Government Businesses – Director and Executive Remuneration* (Revised June 2021).
- 3 Other monetary benefits includes medical care, housing, free or subsidised goods or services and reportable fringe benefits. Mr P Stuckey received a relocation allowance of \$15,000 during the financial year to assist with his relocation to Tasmania.
- 4 Vehicle benefits includes motor vehicle allowances, the personal use component of the total cost of providing and maintaining a vehicle for an executive's use, calculated using the FBT taxable value of the personal use component for the financial year plus the FBT payable.
- 5 Other non-monetary benefits includes medical care, housing, free or subsidised goods or services and reportable fringe benefits.
- 6 Superannuation means the contribution paid or payable to the superannuation fund of the individual, measured as follows:
 - for individuals in an accumulation superannuation scheme, the amount of superannuation contributions paid and accrued.
 - for individuals in a defined benefits superannuation scheme, superannuation includes the relevant notional employer contributions calculated using a notional cost based on 12.95%.
- 7 Reported Remuneration includes the individual's salary, short-term incentive payments, other monetary benefits, vehicle benefits, other non-monetary benefits and superannuation. For the purposes of assessing compliance with the Guidelines, Other long-term employee benefits and termination benefits are not included in the Reported Remuneration amount.
- 8 Other long-term benefits include movements in annual leave accruals and long service leave provisions. Long service leave is only recognised in this report once 10 years of service has been obtained and it is required to be paid.
- 9 Termination benefits include all forms of benefit paid or accrued as a consequence of termination, including leave entitlements paid out on termination.
- 10 Ms C Wykamp, Interim CEO is engaged under a contract for service as a sole trader commencing 17 January 2023.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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 pre-dates 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. The terms of employment of each senior Executive, including the CEO, contain a termination clause that requires the senior Executive or the Board to provide a minimum notice period of up to 6 months prior to termination of the contract. CEO contracts for GBEs include a set term consistent with the requirements of the *Government Business Enterprises Act 1995*. Whilst not automatic, contracts can be extended.

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

Short-term incentive payments

The Board sets fixed performance targets with goals and indicators aligned to the creation of value for employees of FortyTwo24.

Short-term incentive payments awarded during the current year included:

- Ms K Walker was granted a cash bonus of \$30,000 for exceeding performance benchmarks.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

F3. Key Management Personnel compensation (continued)

Termination benefits

Termination payments during the current year included:

- Mr M Paine ceased employment effective 19 August 2022 and was paid \$370,501 representing the balance of his accrued annual and long service leave entitlements \$109,808, plus a termination payment in accordance with the terms of his contract of \$260,693.
- Mr M Chan ceased employment effective 02 December 2022 and was paid \$21,412 representing the balance of his accrued annual and long service leave entitlements.
- Ms B Clark ceased employment effective 16 April 2023 and was paid \$134,918 representing the balance of her accrued annual and long service leave entitlements \$49,512, plus a termination payment in accordance with the terms of her contract of \$85,406.

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:

- Upon the departure of Mr M Chan from the business, Mrs R Anderson performed the duties of the Executive Governance until Mr P Stuckey was able to take up his appointment. Ms R Anderson did not receive any additional remuneration for her acting role of Executive Governance.

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 2023 with the exception of two variations. These are the confidentiality and termination provisions contained in Executive contracts which pre-date the June 2014 Shareholders Direction to comply with the Guidelines.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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.

Macquarie Soul Catering is a related party of TasNetworks as it is owned by a close family member of Minister Nic Street. During the year, TasNetworks made purchases of \$4,930 from Macquarie Soul Catering. There was no amount owing at 30 June 2023.

There are no other 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 (continued)

For the financial year ended 30 June 2023

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	2023	2022
	\$'000	\$'000
Interest on lease liability	(385)	(191)
Amortisation of lease assets	(783)	(403)
Expenses relating to short-term leases	(37)	(55)
Expenses relating to low value assets	(40)	(32)
	(1,245)	(681)
(b) Amounts recognised in the statement of cash flows		
Total cash outflow for leases	(1,067)	(555)

(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.

	2023	2022
	\$'000	\$'000
Less than 1 year	3,623	3,762
1 to 2 years	3,415	3,583
2 to 3 years	3,662	3,621
3 to 4 years	3,700	3,678
4 to 5 years	3,604	3,716
More than 5 years	36,933	41,522
	54,937	59,882

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 (continued)

For the financial year ended 30 June 2023

G2. Commitments for expenditure

	2023 \$'000	2022 \$'000
Capital expenditure commitments⁺:		
Marinus Link intangible assets		
Within one year	3,901	4,480
One year or later and no later than five years	3,828	6,626
Greater than five years	460	1,448
	8,189	12,554
Property, plant and equipment		
Within one year	101,980	85,711
One year or later and no later than five years	51,697	44,964
Greater than five years	12,694	55
	166,371	130,730
Operating expenditure commitments[*]:		
Other expenses (excluding leases disclosed in note G1)		
Within one year	105,844	76,600
One year or later and no later than five years	37,077	34,625
Greater than five years	152	524
	143,073	111,749

⁺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.

^{*}Operating expenditure commitments relate predominately to asset maintenance services.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

G3. Contingent liabilities and contingent assets

Contingent assets

In April 2022, the Commonwealth committed \$75m 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 contingent on the completion of agreed milestones.

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 (2022: 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.

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 to 1970s. 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 four claims for compensation since the inception of the action group. Future claims are anticipated, however the number or quantum cannot currently be quantified.

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 (continued)

For the financial year ended 30 June 2023

Other information

This sections includes additional information that is required by either accounting standards or Guidelines for Tasmanian Government Businesses.

H1. Auditor's remuneration

	2023	2022
	\$	\$
Amounts received, or due and receivable:		
Audit of financial statements for the group	270,000	249,000
Audit of Regulatory Information Notice*	242,550	234,400
	512,550	483,400

*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 were three trips costing \$53,753 for overseas travel undertaken in the 2022-23 financial year (2022: nil).

H3. Returns to Government

During the year the following payments were made to the Tasmanian Government.*

	2023	2022
	\$'000	\$'000
Income tax equivalents paid	31,472	26,550
Government guarantee fees paid	6,685	6,963
Dividends paid	22,583	5,122
	60,740	38,635

*Returns to Government are measured in cash payments made during the financial year.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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	
			2023 %	2022 %
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.

Financial Support

TasNetworks as the parent entity has undertaken to provide financial support to Marinus Link Pty Ltd.

Recognition and measurement

When TasNetworks loses control of a subsidiary, the gain or loss on disposal recognised in the profit or loss is calculated as the difference between (i) the aggregate fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as cost on initial recognition of an investment in an associate or joint venture.

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

H5. Interest in associates and joint ventures

Details of TasNetworks' joint venture as at the end of the reporting periods are disclosed in the table below, summarised financial information of the joint venture is set out in note B4.

Joint Venture	Principal activity	Consolidated		Parent	
		Share Ownership	Joint Venture voting rights	Share Ownership	Joint Venture voting rights
		2023	2022	2023	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.

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.

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.

Summarised statement of financial position	Virtual Twin Tas Pty Ltd	
	2023 \$'000	2022 \$'000
Current assets	1,736	2,000
Non-current assets	4,093	2,000
Total Assets	5,829	4,000
Current liabilities	1,355	-
Total liabilities	1,355	-
Net assets/(liabilities)	4,473	4,000
TasNetworks share of net assets/(liabilities) (50%)	2,237	2,000

Summarised statement of profit or loss and other comprehensive income	Virtual Twin Tas Pty Ltd	
	2023 \$'000	2022 \$'000
Total revenue	2,878	-
Total expenses	(1,035)	-
Income tax expense	(553)	-
Profit/(loss) after tax	1,291	-
Elimination of 42-24 intercompany transactions (50%)	141	-
Elimination of TasNetworks' intercompany transactions (50%)	(1,363)	-
Total comprehensive income/(loss) for the year	68	-
TasNetworks share of total income/(loss) for the year (50%)	34	-

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

H6. Parent entity disclosures

As at, and throughout the financial year ended 30 June 2023, 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	
	2023	2022
	\$'000	\$'000
Result of parent entity		
Profit for the year	31,182	36,451
Other comprehensive income for the period	164,995	85,303
Total comprehensive income for the period	196,177	121,754
Financial position of parent entity at year end		
Current assets	129,973	126,166
Intercompany receivable	1,527	615
Non-current assets	3,909,557	3,629,836
Intercompany loan	78,025	29,764
Total assets	4,119,082	3,786,381
Current liabilities	418,010	368,498
Non-current liabilities	2,387,084	2,277,489
Total liabilities	2,805,094	2,645,987
Net assets	1,313,988	1,140,394
Total equity of the parent entity comprising of:		
Contributed equity	62,724	62,724
Reserves	1,045,409	884,538
Retained earnings	205,855	193,132
Total equity	1,313,988	1,140,394

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	101,980	85,660
Within one year	51,697	44,964
One year or later and no later than five years	12,694	55
Greater than five years	166,371	130,679

⁺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 (continued)

For the financial year ended 30 June 2023

H7. Subsequent events

Dividends

Subsequent to the end of the financial year, the Board recommended a dividend of \$11.721m (2022: \$22.583m) 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 2023.

Tasmanian Networks Pty Ltd subsidiary company TasNetworks Holdings Pty Ltd has recommended that a special dividend of \$6m be paid from their accumulated retained profits.

Borrowing Limit

On 11 July 2023, the Treasurer signed a Deed of Guarantee in relation to the borrowings of TasNetworks from the Tasmanian Public Finance Corporation. The Guarantee supports borrowings of up to \$2,500m. Subsequently on 26 July 2023, the Tasmanian Public Finance Corporation Board approved the increase to the Borrowing Limit under the Master Loan Facility Agreement from \$2,200m to \$2,500m.

Project Marinus

On 4 August 2023, the Premier of Tasmania issued a media release raising concern over material and significant cost increases for the Marinus Link Project, the significant cost burden this would present for Tasmania, and the need to consider alternative funding options to cover the increased costs of the Project. The Premier advised he had written a letter to the Australian Prime Minister and the Australian Minister for Climate Change and Energy regarding these matters in July 2023, a copy of which was tabled in the Tasmanian Parliament on 8 August 2023. The letter stated the Project may not remain in the long-term interests of Tasmanian consumers or the State, and as such, the Tasmanian Government was not in a position to continue to take the Project forward and was seeking further engagement with the Australian Government regarding alternative pathways to deliver the Project. The letter also outlined Tasmania's continued commitment to transitioning the National Electricity Market, the success of the project and on island energy projects including North West Transmission Developments.

The effect of this event was considered with reference to AASB 110 *Events after the Reporting Period*. The Tasmanian Government's announcement regarding the exploration of alternative pathways and funding options to deliver the Project was a 'non-adjusting event' as it did not provide evidence of conditions that existed at 30 June 2023. Consequently, no change was made to the carrying amounts of assets or liabilities relating to the Marinus Link Project or the North West Transmission Developments Project in the financial statements. The announcement had no effect on existing funding or financing arrangements for the Project, the Group, or the Directors' intent to progress the Project to Final Investment Decision stage.

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 (continued)

For the financial year ended 30 June 2023

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 (AASB) 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 2020-3	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. AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i> to specify what the costs of fulfilling an onerous contract comprise. <p>These amendments have not had material Impact on TasNetworks.</p>

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 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. <p>These amendments are not expected to have a material impact on TasNetworks.</p>	1 January 2023	30 June 2024

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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 <i>Presentation of Financial Statements</i>	The amendments to AASB 101 <i>Presentation of Financial Statements</i> affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. This is not expected to have a material impact on TasNetworks.	1 January 2023	30 June 2024
AASB 2021-5	AASB 112 <i>Income Taxes</i>	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 change is applicable to TasNetworks as they have finance leases; however it is not expected to have a material impact on TasNetworks.	1 January 2023	30 June 2024
AASB 2022-5	Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback	Amends AASB 16 <i>Leases</i> by adding subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in AASB 15 <i>Revenue from Contracts with Customers</i> to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. This is not expected to have a material impact for TasNetworks.	1 January 2024	30 June 2025

Notes to the consolidated financial statements (continued)

For the financial year ended 30 June 2023

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 2022-7	Editorial Corrections to Australian Accounting Standards and repeal of superseded and redundant standards.	Makes editorial corrections to six standards and AASB Practice Statement 2 <i>Making Materiality Judgements</i> . The corrections include corrections made by the IASB to IFRS Accounting Standards since June 2021. These corrections are not expected to have a material impact.	1 January 2023	30 June 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 (continued)

For the financial year ended 30 June 2023

H8. Changes in accounting policies (continued)

Pronouncements issued by the IASB or IFRS Interpretations Committee where an equivalent pronouncement has not been issued by the AASB

AASB amendment	Affected standard	Nature of change to accounting policy	Effective date	Application date for TasNetworks
IFRS S1 and IFRS S2	IFRS <i>Sustainability Disclosure Standards</i> , IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> (IFRS S1) and IFRS S2 <i>Climate-related Disclosures</i> (IFRS S2).	<ul style="list-style-type: none"> IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity. In the first annual reporting period in which an entity applies IFRS S1, the entity is permitted to disclose information on only climate-related risks and opportunities (in accordance with IFRS S2) 	1 January 2024	30 June 2025

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.

Directors' declaration for the year ended 30 June 2023

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

11 August 2023



Mr Miles Smith
Director
Hobart

11 August 2023

