ANNUAL REPORT 2016

AURORA ENERGY

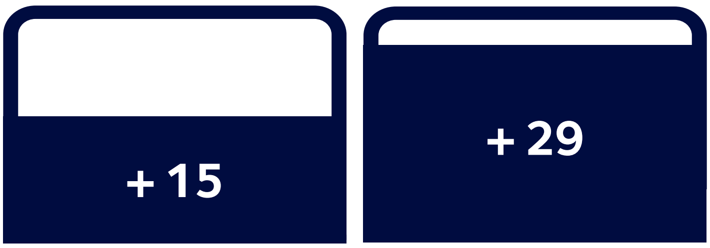
CONTENTS

OUR **BUSINESS**

AURORA ENERGY is a Tasmanian-owned and operated energy retailer with a core focus on its customers and generating value for its Shareholders and the Tasmanian community.

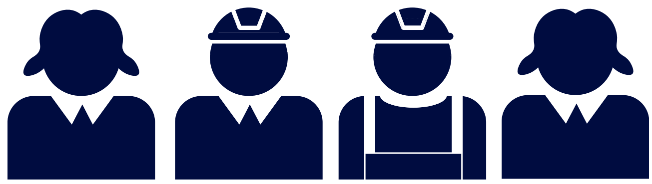
OUR PURPOSE:
To proactively deliver practical energy choices for all Tasmanians.

OPERATING LOCATIONS: HOBART & LAUNCESTON



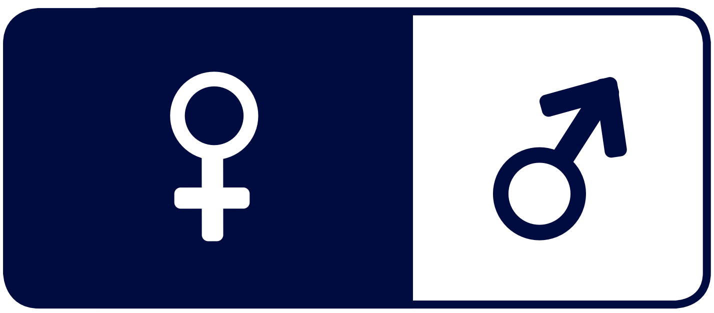
NPS Target **Average NPS**

Call data: Aurora Energy's Grade of Service improved two per cent in 2015-16, with an average of 74 per cent and our Net Promoter Score (NPS) reached an average of +29, nearly double our annual target of +15.



278,321

Residential, small & large business customers as at 30 June 2016.



Aurora Energy's workforce comprises 170 employees of which 61 per cent is female. The average age of the Aurora Energy workforce is 38 years.

Aurora Energy's functions include customer service centres, customer operations, billing and market services, and business support.

CAITLIN
Customer Experience Advisor

THE YEAR AT A GLANCE

Aurora Energy's focus in 2015-16 was to strengthen the business in preparation for an increasingly competitive landscape in the Tasmanian retail energy market.

To achieve this objective, Aurora Energy undertook a number of key initiatives in 2015-16, which saw increased customer service and productivity outcomes against a backdrop of reduced operating costs.

HIGHLIGHTS:

In 2015-16 Aurora Energy:

- implemented the first stage of its $2.0M Your Energy Support (YES) affordability program, with approximately 4,000 vulnerable customers receiving support and 814 successfully completing the program;
- responded to customer feedback received through its expanded Voice of Customer program, resulting in above-target results for customer loyalty and nearly halving customer wait times;
- launched a Winter Energy Efficiency Campaign, including practical energy saving tips to help customers reduce their energy use at minimal or no cost whilst remaining comfortable in their homes or businesses;
- entered into new community partnerships and sponsorship initiatives to support Tasmanian not-for-profit community organisations, targeting those activities that make a practical difference to the lives of Tasmanians;
- upgraded core business systems such as telephony and customer care and billing to increase customer service and productivity whilst reducing operating costs;
- responded to a changing regulatory and policy environment, including completing a regulatory retail price submission which provided for increased customer choice through new Time of Use Standing Offer Tariffs from 1 July 2016 and a 13 per cent reduction in Aurora Energy's Cost-to-Serve;
- responded to the Tasmanian energy supply event, ensuring no detrimental impact to Aurora Energy's financial position and that customer prices were largely unaffected;
- exceeded or met 11 out of 12 of its 2015-16 performance targets;
- reduced underlying operating costs by seven per cent; and
- achieved profit after tax of $30.2M and delivered $40.5M in returns to our Shareholders.

CARYLE **DEMARTE**

CHAIR'S REVIEW

On behalf of the Board of Aurora Energy it is my pleasure to present Aurora Energy's 2015-16 Annual Report, my first as Chair of Aurora Energy.

As outlined in last year's annual report, Aurora Energy underwent a significant amount of change during the 2014-15 financial year, emerging as a successful, customer-focused, stand-alone electricity retailer. In order to build on the success of our first year, it was important for Aurora Energy to remain focused on strengthening the business, along with finding further cost efficiencies, improving customer service outcomes, and ensuring that we remain competitive and prepared for new market entrants.

STRENGTHENING THE BUSINESS

Aurora Energy successfully achieved a number of key initiatives during 2015-16, which places the business in a strong position to face future challenges and take advantage of the opportunities that will be presented during this time. This included prudent investment in core systems and technology that reduced our operating costs and improved customer service outcomes such as implementing a new telephony solution, upgrading our customer care and billing system, and partnering with a new bill print provider.

Increasing customer choice was also a feature of 2015-16 with significant groundwork laid through the Tasmanian Economic Regulator's 2016 Standing Offer Price Determination and Tariff Strategy process. Our submission to the Price Determination represented an efficient cost of operating as the Regulated Offer Retailer in Tasmania, and reflected the cost reductions Aurora Energy has achieved over the past two years.

The Standing Offer Tariff Strategy approved by the Regulator will guide the future development of retail tariffs across the three-year period commencing 1 July 2016, promoting customer choice, cost reflectivity, transparency and simplicity. The commencement of new residential and small business Time of Use tariffs from 1 July 2016 as part of the Strategy facilitates increased choice at a time of evolving customer expectations and needs.

In 2015-16, Aurora Energy invested time in ensuring the underlying Aurora Pay As You Go (APAYG) technology remains robust, as we develop the next generation solution for our APAYG customers. A review undertaken over the past 12 months has assisted in Aurora Energy understanding which features and benefits are the most valued by APAYG customers and should be incorporated into the new solution.

FINANCIAL PERFORMANCE

I am pleased to say the strong performance evident in our 2014-15 financial results has continued this year with Aurora Energy recording a profit after tax of $30.2M. This result will enable Aurora Energy to return $40.5M to Government, another significant achievement for the organisation.

In 2015-16 operating costs amounted to $36.2M, $8.6M below budget. This represents underlying cost savings of seven per cent when compared to 2014-15. As a result, Aurora Energy is well-positioned to achieve its target of a 10 per cent reduction in underlying operating costs by 2018 -19.

The focus on driving cost efficiencies is consistent with a requirement to operate as an efficient entity providing excellent customer service in a cost effective manner. As evidenced by our strong financial performance, Aurora Energy has been able to spend less whilst providing more services and support to our Tasmanian customers.

THANK YOU

It has been another positive year for Aurora Energy, with the business able to navigate through a number of unique challenges, whilst having a positive impact on our Tasmanian customers. I would like to recognise all staff for their efforts over the past 12 months and acknowledge the efforts of all employees who retired or left Aurora Energy during this period.

I would also like to acknowledge my fellow Board members for their dedication and invaluable contributions throughout the year.

On behalf of the Board I would like to thank our Chief Executive Officer and Managing Director Rebecca Kardos, for her continued strong leadership in 2015-16. The ongoing direction she has provided has been central to the success of the business over the past two years.

Finally, I would like to thank and acknowledge the outstanding contribution of Mr Geoff Willis AM, who stepped down from the position of Chair of Aurora Energy in May 2016. Geoff served as Chair for a period of four years, and was instrumental in the business being able to navigate through a significant period of change in the Tasmanian electricity supply industry. I congratulate Geoff on his appointment as Chair of the Tasmanian Energy Security Taskforce.

Having strengthened the business during the first two years of operation as a stand-alone retailer, the business now turns its attention to building on this and delivering continued value to our customers and Shareholders.

Caryle Demarte PSM
Chair

CEO'S REPORT

During 2015-16 Aurora Energy was able to consolidate its position as a committed, customer-focused Tasmanian energy retailer, following its first year as a stand-alone retailer in 2014-15.

OUR CUSTOMER FOCUS

In 2015-16, Aurora Energy delivered more choices, provided greater support and evolved our products to meet the changing needs of our customers.

We recognise that our customers' energy needs have changed over time. This year, Aurora Energy developed new Time of Use (ToU) tariffs for residential and small business customers. These tariffs will present a number of potential benefits in 2016-17 and importantly, provide our customers with more choice to manage their energy usage. Our customers will have more flexibility to reduce their bill depending on how and when they consume their energy.

It is essential that we listen to our customers so that we can adapt our service to meet their needs. After a successful implementation of the Voice of Customer program for residential customers in 2014-15, we expanded its reach in 2015-16 to also capture feedback from our small business customers. The expanded program now provides a mechanism to regularly listen to how our small business and residential customers view Aurora Energy's performance and assist with identifying opportunities for improvement.

We are also constantly seeking new ways to improve our large business customer experience. This includes streamlining our systems and processes in order to retain and sustainably grow Aurora Energy's market share of large business customers. In 2016-17 we will continue to work with our large business customers to develop and implement enhanced products to improve their experience with us.

There have been a number of examples during the financial year that demonstrate the positive impact we have had on our Tasmanian customers, none more so than the continued success of the Your Energy Support (YES) program, reaching over 4,000 participants.

As part of the YES program, Aurora Energy was able to increase its support to the No Interest Loans (NILS) Network of Tasmania, which enabled a number of low-income Tasmanians to purchase energy efficient appliances with the support of a rebate on the product purchase price.

Another customer initiative undertaken during 2015-16 was the provision of support to Tasmanian agribusiness customers via our partnership with Rural Business Tasmania. This partnership provided free services to help these businesses manage their energy usage and costs. The program was launched at a time when a number of our agribusiness customers were experiencing an extended period of low rainfall, but has remained in place to assist these customers to deal with the statewide flooding towards the end of 2015-16.

Aurora Energy will continue to focus on the YES program with a further $1M committed for the 2016-17 financial year to expand the reach of YES to support more Tasmanians with energy affordability. We will also look to run additional education programs, with the success of our Winter Energy Efficiency Campaign, reiterating the importance of engaging with Tasmanians and providing practical solutions to help them save energy.

CHALLENGES AND OPPORTUNITIES

Aurora Energy faced a number of challenges during the year, including the energy supply event, which was precipitated by record low spring rainfall and the failure of the Basslink cable. A unified response from the state-owned energy businesses and Government was required to ensure energy security in the State was maintained.

This event presented a number of unique risks to Aurora Energy over the second half of the financial year. Effective management of energy purchasing risk was required to ensure there was no detrimental effect on either customer prices or Aurora Energy's financial position.

We recognise that whilst the energy supply event was unusual, the electricity market is likely to continue to undergo significant change, both on a local and national scale. An environment of change sees an increased importance for Aurora Energy to maintain relevance and retain the confidence of all Tasmanians.

CREATING AND DELIVERING VALUE

The focus of the business over the first two years of operation as a stand-alone energy retailer has been on strengthening for an increasingly competitive landscape, whilst also maintaining our focus on the Tasmanian community. This approach has enabled the business to deliver strong operating and financial results in our first two years as a stand-alone retailer. The business now turns its attention to creating and delivering further value for our customers, Shareholders and the Tasmanian community.

In order to create and deliver value, the customer will remain at the forefront of all business activities. Aurora Energy will continue its focus on achieving improved customer outcomes, to meet evolving customer expectations and enhancing brand loyalty in an environment of reducing operating costs. Where competition exists, we will maintain our focus on customer retention, and will also focus on delivering value to our residential customers, where competition is yet to materialise.

The business has developed a number of strategic initiatives that are designed to meet the likely challenges that have appeared, or are beginning to appear, in the electricity industry on both a local and national scale. These challenges remain constant, with the likely increase in competition, particularly in the small business segment, and national policy changes stemming from the Power of Choice reforms to take effect in the coming 12-to-24 months.

Aurora Energy's performance over our first two years as a stand-alone energy retailer has positioned the business to best manage the profound level of change in the external environment. I am confident of our ability to maintain a strong balance sheet, deliver sustainable returns to the Government and provide superior customer service outcomes into the future.

Finally, I would like to thank the Aurora Energy team for their unwavering effort over the past 12 months. They have embraced uncertainty and change to continue to deliver for our customers, Shareholders, and the Tasmanian community with committed purpose and pride. It is these contributions and a healthy sense of fun that make Aurora Energy a great place to work and have me looking forward to the next year.

Rebecca Kardos
Chief Executive Officer

REBECCA **KARDOS**

AURORA ENERGY
STATEMENT OF CORPORATE INTENT

COMPANY OVERVIEW

Aurora Energy is a Tasmanian state-owned company established in 1998 under the *Electricity Companies Act* 1997. Aurora Energy's two Shareholders are the Minister for Energy and the Treasurer.

Aurora Energy has successfully completed the transition to a stand-alone retailer in Tasmania competing in a fully contestable electricity market, with its primary purpose being the retailing of electricity to Tasmanian customers. A further purpose is to undertake the retailing of gas.

The principal objectives of the company as outlined in the *Electricity Companies Act* 1997 and the Constitution's Memorandum of Association are:

- to operate its activities in accordance with sound commercial practice; and
- to maximise its sustainable return to its Shareholders.

Aurora Energy pays dividends to the Shareholders which are used by the Government for the benefit of the Tasmanian community.

SHAREHOLDERS STATEMENT OF EXPECTATIONS

Aurora Energy's strategic direction for 2015-16 and beyond was developed on the basis of a set of underlying business imperatives.

These are to:

a) operate as an efficient entity providing services in a cost effective manner and target an underlying Cost-to-Serve below the regulatory allowance for a regulated retailer in the Tasmanian Market;

b) prudently manage the risks of operating in a competitive retail market in the State; and

c) maintain flexibility for the potential future divestment of the business.

PERFORMANCE COMMENTARY

Aurora Energy continued its strong operating and financial performance in 2015-16 with 11 of its 12 key performance indicators met or exceeded for the year.

The customer satisfaction and loyalty score was considerably above target, with customers expressing their high satisfaction with Aurora Energy's customer service. This was further reflected in strong performance outcomes for the remaining customer performance measures such as the Grade of Service and Complaint Frequency Rate.

Aurora Energy's Financial Performance for 2015-16 exceeded expectations with both Annual Profit after Tax and Returns to Government above target and comparable to 2014-15.

Operational performance was also strengthened with regulatory non-compliance events decreasing, 99 per cent of the Program of Work for the year delivered to agreed business requirements and a seven per cent decrease recorded against underlying operating costs.

Employee health and safety continues to be a key focus for Aurora Energy with another 12 months of zero medically treated injuries experienced. Unscheduled Leave recorded for the year was marginally higher than target due to higher levels of unscheduled sick leave experienced in the first half of 2015-16. This will continue to be an area of focus in 2016-17.

KEY PERFORMANCE MEASURES

STRATEGIC THEME	KEY PERFORMANCE INDICATOR	PERFORMANCE MEASURE	15-16 TARGET	15-16 OUTCOME	OUTCOME
Provide consistent, proactive, strong customer service linked to customer value	Customer Satisfaction	Customer satisfaction and loyalty score	+15	+29	
	Grade of Service	Percentage of calls answered within 30 seconds	>70%	74%	
	Complaint Frequency Rate	Number of complaints per 100 residential customers (on a rolling quality basis)	0.4-0.9	0.75	
	Customer Retention	Total share of customers	>98%	98%	
Application of efficient systems, processes and practices	Profit	Annual profit after tax target	$20.6M	$30.2	
	Operating Costs	Annual underlying cost reductions against base year 2014-15 [1]	0% [2]	7%	
	Compliance	Maximum Non Compliance events related to NECF	<4	2	
	Regulated Cost-to-Serve per Customer	Regulated Cost-to-Serve per Customer	Within Allowance	Within Allowance	
	Program of Work Performance [3]	% on target	95%	99%	
	Returns to Government	Annual Returns to Government ($M per year – Accruals)	36.4	40.5	
Delivered by committed, capable, valued and passionate people who care about what they do and the important role they play in the community	Rolling 12-month Medical Treated Injury Frequency Rate (MTIFR)	Number of medical treated injuries per 1,000,000 hours worked	0	0	
	Unscheduled Leave	Unplanned leave – average days per headcount per annum	<7	7.22	

1. Reductions to ongoing operating expenditure – excludes one-off expenditure such as projects and strategic initiatives that may be incurred in any given year.
2. Strategic initiatives will be identified in 2015-16 to reduce costs over the remaining Corporate Plan period.
3. Refers to completion of targeted annual projects/initiatives.

AURORA ENERGY'S STRATEGIC DIRECTION

Aurora Energy is a state-owned company providing electricity and gas retail services for more than 270,000 Tasmanian customers. Aurora Energy offers a number of electricity and gas products which are tailored to meet the needs of customers through tariffs, market contracts and payment options.

Aurora Energy's Vision,

"Aurora Energy is valued by its customers and provides sustainable returns to the Tasmanian Community"

captures the principal objective of the business and its key characteristics of success, and promotes an efficient, customer orientated, cost-effective business that recognises the value it can provide as a Tasmanian entity to its Shareholders, customers and suppliers.

Underpinning the Vision are four strategic themes that will enable Aurora Energy to deliver its Vision:

1. provide consistent, proactive, strong customer service linked to customer value;
2. influence industry and regulatory changes for the benefit of Aurora Energy and the Tasmanian community;
3. application of efficient systems, processes and practices; and
4. delivered by committed, capable, valued and passionate people who care about what they do and the important role they play in the community.

IAN
Senior Account Manager

OUR **CUSTOMERS**

PROVIDE CONSISTENT, PROACTIVE, STRONG CUSTOMER SERVICE LINKED TO CUSTOMER VALUE

Strong, proactive customer service was again a hallmark of 2015-16, supported by the implementation of a new telephony system. In addition there remained a focus on support for vulnerable customers through a number of initiatives delivered as part of Aurora Energy's Your Energy Support (YES) program.

VOICE OF CUSTOMER/ NET PROMOTER SCORE

+15	+29
NPS Target	Average NPS

Aurora Energy nearly doubled its annual Net Promoter Score (NPS) target of +15, reaching +29 in 2015-16.

25 SECONDS

Aurora Energy nearly halved its wait times, with an average of 25 seconds in June 2016 compared to 47 seconds at the same time last year.

GRADE OF SERVICE

↑2%

Aurora Energy's Grade of Service reached 74 per cent, an improvement on 72 per cent in 2014-15.

JESSEY
Small Business Support Advisor

CUSTOMER FEEDBACK

The Voice of Customer program is Aurora Energy's mechanism to listen to our customers, measure performance and continuously improve the customer experience.

EASY

"I always find the staff at Aurora most genuine and friendly and my recent experience was exactly that. Most service providers could take a leaf out of your book."

EXPERTISE

"The lady that I spoke to on the phone was so incredibly helpful, I was a bit stressed because I had no idea what I was doing and wasn't very organised but she made the whole thing easy to understand. She was so patient, nice and helped me so much."

OWNERSHIP

“The person I spoke to appeared to have all of my details on hand, almost as if she was expecting my call. Everything was handled very professionally and yet at the same time friendly."

RESPONSIVE

“The quick resolution of my inquiry without being transferred multiple times, the lady I spoke with was also very polite. A1 for service. Thanks.”

PROACTIVE

“If you could make a better way of explaining pay as you go credit and debt.”

YOUR ENERGY SUPPORT PROGRAM

Aurora Energy's YES program provides the framework to identify vulnerable customers and provide them with the ability to take control of their energy usage and bill.

The YES program helps customers remain connected with energy-saving tips and tools, budgeting advice and tailored, flexible and affordable payment plans for immediate and long-term relief.

In 2015-16, Aurora Energy and the Tasmanian Government commenced its first year of a two-year partnership to commit an additional $2.0M towards expanding the scope and reach of the YES program to vulnerable customers. Aurora Energy has achieved this through a number of key partnerships.

NILS ENERGY SAVER LOAN AND SUBSIDY PROGRAM

Aurora Energy partnered with NILS Network of Tasmania to offer concession customers a subsidy for the purchase of energy efficient household appliances and a no-interest loan for the balance of the purchase amount.

In all, 379 customers across Tasmania took advantage of the NILS Energy Subsidy program in 2015-16.

The response to the program was outstanding, assisting in making practical and sustainable changes to those customers most in need.

HOME ENERGY ADVICE PROGRAM

Aurora Energy teamed up with Anglicare Tasmania in 2015-16 to develop a Home Energy Advice Program for customers experiencing financial difficulty, including energy affordability concerns.

The program included home visits by a YES Team Energy Advisor and an Anglicare Financial Counsellor. In-home energy audits of appliances together with a review of the customer's broader financial position ensured an individual approach could be tailored consistent with their specific circumstances and practical steps taken to assist the customer.

NILS ENERGY SAVER LOAN AND SUBSIDY
CASE STUDY
John and Robyn

John and Robyn are an elderly couple in their eighties who live in a small town in the midlands.

John has a health condition which leaves him incapable of lifting any heavy items. Previously they relied on a wood heater for their source of heating.

To feed the fire, Robyn would wheel the wood barrow into the house and then struggle to lift the logs into the fire. With the heavy frosts and cold nights they experienced, this was a continuous job and both were really worried about how they would cope during winter.

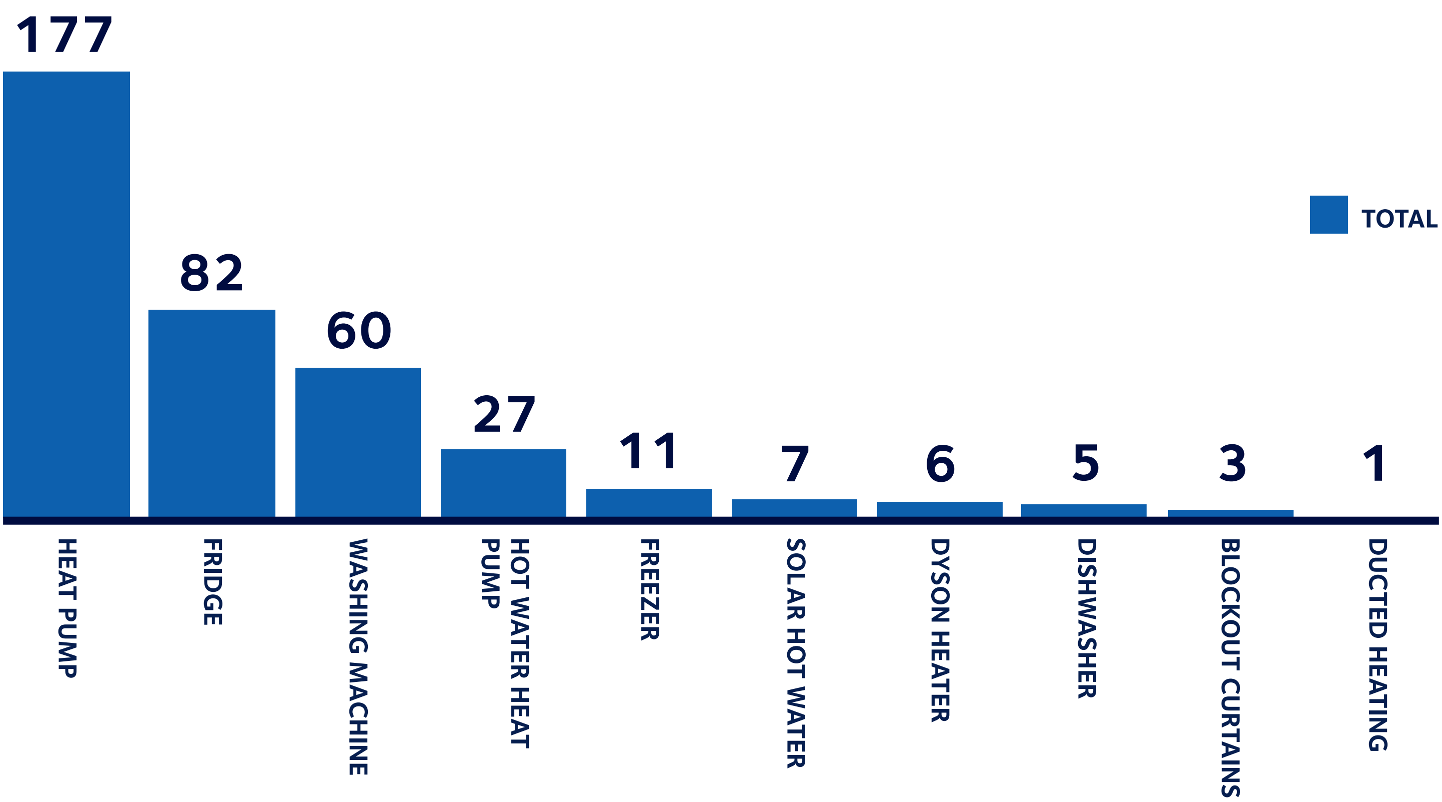
Relatives of John and Robyn had wanted them to get a heat pump but it was considered too costly. When they were informed of the availability of the NILS Energy Saver Loan and Subsidy they couldn't believe their luck, they really didn't believe it could happen.

When the quotes were received it became apparent that it was necessary to upgrade the meter box of their 1950s home as well. This was also included in the subsidy, which has since given them peace of mind that their house has safe wiring.

Prior to the day of installation John was so excited he joked he had been counting down the sleeps to the big day!

John and Robyn celebrated the grand 'switching on' of their new heat pump with relatives from Hobart.

NILS PURCHASES BY ITEM



Aurora Energy received wonderful feedback in the form of a poem from Val Monaghan who joined the Your Energy Support (YES) program in 2015-16.

THANK YOU FOR THE DYSON

There is such a thing as a free lunch
And I'm a recipient
As I now have a Dyson heater
That Aurora has sent

I can't help wondering
Why they have given me
This product...so expensive
And it's absolutely free

I know my power bills are exorbitant
For someone like me...living alone
But I really did not believe it
When Aurora's Andrew phoned

It costs a whole lot less
To warm up my living room
Imagine how I'll appreciate it
With winter coming...soon
And if the heat becomes uncomfortable
As it did the other day
I'll switch on the air conditioning
And I won't melt away

At first I had a passing thought
That perhaps my family
Had organised this wondrous gift
As a big surprise for me

But on the side of the draught stoppers
Is written Aurora Energy Support
So I rang and thanked them for the Dyson
But I'll still write to them...of course

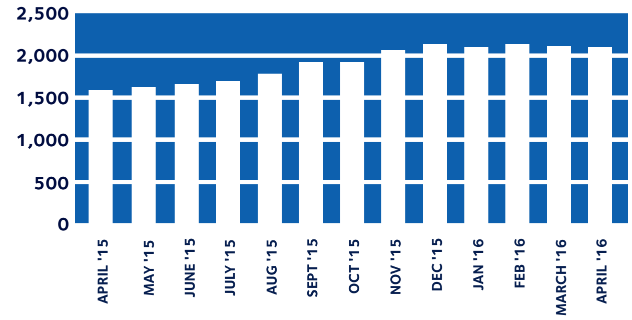
Thank you to the Aurora team
For arranging to send me the Dyson
I've rearranged an old saying
And write, 'on my cake you've put the icing'

INCREASED YES PROGRAM PARTICIPATION NUMBERS

A key focus in promoting the growth in YES program participation levels throughout 2015-16 was ensuring that those customers seeking to improve their energy affordability position were provided with the opportunity to do so.

The early identification of vulnerable customers and the impact of high winter energy usage resulted in an increasing number of YES program active participants from 1,663 to 2,065 customers as at 30 June 2016. As a result over 4,000 customers participated in the program in 2015-16. Pleasingly, the number of customers successfully completing the program also increased during the year to 814.

YES PROGRAM – NUMBER OF CUSTOMERS



VULNERABLE CUSTOMER STAKEHOLDER WORKING GROUP

Aurora Energy convened quarterly Vulnerable Customer Stakeholder Working Group meetings throughout 2015-16. Members of the Working Group include St Vincent De Paul, Anglicare, The Salvation Army, Rural Business Tasmania, TasCOSS, the Council on the Ageing Tasmania, Sustainable Living Tasmania and the Hobart Migrant Resource Centre.

Working Group members have a shared interest in assisting vulnerable Tasmanians and work together to progress initiatives that make a practical difference to the lives of customers.

WINTER ENERGY EFFICIENCY CAMPAIGN

Aurora Energy launched a Winter Energy Efficiency Campaign in June 2016, designed to help customers reduce their electricity bills in what is traditionally a period of high energy demand.

With Tasmania experiencing its coldest winter in nearly 50 years in 2015, a significant increase in energy usage resulted in higher customer bills. This campaign offered customers practical energy saving tips to assist them in reducing their energy usage whilst remaining comfortable in their homes or businesses.

As part of the Winter Energy Efficiency campaign, Aurora Energy prioritised increasing practical, energy saving information by launching a free energy usage calculator available online at www.auroraenergy.com.au.

The calculator provided residential customers with an easy to use, interactive means of identifying where they use their power. Armed with this information, customers can investigate ways to improve their usage and reduce their bills through tips from our website and other resources.

AGFEST

Aurora Energy attended Agfest in May 2016 for the first time as a stand-alone retailer. Aurora Energy participated in a joint site with Rural Business Tasmania, Rural Alive and Well, Centrelink and Tasmanian Women in Agriculture, with a shared focus on assisting their respective customers and members.

Aurora Energy was able to respond to a broad range of customer queries and offer practical energy saving tips, as well as take time to expertly engage with customers through Aurora Energy's new online energy usage calculator.

INCREASING CUSTOMER CHOICE

Increasing customer choice was a key focus for Aurora Energy during 2015-16. This included both preparing for the introduction of new tariffs in 2016-17, to broadening the understanding of customer segments and evolving customer expectations and needs to inform the ongoing longer-term development of new products and services.

Over the course of the year Aurora Energy invested in preparing the business for the introduction of two new Time of Use (ToU) tariffs from 1 July 2016.

- Residential ToU – Tariff 93
- Business ToU – Tariff 94

These tariffs will present a number of potential benefits to customers depending on how and when they consume energy, their existing tariff structures and whether the customer has a solar installation.

Aurora Energy has established ToU residential and small business teams to assist customers in exploring their energy choices.

AURORA ENERGY PAY AS YOU GO

In 2015-16, Aurora Energy investigated opportunities for a next generation prepayment product for its customers. Aurora Energy Pay As You Go (APAYG) was first developed 20 years ago and customer needs have changed significantly during this time. APAYG customers expressed a greater need for control and convenience, including new smart phone applications and real time notifications on energy usage.

Aurora Energy remains committed to providing customers with the benefits that APAYG currently provides while it develops the next product solution.

To ensure it delivers the most appropriate replacement product to its customers, Aurora Energy engaged focus groups across the state with its APAYG customers to understand their needs and identify key attributes that customers are looking for in a new product. Customers have told us they value:

- the ability to view the impact of usage in dollar terms in real time;
- the ability to control expenditure through behaviour and adjusting consumption;
- the ability to avoid bill shock and limit arrears;
- access to a range of payment options and vulnerable customer support programs; and
- regular communication with Aurora Energy.

It is anticipated that the next generation APAYG will be deployed towards the end of 2017.

Energy Saving Tips brought to **you** by Aurora Energy.

Aurora ENERGY **Helping to make a difference.**

Use the economy cycle of your dishwasher and only run the machine when it's full. This helps save energy as well as water.

Clothes dryers use lots of energy. Only use if necessary and try to partially dry clothes before loading. This will reduce drying time and save energy.

Keep warm air from escaping and cold draughts from entering your home with door snakes or flexible strips. Rolling up towels and placing them against your doors works just as well.

Spending a few minutes less in the shower each day will help save on energy costs and reduce water use.

Reducing your heater usage by just 1 hour per day can help cut the overall running cost of the appliance by up to 90 hours over a 3-month period.

Turn your heater off overnight or when leaving the house for the day. Set the timer for it to come back on an hour before you anticipate you will need it.

Find more Energy Saving Tips at **www.auroraenergy.com.au**

SMALL BUSINESS CUSTOMERS

Aurora Energy recognises the important role small businesses play in the Tasmanian economy, with nearly 40,000 businesses operating across a range of sectors around the state and more than 95 per cent of these small businesses.

Aurora Energy's Voice of Customer Program was extended to its dedicated small business sales and service team in 2015-16. The program provides a mechanism to regularly listen to how the business is performing from the perspective of its customers and to identify improvement opportunities.

The results highlighted Aurora Energy's strong commitment and understanding of the needs of small business customers within Tasmania.

FEEDBACK FOR THE SMALL BUSINESS SERVICE AND SALES TEAM

"Your CSO was highly efficient, competent, patient and personable. She made me feel like my business was important and that I was a person rather than number."

"Keep up the open, friendly, business experience. Pleasant attitude and a polite but efficient way of dealing with problems."

"We didn't have to wait an hour like most companies to talk to someone. They acted straight away and were fantastic with their customer service. It's so nice to be able to speak to real humans and especially ones that know what they are talking about."

TIME OF USE

As noted on page 22, a business Time of Use (ToU) tariff, Tariff 94, was developed ready for introduction from 1 July 2016.

These tariffs are available for residential and small business customers. Like the residential ToU tariff, this choice for small business customers will present a number of potential benefits depending on how and when they consume energy, their existing tariff structures in place and whether the customer has a solar installation.

AGRIBUSINESS SUPPORT PROGRAM

Aurora Energy and Rural Business Tasmania launched a new partnership in February 2016 to provide Tasmanian agribusinesses with free services to help manage their energy usage and costs.

The Agribusiness Support Program is a collaboration that offers eligible small rural and regional agribusinesses:

- a tailored and flexible payment plan arrangement, which can include the suspension of overdue account fees;
- half-day business and financial management coaching sessions with a rural business and financial management expert; and
- an on-farm energy usage audit that will identify high usage plant and equipment and provide advice on modifications that could assist in realising cost savings.

Aurora Energy is aware that our rural communities can be impacted by many situations outside of their control and is committed to providing support to rural enterprise in Tasmania. This has been more than evident in 2015-16 through drought conditions and subsequent flooding experienced across the State.

TASMANIAN SMALL BUSINESS COUNCIL

Aurora Energy continued its strong relationship with the Tasmanian Small Business Council and its members in 2015-16. This included supporting a function that provided Council members the opportunity to engage with Aurora Energy on their energy needs.

LARGE BUSINESS CUSTOMERS

Large business customers in Tasmania are defined as customers that consume in excess of 150MWhs per annum, which on average results in minimum annual electricity spend of approximately $40,000 per annum.

Aurora Energy worked to sustainably grow Aurora Energy's large business customer market share in 2015-16. This will again be the focus for the coming year and achieved through the:

- retention and acquisition of key customers;
- development and implementation of enhanced products that improve the customer experience; and
- streamlining of systems, people and processes to minimise costs.

Launching the Agribusiness Support Program

COMMUNITY

Aurora Energy assisted Carers Tasmania give a voice to young Tasmanians carers during Carers Week 2015

PROVIDE PRACTICAL BENEFITS TO TASMANIANS AND THEIR COMMUNITIES

Through its Community Sponsorship Policy, Aurora Energy seeks to be an active participant in the Tasmanian community.

Sponsorship opportunities that support local, community-based initiatives for Tasmanian not-for-profit community, sporting, volunteer and welfare groups are targeted.

COMMUNITY PARTNERSHIPS

During 2015-16 Aurora Energy joined forces with a number of community organisations to assist Tasmanians:

- Aurora Energy partnered with Save the Children Australia to fund the fit-out of a purpose designed mobile classroom. The mobile classroom facilitates the teaching of tailored literacy and numeracy classes (Educating Young People for a Better Future) to young offenders who are disengaged from mainstream education or possess limited education opportunities together with a lack of basic literacy and numeracy skills. In its first year of operation, the program engaged with 13 young people aged 13-19 years, each with varying ability levels and educational goals. Most of the young people have not had a positive association with their previous learning experiences; however, the program was very well received with an overall attendance of 95 per cent.
- For a second consecutive year, Aurora Energy joined with the Tasmanian Association for Children with Disability to support them to produce their regular newsletter, PEP Talk (Parents Empowering Parents). This support has in turn allowed the Association to invest in its online resources and other programs.
- Aurora Energy partnered with Carers Tasmania to fund a program of activities throughout 2015 to raise awareness amongst young Tasmanian carers, both to assist young carers to self-identify as a carer, and also to access specific programs targeted at assisting them.
- Aurora Energy continued its well-established relationship with NILS Tasmania, the provider of community lending for Tasmanians. NILS provides no-interest loans to low-income Tasmanians to help purchase essential items and services including energy efficient appliances, whitegoods and heat pumps. As part of this relationship, Aurora Energy's Chief Executive Officer, Rebecca Kardos is a member of the NILS Committee of Management.
- In a partnership with the Tasmanian Men's Shed Association, Aurora Energy contributed to help develop and coordinate strategic communications that would address a critical need to promote the work each shed was doing, internally and externally, in both print and digital mediums. Four editions of the Association's SHED NEWS newsletter have since been published.
- Aurora Energy extended its partnership support with SPEAK UP! Stay ChatTY to meet the cost of a dedicated car park for the organisation's key Project Officer, Mitch McPherson. Mitch's role sees him regularly engages in public speaking events at workplaces, schools and sporting clubs around the state to help raise awareness for suicide prevention.
- Aurora Energy was a major sponsor of the 2015 Launceston City Mission Christmas Appeal. The sponsorship enabled Launceston City Mission to direct every dollar donated by the public to help Tasmanians.
- Aurora Energy partnered with the Tasmanian Community Fund to support the Hobart and Launceston Women's Shelters. The funding provided to the Hobart organisation enabled it to purchase a replacement vehicle, which provides holistic support and transport to women from the Tasmanian community who are homeless and/or experiencing domestic violence. Likewise, Launceston Women's Shelter refurbished its 13 shelter units and furnished its newly acquired Community House through the funding from Aurora Energy.
- In 2015-16, Aurora Energy hosted three AFL game functions at Aurora Stadium, inviting the Tasmanian Association for Children with Disability, the Beacon Foundation and Carers Tasmania. Additional seated tickets were also provided to the Tasmanian Men's Shed Association, SPEAK UP! Stay ChatTY and the Self Help Workshop.
- Aurora Energy's Chief Executive Officer, Rebecca Kardos participated in the 2016 Vinnies CEO Sleepout at Aurora Stadium, raising more than $10,000 towards reducing homelessness in Tasmania.

Aurora Energy employees volunteering at the Ronald McDonald House

Hosting the Tasmanian Association for Children with a Disability at Aurora Stadium

DONATIONS

Consistent with Aurora Energy's Community Sponsorship Policy, a number of donations were provided by Aurora Energy in 2015-16 to a range of Tasmanian not-for-profit organisations.

- Appin Hall Children's Foundation
- Tasmanian ANZAC Centenary Dinner Committee
- Launceston City Mission
- Kennerley Caring for Kids
- Tasmanian Eye Institute
- Risdon Vale Neighbourhood Centre
- Hobart City Mission
- Rotary Club of Hobart
- Rural Business Tasmania Inc
- HeartKids
- Nexus Inc
- Lara Jean Association
- Tasmanian PCYC
- Make a Wish Foundation
- Zeehan Gem and Mineral Fair Association Inc
- Fight Cancer Foundation
- MS Society
- Duchenne MD
- Jordan River School Farm
- Eskleigh Foundation
- Whitelion Bailout
- St Giles
- Anglicare Tasmania
- Giant Steps
- MS Tasmania
- Movember
- Bowel Cancer Australia
- Australian Childhood Foundation

PEOPLE

114 ♀ **73** ♂

Aurora Energy's workforce comprises 187 employees of which 61 per cent is female.

38 YEARS

The average age of the Aurora Energy workforce.

Aurora Energy is fortunate to have a workforce of committed and passionate people who not only apply themselves to providing excellent customer service but also invest time directly into helping members of the Tasmanian community.

Employees have undertaken a number of activities across the year, which demonstrates practical contributions to helping others. This includes groups volunteering at Ronald McDonald House in Hobart, assisting Aurora Energy's not-for-profit partners and numerous staff-initiated fundraising activities.

TRAINING AND DEVELOPMENT

Targeted ongoing training and development is critical to the success of Aurora Energy as it prepares for an increasingly challenging and competitive operating environment.

Aurora Energy employees are encouraged and supported to up-skill and multi-skill through formal and informal learning and development programs. A learning and development model and underpinning programs were developed during 2015-16 to ensure the workforce was well placed to support the successful delivery of its strategic objectives.

This included the design and launch of a development program specifically targeting the Senior Leadership Team. The program provided employees with 360-degree feedback to support their ongoing personal development and included areas such as leadership versus management, business writing, emotional intelligence, employee assistance and wellbeing, culture, coaching and mentoring.

In addition, a formal qualification program was implemented in early 2016 to provide employees with the opportunity to up-skill and gain a formal qualification at the same time. The qualifications included a Certificate III in Business and a Diploma of Leadership and Management with the content of both courses customised to support Aurora Energy's operational deliverables and requirements.

A total of 62 employees commenced in the Formal Qualification Program in 2015-16, with a retention rate of 95 per cent. The program will be used as a minimum standard for on-going development across the organisation.

RELOCATION TO GEORGE STREET

Aurora Energy relocated its Rocherlea Customer Service Centre in January 2016 to George Street in the Launceston CBD reinforcing its commitment to northern Tasmania.

The 34-seat northern Customer Service Centre was previously located at Rocherlea, however following a business-wide review to reduce costs the company decided to relocate the Centre, reconnecting with Launceston's central business district providing increased amenity for our staff.

GEORGE STREET OFFICE OPENING: from left, Jenny Grimes and Kristelle Wishart.

"Delivered by committed, capable, valued and passionate people who care about what they do and the important role they play in the community."

EXCELLENCE

OPERATIONAL PERFORMANCE

Aurora Energy has a best-practice compliance framework and a key compliance requirement is the National Energy Customer Framework that is administered by the Australian Energy Regulator (AER). During 2015-16, Aurora Energy reported only two type 2 compliance breaches of the Framework to the AER and also reported improvements in its overall operational performance, including an increase in the percentage of calls answered within 30 seconds, a reduction in the number of complaints, a reduction in the number of customers experiencing payment difficulties and an increase in the number of customers participating in the YES program.

COMPLIANCE

< 4	2
NECF Target	Reported breaches

Aurora Energy exceeded its target of <4 type one NECF breaches with only two reported type 2 breaches.

COSTS

0%	7%
Cost Reduction Target	2015-16 Cost Reduction

Aurora Energy achieved a seven per cent underlying cost reduction against 2014 -15 with a target of zero per cent.

APPLICATION OF EFFICIENT SYSTEMS, PROCESSES AND PRACTICES

In 2015-16 there was an increased focus on process improvements and a number of system upgrades and service transitions. Each of these initiatives resulted in increased customer service and productivity together with decreased costs.

PROCESS IMPROVEMENT

A process improvement methodology was established and implemented throughout Aurora Energy in 2015-16. Its objective is to establish a sound, flexible and efficient base to deliver the required customer outcomes whilst operating in a highly regulated and changing market.

This included establishing a foundation of process excellence by mapping existing processes and embedding process improvements within business as usual activities.

To date, this initiative has resulted in specific process mapping and improvement training for over 55 staff across the business, with over 650 processes documented and 230 revised processes published for immediate use.

PROCESS IMPROVEMENT
CASE STUDY
Customer feedback affects positive widespread change

In January 2016, one of our 78 year old customers, Pat, raised an issue with the online payment portal via an online customer survey. Pat had experienced a number of issues trying to pay her bill online and eventually had to phone our Customer Service Centre to make the payment.

By completing our Voice of Customer survey, Pat was able to provide details of which services she felt Aurora Energy needed to improve. From this feedback, Aurora Energy was able to work proactively with our vendor to resolve this issue.

As a result of Pat's feedback and our proactive response, our vendor was able to rectify an issue which was impacting their clients all over Australia. This feedback allowed Aurora Energy to improve the customer experience for over 90,000 customers who use this payment channel annually. Additionally, this helped to reduce the number of phone calls into our Customer Service Centre by customers who were experiencing similar difficulties with paying their bills.

SYSTEM UPGRADES

Telephony Upgrade

In January 2016, Aurora Energy successfully implemented its new telephony system. The technology gave the business a stable and flexible system, with the benefit of enhanced customer service and reporting capability and future cost efficiencies and process improvements.

Customer Care & Billing Upgrade

Aurora Energy effectively completed the upgrade of its customer care and billing system in March 2016. The upgrade ensured ongoing support for a critical business system and provided an optimal position from which to implement future strategic business initiatives.

Bill Print Transition

Aurora Energy commenced using a new print provider for the processing and printing of customer bills, reminders and letters in early April 2016 resulting in increased business flexibility and reduced operating costs.

Business Reporting

In June 2016, Aurora Energy successfully completed the implementation of a new fit-for-purpose business reporting and information solution. This solution ensures that Aurora Energy has a stable and secure operational reporting platform, with a suite of reports which are accurate, reliable and fast and efficient to execute.

CHRISTINE
Small Business Sales and Service Advisor

CORPORATE GOVERNANCE STATEMENT

THE **BOARD**

Aurora Energy is a proprietary limited company established under the *Electricity Companies Act* 1997 (Tas) and incorporated under Corporations Law. As a state-owned corporation, its Shareholders are the Minster for Energy and The Treasurer of Tasmania, on behalf of the Tasmanian community.

Aurora Energy adopts both the Tasmanian Government's Corporate Governance Principles (2008) and the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations (3rd edition). If a contradiction arises between the two, Aurora Energy complies with the Tasmanian Government Principles to reflect their design specifically for government-owned enterprises. Aurora Energy's Shareholders have issued a series of other Guidelines designed to support and complement their Corporate Governance Principles.

The following information summarises Aurora Energy's disclosures against both sets of Principles. A complete set of disclosures and further supporting information is available on Aurora Energy's website: www.auroraenergy.com.au.

BOARD COMPOSITION

Aurora Energy is managed by a Board of up to five directors and a management team led by the Chief Executive Officer (CEO). The Board presently has one vacancy.

The Board has two permanent committees: Board Appointments and Remuneration Committee (REM) and Board Audit, Risk and Compliance Committee (BARCC).

MS CARYLE **DEMARTE** (Chair)

PSM B.Bus, FAICD

Caryle was appointed Chair of Aurora Energy on 16 May 2016 and has been a Director since 1 April 2006. She is a member of Aurora Energy's Board Appointments and Remuneration Committee and Board Audit, Risk and Compliance Committee. The Board recognises Caryle as an independent Director.

Possessing a strong background in the energy sector, Caryle's previous roles have included General Manager of Victorian Government-owned gas retailer, Kinetik Energy, and General Manager Corporate Relations, Public and Government Affairs and Retail with TXU.

Caryle also has comprehensive experience with governing boards, including Yarra Valley Water, Synergy, Australia Customer Services Pty Ltd, Victorian Energy and Water Industry Ombudsman, VENCorp, a number of not-for-profit sector boards and the Energy Retailers Association of Australia.

Caryle currently chairs the Local Government Infrastructure Assistance Fund for the Victorian Government and is a director of Jacana Energy in the Northern Territory.

In 2002, Caryle was awarded a Public Service Medal for services to the Victorian community.

MRS YVONNE **RUNDLE**

B.Bus, FCA, GAICD, FTIA

Yvonne was appointed to the Board of Aurora Energy in January 2015. Yvonne is the Chair of Aurora Energy's Board Audit, Risk and Compliance Committee and a member of the Board Appointments and Remuneration Committee.

The Board recognises Yvonne as an independent Director.

Yvonne is a Chartered Tax Advisor, Graduate of the Australian Institute of Company Directors, and Chartered Accountant with over 30 years of experience in public practice consulting in areas such as succession planning, strategic planning, corporate governance, risk management business and taxation advice .

Yvonne has experience in a range of board roles with her current roles including Chair of AGW Funds Management Ltd, Director of Fairbrother Foundation Pty Ltd and Director of a number of privately owned companies. From 2005 to 2011 Yvonne served on the University of Tasmania Council, and was appointed Deputy Chancellor in 2008. Yvonne is a former Director and Chair of Audit and Risk Committees for both Port of Devonport Corporation Pty Ltd and TOTE Tasmania.

MR TREVOR **JAMES**

B.Bus, MAICD, FCPA

Trevor was appointed a director of Aurora Energy on 25 April 2016. Trevor is Chair of Aurora Energy's Board Appointments and Remuneration Committee and a member of the Board Audit, Risk and Compliance Committee.

The Board recognises Trevor as an independent Director.

Trevor has over 39 years' experience in the energy industry, having worked for the State Electricity Commission of Western Australia, the State Energy Commission of Western Australia and Western Power where he headed up the Retail division, before transferring to Synergy at disaggregation in 2006.

Trevor has gained a wealth of experience across many areas of the energy industry having held leadership positions in the areas of generation, retailing, wholesale trading, finance, information technology, and human resources.

Trevor is the former Chief Executive Officer of Synergy, WA's largest energy retailer and is currently Managing Director of Turnkey Energy Solution which is backed by a major Chinese company providing innovative renewable energy solutions to its customers.

He is also a member of the Curtin University Graduate School of Management Advisory Board and is a guest lecturer on change management strategies to MBA students at the university.

Trevor holds a Bachelor of Business, is a Fellow of CPA Australia and a member of the Australian Institute of Company Directors.

MR GEOFF **WILLIS**

AM, B.Com, MBA, FAICD, FCPA

Geoff was appointed to the Board of Aurora Energy in November 2007 and was Chairman from November 2011 until his resignation in March 2016.

He was a member of Aurora Energy's Board Appointments and Remuneration Committee and Board Audit, Risk and Compliance Committee. The Board recognised Geoff as an independent Director.

Geoff has had an extensive career including appointments as Managing Director of the Amcor Paper Group and as Chief Executive Officer of Hydro Tasmania.

Amassing considerable experience as a director, Geoff has chaired Tasmania's water and sewerage corporations, the Tasmanian Symphony Orchestra and Colorpak Ltd, and is currently Chair of the Tasmanian Museum and Art Gallery.

MRS REBECCA **KARDOS**

Mrs Rebecca Kardos, B.CompSc, MBA, MAICD

Rebecca was appointed to the Aurora Energy Board in November 2014.

Rebecca joined Aurora Energy in February 2014 as CEO-Designate preceding the commencement of Aurora Energy as a stand-alone retail business on 1 July 2014. Prior to this, Rebecca held the position of General Manager Retail at Synergy in Western Australia. Rebecca's previous roles include a range of senior positions within the utilities sector in both Australia and New Zealand.

The Board recognises Rebecca is not an independent Director.

Rebecca is currently a Board member of No Interest Loans Network (NILS) Tasmania and a Board member of the Hobart City Mission.

MR OLIVER **COUSLAND**

Company Secretary - LLB, B.Com, GIA (Cert).

Oliver was appointed Company Secretary from 1 January 2016. Oliver is a lawyer with 14 years' experience in private practice and as an in-house legal adviser in Australia and the United Kingdom. Oliver joined Aurora Energy in 2014 and his responsibilities include management of legal services, procurement, Board secretariat and corporate governance.

MRS CAROLYN **PILLANS**

Company Secretary - B.Com, GradDipACG, FGIA, FCIS, GAICD.

Carolyn was appointed Company Secretary from 1 July 2014. Carolyn is a qualified Chartered Secretary with 10 years' experience as a company secretary and executive manager. She is a non-executive director and Treasurer of Lifeline Tasmania. Carolyn resigned in December 2015.

BOARD AND COMMITTEE ATTENDANCE AND PROFESSIONAL DEVELOPMENT ACTIVITIES 2015–16

BOARD MEMBER Formal continuing professional development undertaken this year		Board		REM Committee		BARCC		Board Strategy Day[1]	
		Eligible to Attend	Attended	**Eligible to Attend**	Attended	**Eligible to Attend**	Attended	**Eligible to Attend**	Attended
Caryle Demarte	• Director since April 2006 • Chair since May 2016	**12**	11[2]	**3**	2[2]	**5**	4[2]	**1**	1
Rebecca Kardos • AICD (Australian Governance Summit), and • Australian Energy Week	• Director since November 2014	**12**	12	**-**	-	**-**	-	**-**	1[1]
Yvonne Rundle • Australian Energy Week	• Director since January 2015 • BARCC Chair from January 2015	**12**	12	**3**	3	**5**	5	**1**	1
Trevor James • Induction Program	• Director since April 2016 • REM Chair from May 2016	**3**	2[2]	**1**	1	**1**	1	**-**	-
Geoff Willis	• Director since November 2007 • Board Chair from November 2011 • Resigned as Director 31 March 2016	**9**	9	**2**	2	**4**	4	**1**	1

1. Attended in the role of CEO
2. Approved leave of absence

LEADERSHIP
TEAM

MRS REBECCA **KARDOS**

B.CompSc, MBA, MAICD.
Chief Executive Officer

Rebecca joined Aurora Energy in February 2014 as CEO-Designate preceding the commencement of Aurora Energy as a stand-alone retail business on 1 July 2014.

Rebecca was appointed as a Director of Aurora Energy in November 2014. A summary of her background is included in the Board composition on page 34.

MR GRANT **RUSSELL**

BA (Hons), Pg Dip, MBA.
Chief Operating Officer

Grant Russell is a senior executive with 15 years' experience in the contestable energy market and holds qualifications at Masters level.

Grant joined Aurora Energy in 2013 and oversees the Customer Operations Group which is responsible for the delivery of high quality outcomes for all customers.

Under this business structure the key customer touch points of inbound and outbound contacts, online services, sales, marketing, energy purchasing, revenue services, products and pricing, and supporting vulnerable customers (via our Your Energy Support (YES) program).

Grant passionately advocates for continuous improvement and innovation that ensures the focus is on delivering relevant and valued services that keeps customers at the heart of everything we do.

MR KANE **INGHAM**

B.Com, CA, GradDipACG.
General Manager Commercial Services

The Commercial Services unit is responsible for undertaking the financial, corporate affairs, regulatory and compliance, and strategy functions for Aurora Energy.
The unit completes activities such as strategy development, financial planning and analysis, financial accounting, energy and network settlements, corporate and energy compliance, risk and internal audit, communications, stakeholder relations, and community engagement.

Kane Ingham has been at Aurora Energy since 2008 and has experience in a range of areas including finance, strategy and project management. Kane holds a Bachelor of Commerce (Finance and Accounting) and is a member of the Institute of Chartered Accountants and the Governance Institute of Australia.

MRS MICHELLE **BROOKS**

B.Com, MAHRI.
Manager People and Performance

The People and Performance Team is responsible for human resource strategy, culture and change management, recruitment, employee relations, remuneration and benefits and organisational development for Aurora Energy.

Previously, Michelle was People Manager for Aurora Energy's Corporate and Energy Divisions. Prior to that, Michelle was Employee Relations Manager at Norske Skog Pty Ltd, and Assistant HR Manager at Tassal Operations Pty Ltd.

MRS MEL **LUKIANENKO**

MBA, MAICD.
Chief Information Officer

The Systems Team is responsible for all facets of Information Technology for Aurora Energy. The team is responsible for all ICT activities including internal service delivery, application administration and implementation, vendor and outsourcing management, project delivery and business intelligence to enable the business to meet its objectives.

Mel has experience in a range of areas including service delivery, application development, infrastructure management along with extensive project management experience. Mel is a Board Member of TASICT and a member of the Australian Institute of Project Management. Mel has also attended the CIO Academy residential program at Oxford University (UK). Mel resigned on 30 June 2016.

MR GRANT **TAYLOR**

BEng(Hons), GradDipResMeth, FAIM.
Chief Information Officer

Grant is a senior leader and management specialist, with a track record of success in creating new organisational capabilities, developing growth strategies, business management and the alignment of technology with customer and business needs. He has previously been responsible for the operation and transformation of large, complex IT portfolios, has experience in delivering programs of work across three continents and has run two successful start-up businesses. Grant is also a Fellow of the Australian Institute of Management. Grant commenced in the role on 20 June 2016.

MRS CAROLYN **PILLANS**

B.Com, GradDipACG, FGIA, FCIS, GAICD.
Company Secretary/Group Manager Business Services

The Business Services Team was in place from July – December 2015, when it was responsible for Board, director and governance services, legal services, procurement and the functions of risk, compliance, regulatory, internal audit and emergency management.

The Risk, Regulatory and Compliance Team maintained Aurora Energy's regulatory relationship with AEMO and OTTER, and administers management frameworks particularly focussing on energy risk and compliance, corporate risk and compliance and AFSL compliance. The Risk, Regulatory and Compliance team joined Commercial Services in January 2016 when Carolyn left Aurora Energy.

A summary of her background is included in the Board composition on page 34.

MR TIM **PEARSON**

AssocDegEng, GradDipBusAdmin.
General Manager Revenue Management

The Revenue Management Team was responsible for customer billing and payments, and market interactions.

As a result of an organisational restructure the position of General Manager Revenue Management was made redundant and Tim left Aurora Energy on 30 September 2015.

JULIE
Billing and Market Services Officer

CORPORATE GOVERNANCE PRINCIPLES

Principle 1: Lay solid foundations for management and oversight

Aurora Energy complies with Principle 1.

Board members, along with their qualifications and meeting attendances, are detailed earlier in this Corporate Governance section.

The Board's role and responsibilities are articulated in the Board Charter and Matters Reserved to the Board, both of which are available on Aurora Energy's website. Amongst other things, the Board governs the business in accordance with the *Electricity Companies Act* 1997 (Tas); approves high level strategy, policy and risk appetite; monitors performance; oversees risk management and the internal control environment; and maintains communications with Shareholders.

The CEO and Leadership Team manage the business on a day to day basis, while the Board's Delegation Policy specifies other responsibilities and powers delegated to management.

The Board Charter also sets out the role of the Board Chair and directors' rights to access company information, professional advice and the company secretary.

Directors are appointed through letters of appointment which address the criteria recommended in Principle 1 and include role statements. Individual executives are appointed under employment contracts and have extensive position descriptions.

The Board appoints and dismisses the company secretary and this position is accountable to the Board directly on matters regarding the proper functioning of the Board. The Board is involved in the company secretary's performance review.

The value of diversity is embedded in Aurora Energy's policies and practices. Collectively, Aurora Energy's Code of Conduct and human resource policies address the need for fair, equitable and merit-based appointments and access to opportunities. The Board may assess the need for measurable objectives from time to time. However, given the current composition of both the Board and Leadership Team, further measures are not considered necessary at this time.

The Directors Selection Advisory Panel is guided by the Shareholders' "Board Appointments Guideline" which addresses the inclusion of diversity considerations in the selection process. This Guideline also addresses the due diligence to be undertaken on new director candidates as part of the Panel's recommendations to Shareholders.

The Board Charter includes the requirement to evaluate the performance of the Board annually. An external review was conducted in August 2015 and all actions have been completed.

Through the Board Appointments and Remuneration Committee, the Board evaluates the performance of the CEO and Leadership Team against specific key performance indicators established at the beginning of each year. Evaluations have occurred throughout the year in accordance with the agreed process.

Relevant Charters, Codes and policies, including Matters Reserved to the Board, are available at www.auroraenergy.com.au.

Principle 2: Structure the Board to add value

Aurora Energy complies with Principle 2.

In accordance with the Constitution, the Shareholders reappointed Director Willis as Chair at the 2015 AGM. Following Director Willis' resignation in March 2016, Director Demarte was appointed Chair in May 2016. Director James was appointed in April 2016. The Board presently has one vacancy.

The status of each director's independence is assessed on appointment and the status is disclosed in each director's biography above.

Non-executive directors meet from time to time without management present.

The Charter of the Board Appointments and Remuneration Committee prescribes its responsibilities regarding senior management appointments, performance and succession planning, as well as organisational and remuneration structures. Membership of the Committee and meeting attendances are listed earlier in this section.

The Committee provides input in to the Shareholder-convened Directors Selection Advisory Panel as needed.

The Shareholders' "Board Appointments Guideline" describes the composition of the Director Selection Advisory Panel which includes the Board Chair (unless the Panel is considering the role of Chair). The Board prepares its optimal Skills Matrix for the Panel and this is regularly refreshed.

The Board maintains a Director Induction program. The program is managed by the Board Chair and Company Secretary.

The Board Charter commits to continuing professional education for directors and a small budget is provided. Formal education undertaken this year is included earlier in this section. Additional briefings on industry and market developments were also provided to the Board.

Further information on the Board Appointments and Remuneration Committee is provided under Principle 8. Its Charter and other policies are available at www.auroraenergy.com.au.

Principle 3: Promote ethical and responsible decision making

Aurora Energy complies with Principle 3.

The Board Charter commits the Board to maintaining the highest ethical standards. Along with letters of appointment, the Charter expects directors to demonstrate the spirit and intent of Aurora Energy's Code of Conduct as well as comply with all applicable legislation, lawful direction from Shareholders and company policies.

The Code of Conduct is supported by a range of internal policies, many of which were refreshed in 2014-15. The Board Appointments and Remuneration Committee oversees the Code of Conduct and its integration into the company's culture.

The Code of Conduct and other relevant policies are available at www.auroraenergy.com.au.

Aurora Energy complies with the *Right to Information Act* and *Public Interest Disclosures Act*. In accordance with each Act, the following disclosures are provided for 2015-16.

Right to Information Act statistics 2015-16	
Number of applications received for assessed disclosures	5
Number of applications where information was disclosed in full	5
Number of applications refused and the section	Nil
Number of applications relating to exempt information and the relevant sections	Nil
Number of applications for internal review and the outcomes	Nil

Public Interest Disclosure Act statistics 2015-16	
Number of disclosures either received, investigated, declined to be investigated or substantiated following investigation by Aurora Energy	Nil
Number of disclosures reported by Aurora Energy to Ombudsman	Nil
Number of disclosures referred by Ombudsman to Aurora Energy	Nil
Number of recommendations made by the Ombudsman to Aurora Energy	Nil

Further information on Aurora Energy's Public Interest Disclosure Policy is available at www.auroraenergy.com.au.

Principle 4: Safeguard integrity in financial reporting

Aurora Energy complies with Principle 4.

The Board Audit, Risk and Compliance Committee oversees corporate and financial reporting processes, risk management and internal control, and compliance and audit frameworks.

Membership of the Committee, and meeting attendances for 2015-16, are provided earlier in this section. It is chaired by an independent director who is not the Board Chair.

The Board Audit, Risk and Compliance Committee met without management present as appropriate during the year.

As part of the end-of year processes, the Committee received the required declarations by the CEO and General Manager Commercial Services (CFO-equivalent), under S295A of the *Corporations Act.*

As required under the *Audit Act* 2008 (Tas), the Tasmanian Auditor-General is appointed by the Shareholders at each AGM. The Auditor-General attended the 2015 AGM.

The Board Audit, Risk and Compliance Committee's Charter and relevant policies are available at www.auroraenergy.com.au.

Principle 5: Make timely and balanced disclosure

Aurora Energy complies with Principle 5 as it applies to its context.

The Board approved Shareholder Communications Policy addresses the principles for timely, factual, complete and balanced information.

Established processes are in place to recognise and communicate material matters routinely as well as those requiring continuous disclosure. The Chair and CEO met with Shareholders (or their representatives) frequently throughout the year.

The Board's Delegation Policy and supporting protocols articulate authorisations to speak to media or comment publicly on behalf of the company.

Relevant policies are available at www.auroraenergy.com.au.

Principle 6: Respect the rights of Shareholders

Aurora Energy complies with Principle 6.

Under its Charter and Matters Reserved to the Board, the Board maintains the relationship with the company's Shareholders.

The Constitution specifies the rights and responsibilities of Shareholders. As well, Shareholders can issue various Guidelines and Directives to the company. Accordingly, Shareholders have issued a Statement of Expectations to the Board which is incorporated in the company's Corporate Plan and the Board agrees a Statement of Corporate Intent with Shareholders each year.

As noted in Principle 5, the Shareholder Communications Policy also addresses the rights of Shareholders. This Policy includes an extensive calendar of meetings with and reporting to Shareholders each year and ensures Shareholders have access to the Company Secretary in relation to shareholdings.

The AGM is chaired by Shareholders.

The Board Charter and relevant policies are available at www.auroraenergy.com.au.

Principle 7: Recognise and manage risk

Aurora Energy complies with Principle 7.

As stated under Principle 4, the Board Audit, Risk and Compliance Committee oversees the system of risk management and internal control, amongst other things.

The Committee reviewed Aurora Energy's risk framework during the year. It also reviewed current and emerging risks throughout the year and monitored the status of plans and controls to manage those risks. The Committee formally reported to the Board on the status of risk and the integrity of the risk management framework.

The risk management framework addresses all emerging and current risks facing the company. Material risks were discussed directly with Shareholders at regularly scheduled meetings.

The Board Audit, Risk and Compliance Committee oversaw the internal audit function which is undertaken by a specialist, outsourced firm. The Committee approved the internal audit plan, received reports of all audits conducted and monitored management actions to address findings.

The Committee took the opportunity to meet separately with internal and external auditors and the heads of risk, compliance and legal as necessary.

Membership of the Committee, and meeting attendances for 2015-16, are provided earlier in this section.

The Committee's Charter and relevant policies are available at www.auroraenergy.com.au.

Principle 8: Remunerate fairly and responsibly

Aurora Energy complies with Principle 8.

On behalf of the Board, the Board Appointments and Remuneration Committee oversees Aurora Energy's remuneration framework, including executive remuneration policy, company-wide remuneration strategies, enterprise agreement renegotiations and related matters.

Aurora Energy has a Board approved Executive Remuneration Policy which complies with the Shareholder's Guideline for Director and Executive Remuneration.

The Shareholders determine directors' remuneration under the Government Board and Committee Remuneration Framework. Therefore, any changes are at the Shareholders' discretion and advised to the Board accordingly.

The 2015-16 Financial Statements details the remuneration of directors and key management personnel, and its composition.

In 2015-16, the Board Appointments and Remuneration Committee focussed on reviewing the Committee's Charter and monitoring the development and implementation of a program to develop the company's internal culture. Membership of the Committee, and meeting attendances, are provided earlier in this section.

The Committee also met without management present as appropriate during the year.

The Committee Charter and other policies are available at www.auroraenergy.com.au.

SHAREHOLDER GUIDELINES

As noted above, there are a number of guidelines issued by Shareholders to state-owned entities. The compliance with these is addressed throughout this Report and the accompanying financial statements.

Below addresses the reporting obligations relating to the Tasmanian Government's Buy Local, Payment of Accounts and Overseas Travel guidelines.

BUY LOCAL

Under the Buy Local Guidelines for Tasmanian Government Businesses, entities are required to establish appropriate reporting regimes in relation to purchases, consultants and the engagement of Tasmanian businesses and provide details of these annually.

Details for Aurora Energy for the 2015-16 financial year are provided in the table below.

Purchases from Tasmanian businesses	
% of purchases from Tasmanian businesses	95.8%
Value of purchases from Tasmanian businesses	$967,271,454.27

Consultancies valued at more than $50,000 (ex GST)				
Name of Consultant	Location	Description	Period of Engagement	Amount
KPMG	Hobart	Internal audit services	1/7/15 to 30/6/16	$102,029.60
Nine other consultants were engaged for $50,000 or less totalling:				$113,128.32
Total Payments to Consultants				**$215,157.92**

PAYMENT OF ACCOUNTS

Payment Measure	
Creditor days	45.3
Number of accounts due for payment	3,226
Number of accounts paid on time	3,028
Amount due for payment	$1,167,049,839.69
Amount paid on time	$1,164,861,411.57
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	$0.00

Payments not paid in accordance with the due date required further action to be taken before payment could be made. For example, invoices may have been incomplete or inaccurate or they may have been disputed when the invoice did not match the goods or services provided.

OVERSEAS TRAVEL

No Aurora Energy employees or Directors undertook overseas travel for the company during 2015-16.

DEAN
Customer Service Advisor

THE DIRECTORS' REPORT
AND FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' REPORT

Directors' report on the Operations of the Company and on the Financial Statements for the Financial Year Ended 30 June 2016.

Directors and Company Secretary

The Directors of the Company in office between 1 July 2015 and the date of this report were Ms C. Demarte PSM, Mrs R. Kardos and Mrs Y. Rundle.

Mr T. James joined the Board on 25 April 2016 and remained as a Director at the date of this report.

Mr G. Willis AM was a Director from 1 July 2015 until he resigned on 31 March 2016.

Mrs C. Pillans was the Company Secretary from 1 July 2015 until she resigned on 24 December 2015.

Mr O. Cousland was the Company Secretary from 25 December 2015 to the date of this report.

Principal Activities

The primary purpose of the company is the retailing of electricity to Tasmanian customers. A further purpose is to undertake the retailing of gas.

Review and Results of Operations and State of Affairs

The following table outlines key financial information for the Company:

Indicator ($M)	2015-16	2014-15	Var.
Operating Revenue	867.4	949.0	(81.6)
Profit Before Tax	43.1	45.0	(1.9)
Total Comprehensive Income	53.0	43.7	9.3
Net assets	108.7	83.3	25.4
Cash on Hand[1]	62.2	57.3	4.9
Shareholder Returns[2]	42.9	34.8	8.1

[1]Cash on Hand includes a term deposit in 2014-15 of $20M that was categorised as a financial asset for the purposes of the financial statements.

[2]Shareholders returns is calculated on a cash basis and includes dividends paid and other distributions.

Aurora Energy achieved strong financial results for 2015-16, recording a Profit Before Tax of $43.1M for the year. The organisation has been able to sustain the favourable earnings achieved in 2014-15, primarily due to high levels of customer retention, and a continued focus on cost management. In 2015-16, the organisation invested in a number of initiatives and improvement programs to enhance the capability within the business. When excluding these investments, Aurora Energy achieved an underlying operational cost saving of 7 per cent in comparison to the 2014-15 year. Profitability was marginally lower by $1.9M when compared to 2014-15, mainly due to lower energy consumption for the year. There was an 18.7 per cent reduction of energy sold in 2015-16 in comparison to the previous year.

Aurora Energy's net asset position as at 30 June 2016 was $108.7M, an increase of $25.4M over the course of the year. The improvement was predominately due to the favourable movements in financial derivative valuations during the year.

Aurora Energy's cash position continues to remain strong with $62.2M cash on hand as at 30 June 2016, $4.9M higher from the previous year. The increase in cash is attributable to the high operating cash-flows for the period, offset by dividends paid to shareholders of $27.6M made during 2015-16.

A dividend of $27.0M was recommended to the Shareholders on 12 August 2016 in relation to the earnings of the 2015-16 year.

Likely Future Developments

The Tasmanian Economic Regulator released in May 2016 a Future Determination of retail allowances and margin to apply across the period 1 July 2016 to 30 June 2019. A key outcome of the Determination was a reduction to the Cost-to-Serve allowance by 11per cent, which will have the effect of reducing Aurora Energy's earnings over the Determination Period. Notwithstanding, the allowances and margin approved by the Regulator will allow Aurora Energy to remain viable as the Regulated Offer Retailer in Tasmania. There are no other foreseeable developments likely to present a material impact on the operations of Aurora Energy over the next twelve month period.

Environmental Regulation

The operations of the Company are subject to State and Commonwealth environmental legislation including the *Tasmanian Environmental Management and Pollution Control Act* 1994 and Commonwealth *Environmental Protection and Biodiversity Conservation Act* 1999. No environmental protection notices were served, prosecutions launched or fines issued against Aurora Energy under environmental legislation during the year under review.

Indemnification and Insurance

Aurora Energy has indemnified its directors and executive officers to the extent permitted by law against liabilities and legal costs incurred by them while acting in their capacity as directors and executive officers of the company.

The company has insured its directors, company secretary and executive officers of the company against liabilities as permitted by the *Corporations Act* 2001.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act* 2001 is set out at page 47 of the Financial Report.

Rounding of Amounts

Amounts in the Financial Statements have been rounded off in accordance with that Class Order 98/100 to the nearest thousand dollars.

Change in Structure to the Financial Statements

The financial statements have been restructured in comparison to 2014-15 in order to improve the readability to the end-user. This has involved moving information and commentary on specific accounting policies to the relevant notes within the statements, as well as removal of superfluous sections or notes.

Signed in accordance with a resolution of the Directors:

Ms C. Demarte PSM
Chair
12 August 2016

Mrs Y. Rundle
Director
12 August 2016

Tasmanian Audit Office

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

12 August 2016

The Board of Directors
Aurora Energy Pty Ltd
GPO Box 191
HOBART TAS 7001

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 Aurora Energy Pty Ltd for the financial year ended 30 June 2016, 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

E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

...1 of 1

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Aurora Energy Pty Ltd, we state that:

In the opinion of the directors:

(a) the financial statements and notes of the Company are in accordance with the Corporations Act 2001, including

  (i) giving a true and fair view of the Company's financial position as at 30 June 2016 and of its performance for the year ended on that date;

  (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note A;

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Ms C. Demarte PSM
Chair
12 August 2016

Mrs Y. Rundle
Director
12 August 2016

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Revenue			
Sales revenue		821,314	903,817
Interest revenue	B1(a)	2,258	2,576
Other revenue	B1(b)	43,863	42,558
Other gains/(losses)	B1(c)	(1,153)	(825)
Total revenue		866,282	948,126
Expenses			
Energy and network purchases		(741,478)	(815,842)
Electricity derivative fair value movements	B1(d)	5,020	(979)
Functional expenses	B1(e)	(39,752)	(38,946)
Finance costs	B1(f)	(105)	(217)
Depreciation and amortisation expense	B1(g)	(6,103)	(7,247)
Other expenses from operating activities	B1(h)	(40,738)	(39,911)
Total expenses		(823,156)	(903,142)
Profit before income tax equivalent expense		43,126	44,984
Income tax equivalent expense	B2	(12,940)	(13,497)
Profit for the year		30,186	31,487
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of assets	C5,F3	43	103
Actuarial superannuation re-measurement gains/(losses)	D4	(759)	323
Income tax equivalent relating to items that will not be reclassified subsequently	B2(b),F3	214	(128)
		(502)	298
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Gain taken to equity	F3(b)	36,256	43,629
Transferred to profit for the year	F3(b)	(3,008)	(26,624)
Income tax equivalent relating to item that may be reclassified subsequently	B2(b),F3(b)	(9,975)	(5,102)
		23,273	11,903
Other comprehensive income for the year net of income tax equivalent		22,771	12,201
Total comprehensive income for the period		52,957	43,688

Notes to and forming part of the accounts are included on pages 54 to 87

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	2016 $'000	2015 $'000
ASSETS			
Current assets			
Cash and short term deposits	B3	62,175	37,345
Trade and other receivables	C1	146,772	145,034
Inventories	C2	26,779	15,485
Financial assets	C3	57,657	22,803
Other current assets	C4	3,660	3,716
Total current assets		297,043	224,383
Non-current assets			
Property, plant and equipment	C5	3,622	3,727
Deferred tax assets	B2(d)	10,108	7,471
Intangible assets	C6	16,499	20,090
Financial assets	C7	17,834	13,720
Total non-current assets		48,063	45,008
Total assets		345,106	269,391
LIABILITIES			
Current liabilities			
Trade and other payables	C8	160,242	131,772
Current tax payable	B2(c)	1,392	2,566
Provisions	D1	1,736	1,891
Other current liabilities	C9	40,154	30,652
Total current liabilities		203,524	166,881
Non-current liabilities			
Deferred tax liabilities	B2(d)	21,534	9,503
Provisions	D2	3,413	2,993
Other non-current liabilities	C10	7,950	6,688
Total non-current liabilities		32,897	19,184
Total liabilities		236,421	186,065
Net assets		108,685	83,326
EQUITY			
Issued capital	F1	50,212	50,212
Reserves	F3	24,705	1,401
Retained earnings	F2	33,768	31,713
Total Equity		108,685	83,326

Notes to and forming part of the accounts are included on pages 54 to 87

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	Share capital $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total equity $'000
Balance 1 July 2014		232,319	201,413	(16,979)	146,263	563,016
Transactions with owners in their capacity as owners:						
Capital return (transfer to TasNetworks)	A5	(182,107)	(201,413)	6,405	(146,263)	(523,378)
Balance after transfer to TasNetworks		50,212	-	(10,574)	-	39,638
Profit for the period		-	-	-	31,487	31,487
Other comprehensive income		-	72	11,903	226	12,201
Total comprehensive income for the period		-	72	11,903	31,713	43,688
Balance 30 June 2015		50,212	72	1,329	31,713	83,326
Profit for the period		-	-	-	30,186	30,186
Other comprehensive income		-	31	23,273	(531)	22,771
Total comprehensive income for the period		-	31	23,273	29,655	52,957
Transactions with owners in their capacity as owners:						
Dividend paid		-	-	-	(27,600)	(27,600)
Balance 30 June 2016		50,212	103	24,602	33,768	108,685

Notes to and forming part of the accounts are included on pages 54 to 87

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Receipts from customers		928,303	1,041,785
Interest received		2,190	2,428
Payments to suppliers and employees		(880,063)	(984,794)
Interest and other finance costs paid		–	(121)
Income tax equivalents paid		(14,481)	(32,932)
Net cash provided by operating activities	B3(b)	35,949	26,366
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		–	19
Proceeds from bank term deposits		20,000	–
Payment for property, plant and equipment		(575)	(14)
Payment for intangible assets		(2,944)	(935)
Payment for bank term deposits		–	(20,000)
Net cash used in investing activities		16,481	(20,930)
Cash flows from financing activities			
Dividend paid		(27,600)	–
Net cash provided by financing activities		(27,600)	–
Net increase in cash and cash equivalents		24,830	5,436
Cash and cash equivalents at the beginning of financial year		37,345	31,909
Cash and cash equivalents at the end of financial year	B3	62,175	37,345

Notes to and forming part of the accounts are included on pages 54 to 87

SECTION A: CORPORATE INFORMATION AND BASIS OF PREPARATION

A1 Company information

Aurora Energy Pty Ltd is a private company, incorporated in Australia and operating in Australia.

Aurora Energy's registered office and its principal place of business are as follows:

Registered office: Level 1, 21 Kirksway Place, HOBART, TAS 7000

Principal place of business: 21 Kirksway Place, HOBART, TAS 7000

The primary purpose of the company is the retailing of electricity to Tasmanian customers. A further purpose is to undertake the retailing of gas.

The financial statements were authorised for issue by the directors on 12 August 2016.

A2 Basis of preparation

The financial report is a general purpose financial report prepared on an accrual basis under the historical cost convention with the exception of certain plant and equipment and corresponding depreciation, and derivative financial instruments which are carried at fair value.

The financial report is prepared in accordance with:

- *Corporations Act* 2001 as amended;
- *Government Business Enterprises Act* 1995 (GBE Act) and related Treasurer's Instructions; and
- Australian Accounting Standards (AASBs), and complies with other requirements of the law.

The financial report has been prepared on a going concern basis, presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000) unless otherwise stated.

A3 Statement of compliance

The financial report is compliant with Australian Accounting Standards including the Australian equivalents to International Financial Reporting Standards (AIFRS) and complies with IFRS and interpretations adopted by the International Accounting Standards Board.

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. The Company has reviewed and where relevant adopted the following standards:

- AASB 2014-8 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* is applicable for annual reporting periods beginning 1 January 2015.
- AASB 2015-3 *Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality* for annual reporting periods beginning on or after 1 July 2015.
- AASB 2015-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101* is applicable for annual reporting periods beginning on or after 1 January 2016. This standard has been early adopted.

The adoption of these standards has no material financial impact on the financial statements of the Company.

The following standards and amendments were available for early adoption but have not been applied by the Company in these financial statements:

- AASB 9 *Financial Instruments (December 2014)* revised standard. AASB 9 is applicable for annual reporting periods beginning on or after 1 January 2018.
- AASB 15 *Revenue from Contracts with Customers (December 2014)* new standard replacing AASB 118, AASB 111 and various interpretations for annual reporting periods on or after 1 January 2018.

- AASB 16 *Leases* new standard replacing AASB 117 for annual reporting periods on or after 1 January 2019.
- AASB 2014-4 *Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation* is applicable for annual reporting periods beginning on or after 1 January 2016.
- AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle* is applicable for annual reporting periods beginning on or after 1 January 2016.
- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses* for annual reporting periods beginning on or after 1 January 2017.
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107* is applicable for annual reporting periods beginning on or after 1 January 2017.

The analysis of the financial impact of the adoption of these Standards and Interpretations in future periods is not complete except for AASB 2014-4 to AASB 2016-2 which will have no material financial impact on the financial statements of the Company.

These Standards and Interpretations will be first applied in the financial report of the Company that relates to the annual reporting period beginning after the effective date of each pronouncement.

A4 Significant accounting judgements

Judgements made by Aurora Energy in the application of accounting standards that have significant effects on the financial statements and estimated with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note E3.

A5 Tasmanian electricity industry reforms in 2014

On 1 July 2014 the distribution and telecommunications businesses of Aurora Energy merged with Transend Pty Ltd, with the new business Tasmanian Networks Pty Ltd (TasNetworks) commencing operations on 1 July 2014. The relevant assets and liabilities were transferred from Aurora Energy to TasNetworks via a gazetted Transfer Notice dated 25 June 2014. The transfer was accounted for as an Administrative Arrangement under AASB 5, as a distribution to Aurora Energy's shareholders equivalent to the net assets (at book value) of $523.378M, for nil cash consideration.

A6 Comparisons with previous year

Where necessary, comparative figures are adjusted to conform with changes in presentation in the current year.

SECTION B: DETAILED INFORMATION ON FINANCIAL PERFORMANCE

B1 Operating Profit

ACCOUNTING POLICY

Revenue recognition and unbilled electricity sales

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 the entity and the revenue can be reliably measured.

Revenue from the sale of electricity to retail customers is recognised at the time of the provision of the electricity to the customer. Income from the sale of retail electricity is the value of electricity units supplied to customers during the year. Included in this income is unbilled electricity. Unbilled electricity sales is an estimate of the value of electricity units supplied to customers between the date of the last meter reading and the year end, and is included in electricity sales (refer notes C1 and E3).

Revenues are not accrued or deferred for amounts that are allowed to be recovered from customers (or credited to them) through regulatory pricing mechanisms in future years. These include amounts that are recoverable or will result in credits to customers as a direct result of under or over recoveries in the current and prior periods.

	2016 $'000	2015 $'000
B1(a) Interest revenue		
Money market investments	1,389	1,695
Bank investments	112	35
Trade receivables	757	846
	2,258	2,576
B1(b) Other revenue		
Community service agreements*	38,445	37,215
Connection & services order fees	4,805	4,922
Other	613	421
	43,863	42,558

* Aurora Energy has an agreement with the Crown in Right of the State of Tasmania to provide community services (concession discounts) and for Aurora Energy to be reimbursed for the community services costs and administration costs.

	2016 $'000	2015 $'000
B1(c) Other gains/(losses)		
Gain on disposal of plant and equipment	(130)	1
(Impairment)/reversal of impairment of non-current assets (notes F8(b), C6)	(1,023)	(837)
	(1,153)	(825)
B1(d) Electricity derivative fair value movements		
Gain on derivatives in a fair value hedge accounting relationship	13,634	43,359
Loss on adjustment to hedged item in a fair value hedge accounting relationship	(13,610)	(43,263)
Unrealised gain on electricity derivatives at fair value through P&L	96	1,041
Realised gain/(loss) on derivatives at fair value through the P&L[1] (note E1(c))	4,900	(2,116)
	5,020	(979)

[1] Electricity derivatives entered into between 1 July 2012 and 26 September 2013 were not designated in a hedge accounting relationship due to the announced sale of the Retail Business which was subsequently abandoned on 26 September 2013. Derivatives in designated hedge accounting relationship are disclosed in energy and network purchases.

	2016 $'000	2015 $'000
B1(e) Functional expenses		
Labour	(17,823)	(16,602)
Operating lease rental expense (notes F7)	(784)	(938)
IT, communication and other service fees and charges	(21,145)	(21,406)
	(39,752)	(38,946)

B1(f) Finance expenses

Finance costs	-	(121)
Net interest cost regarding RBF provision (note D4)	(105)	(96)
	(105)	(217)

B1(g) Depreciation and amortisation

Property, plant and equipment depreciation (note C5)	(592)	(801)
Intangibles amortisation (note C6)	(5,511)	(6,446)
	(6,103)	(7,247)

B1(h) Other expenses

Impairment losses on trade receivables (note C1)	(2,293)	(2,695)
Community service agreements - discounts allowed (note B1(b))	(38,445)	(37,216)
	(40,738)	(39,911)

B2 Income Tax

ACCOUNTING POLICY

The Electricity Companies Act 1997 section 14 requires the Company to comply with part 10 of the *Government Business Enterprises Act* 1995. The Company is required to calculate a tax equivalent as if it were a company subject to Commonwealth income tax laws.

(i) Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax is accounted for using the comprehensive balance sheet 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.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit.

Deferred tax 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 tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

(iii) Current and deferred tax for the period is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

	2016 $'000	2015 $'000
(a) Income tax recognised in profit		
Tax expense comprises:		
Current tax expense	13,307	13,184
Adjustments recognised in the current year in relation to the current tax of prior years	-	19
Deferred tax expense relating to the origination and reversal of temporary differences	(367)	294
Total tax expense from continuing operations	12,940	13,497
Reconciliation between tax expense and pre-tax profit:		
Profit before income tax equivalent expense	43,126	44,984
Income tax equivalent expense calculated at 30%	12,938	13,495
Non-deductible expenses	2	2
Income tax equivalent expense	12,940	13,497
(b) Income tax recognised directly in equity		
The following current and deferred amounts were charged directly to equity during the period:		
Deferred tax:		
Property, plant and equipment revaluations	(13)	(31)
Cash flow hedges	(9,975)	(5,102)
Provisions	227	(97)
	(9,761)	(5,230)
(c) Current tax assets and liabilities		
Income tax payable:	1,392	2,566
(d) Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	10,108	7,471
Deferred tax liabilities comprise:		
Temporary differences	(21,534)	(9,503)
Net deferred liability	(11,426)	(2,032)

Taxable and deductible temporary differences arise from the following:

2016	Opening balance $'000	Acquisition/ disposals $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities:					
Property, plant and equipment	4,589	-	(632)	13	3,970
Financial instruments & other	4,914	-	2,675	9,975	17,564
	9,503	-	2,043	9,988	21,534
Gross deferred tax assets:					
Provisions	3,027	-	(188)	227	3,066
Financial instruments & other	4,444	-	2,598	-	7,042
	7,471	-	2,410	227	10,108
	(2,032)	-	367	(9,761)	(11,426)

2015	Opening balance $'000	Acquisition/ disposals[1] $'000	Charged to income $'000	Charged to equity $'000	Closing balance $'000
Gross deferred tax liabilities:					
Property, plant and equipment	130,734	(125,379)	(797)	31	4,589
Financial instruments & other	12,328	-	(12,516)	5,102	4,914
	143,062	(125,379)	(13,313)	5,133	9,503
Gross deferred tax assets:					
Provisions	39,508	(35,583)	(801)	(97)	3,027
Financial instruments & other	19,976	(2,726)	(12,806)	-	4,444
	59,484	(38,309)	(13,607)	(97)	7,471
	(83,578)	87,070	(294)	(5,230)	(2,032)

[1]Transfers to TasNetworks (note A5)

B3 Cash and short term deposits

ACCOUNTING POLICY

Cash and short term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and short deposit as defined above, net of outstanding bank overdrafts. Any bank overdrafts are included within trade and other payables on the statement of financial position.

	2016 $'000	2015 $'000
Bank balances	390	1,233
Money market investments	61,785	36,112
Cash and short term deposits	62,175	37,345

Reconciliation of cash and cash equivalents

Cash at banks	390	1,233
Short term deposits	61,785	36,112
Cash and cash equivalents	62,175	37,345

	2016 $'000	2015 $'000
(a) Financing facilities		
The Company has access to finance facilities at 30 June 2016 as indicated below:		
Master Loan Facility Agreement		
Facility Limit (including guarantees)	364,000	480,000
Less drawn down	(94,000)	(16,000)
Balance	270,000	464,000
Committed intra day credit accommodation facility		
Facility Limit	30,000	30,000
Bank overdraft		
Facility Limit	1,000	1,000
Bank guarantee		
Facility Limit	150,000	65,000
Less drawn down	(141,000)	(24,000)
Balance	9,000	41,000
Corporate Mastercard		
Facility Limit	1,000	1,000
Less drawn down	(20)	(19)
Balance	980	981

(b) Reconciliation of profit for the period to net cash provided by operating activities

	2016 $'000	2015 $'000
Operating profit after income tax equivalents	30,186	31,487
Depreciation, amortisation & decommissioning costs	6,103	7,247
Loss on disposal of non-current assets	130	(12)
Fair value through profit or loss of financial instruments	(120)	(1,137)
Impairment of non-current assets	1,023	837
Increase in accrued interest/market traded receivables	(16,801)	(148)
Decrease/(increase) in other assets	57	(583)
Increase in inventories	(11,294)	(6,620)
(Increase)/decrease in trade and other receivables	(1,739)	39,433
Decrease in deferred and current taxes	(1,541)	(19,435)
Increase/(decrease) in trade and other payables	28,177	(13,047)
Decrease in employee provisions	(199)	(107)
Increase/(decrease) in other liabilities	1,967	(11,550)
Other	-	1
Net cash provided by operating activities	35,949	26,366

B4 Dividends

	2016 $'000	2015 $'000
Recognised amounts		
Declared and paid, dividends on ordinary shares	27,600	-
Unrecognised amounts	27,000	27,600

The dividend for the year ended 30 June 2016 has not been recognised in this financial report because the dividend was declared subsequent to 30 June 2016.

The dividend has been calculated in line with the Shareholders letter of expectations dated 19 August 2014.

SECTION C: DETAILED INFORMATION ON STATEMENT OF FINANCIAL POSITION ITEMS

C1 Current trade and other receivables

ACCOUNTING POLICY

Trade receivables and other receivables are recorded at amounts due less any allowance for impairment. The balance of the allowance for impairment is reviewed monthly. An allowance for impairment is recognised when there is objective evidence that the receivable may not be able to be collected. Financial difficulties of the debtor and default payments are considered objective evidence of impairment. There is an algorithm applied to debtor balances that determines gross doubtful debts, based on the age of those debts and past collection history. This is then adjusted for proportionate recoveries. Any other known contingencies are taken into consideration.

	2016 $'000	2015 $'000
Trade receivables	54,812	49,798
Accrued income	20,565	24,792
Unbilled energy sales	76,470	75,650
Provision for impairment	(5,075)	(5,206)
	146,772	145,034

Of the total $54.812M (2015: $49.798M) of trade receivables, $40.911M (2015: $30.582M) are current with an average of 18.40 days. It is considered that there are no indications as of the reporting date that the debtors will not meet their payment obligations, unless otherwise provided.

(a) Movement in the allowance for impairment of debts:

	2016	2015
Balance at the beginning of the year	5,206	6,290
Transfer to TasNetworks 1 July 14 (note A5)	-	(426)
Impairment losses recognised on receivables	2,293	2,695
Amounts written off as uncollectable	(4,876)	(4,673)
Amounts recovered during the year	2,452	1,320
Balance at the end of the year	5,075	5,206

(b) Included in the allowance for impairment of debts are individually impaired trade receivables for which $0.062M (2015: $0.144M) has been provided where the debt is in dispute and subject to negotiation. The Company does not hold any collateral over these balances. The ageing of these receivables is greater than an average of 83 days overdue.

(c) Ageing of trade receivables that were past due but not impaired

	2016	2015
Less than 30 days overdue	4,998	9,252
Between 31 and 60 days overdue	1,560	2,201
Between 61 and 180 days overdue	2,051	2,123
Greater than 180 days overdue	746	948
	9,355	14,524

On the basis of historical experience no additional provision is required on these residual balances. The Company holds no collateral over these balances.

(d) Of the total receivables, $3.275M (2015: $3.274M) are renegotiated receivables and Aurora Energy has assessed on the basis of historical experience that not all will be recoverable and an impairment of $0.917M (2015: $0.923M) has been recorded.

(e) An amount of $5.075M (2015: $5.206M) is considered impaired and has been provided for. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience.

C2 Inventories

ACCOUNTING POLICY

Inventories including stores' items and renewable energy certificates are carried at the lower of cost and net realisable value.

Stores items are valued at purchase cost on an average purchased cost basis. 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.

Renewable Energy Target measures are contained in the Federal renewable energy legislation that commenced on 1 April 2001. The aims of the measures are to increase the proportion of energy from renewable generators. Renewable energy generators are able to issue RECs (Renewable Energy Certificates), where 1 REC is 1MWh of electricity based on the amount of renewable energy generated from a defined renewable source. From 1 January 2011, the scheme was split into two parts, the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES). Retailers are required to purchase sufficient large-scale generation certificates (LGCs) and small-scale technology certificates (STCs) (based on a percentage of the retailers' energy acquisitions) to meet their obligations under the Act for each calendar year. STCs are submitted to the Regulator on a quarterly basis and LGCs in February of each year. The price of RECs (LGCs and STCs) varies, so the company has implemented a purchasing target to mitigate market risk. Aurora Energy acquires its RECs by forward REC purchase contracts in accordance with the benchmark, with purchases on the spot market and from the STC Clearing House.
This allows Aurora Energy to lock in a price for the future delivery and settlement of RECs. The liability for the acquittal of RECs is recognised in the statement of financial position, trade and other payables, on a continuous basis as electricity is purchased. The expense for RECs is recognised on the statement of comprehensive income, within energy and transmission purchases, on a continuous basis as electricity is purchased.

Any RECs purchased but not yet remitted to the Regulator are included in inventory.

	2016 $'000	2015 $'000
Stores (valued at cost)	221	164
Renewable energy certificates (valued at cost)	26,558	15,321
	26,779	15,485

Stores and renewable energy certificates recognised as an expense for the year ended 30 June 2016 totalled $37.937M (2015: $42.636M).

C3 Current financial assets

	2016 $'000	2015 $'000
Interest accrued	198	148
Market traded receivables[1]	16,752	-
Bank term deposit	-	20,000
Derivative contracts (at fair value) (note E1)	40,707	2,655
Total current financial assets	57,657	22,803

[1]The market traded receivables relate to contracts for difference for energy purchases and are neither past due nor impaired. There are no indications that these debtors will not meet their payment obligations.

C4 Other current Assets

	2016 $'000	2015 $'000
Prepayments	447	552
Customer services obligation recoveries	3,190	3,145
Payroll prepaid	23	19
	3,660	3,716

C5 Property, plant and equipment

ACCOUNTING POLICY

(i) Valuation

The Pay As You Go Payguard assets, that remained with Aurora Energy from 1 July 2014, were revalued at 30 June 2016 to their written-down optimised replacement value and equates with their fair value.

The value of other assets, e.g. motor vehicles and minor assets such as computers, is assessed as those assets' historical written down value because of their low value, short lives and high turnover. Leasehold improvements are recorded at depreciated cost. All classes of assets are adjusted for any accumulated impairment losses.

Depreciation is calculated on the above asset classes over the remaining useful lives of the assets on a straight-line basis.

Revaluation increments are credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the net carrying amount of the asset after revaluation equals its revalued amount.

(ii) Depreciation

Depreciation on property, plant and equipment is based on the straight-line method so as to write off the net cost or other revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

In accordance with Australian Accounting Standard AASB 116 Property, Plant and Equipment balances of accumulated depreciation are transferred to the appropriate asset accounts when assets are revalued each year.

The depreciation rates used for each class of assets were:

Class of non-current asset	Depreciation Rate
Payguards	6.7%
Motor vehicles	16.0%
Computer equipment	33.3%
Other	10% - 33.3%

	Payguards at fair value $'000	Other at cost $'000	Total $'000
Gross carrying amount			
Balance as at 1 July 2014	5,107	2,492	7,599
Additions	–	14	14
Disposals	–	(329)	(329)
Net revaluation increments	148	–	148
Balance as at 30 June 2015	**5,255**	**2,177**	**7,432**
Additions	–	574	574
Disposals	(405)	(108)	(513)
Net revaluation (decrement) increments	68	–	68
Balance as at 30 June 2016	**4,918**	**2,643**	**7,561**
Accumulated depreciation and impairment losses			
Balance as at 1 July 2014	(1,553)	(1,629)	(3,182)
Disposals	–	323	323
Net adj. revaluation increments (decrements)	(45)	–	(45)
Depreciation expense (i)	(345)	(456)	(801)
Balance as at 30 June 2015	**(1,943)**	**(1,762)**	**(3,705)**
Disposals	275	108	383
Net adj. revaluation increments (decrements)	(25)	–	(25)
Depreciation expense (i)	(350)	(242)	(592)
Balance as at 30 June 2016	**(2,043)**	**(1,896)**	**(3,939)**
Net book value – at recoverable amount			
As at 30 June 2015	3,312	415	3,727
As at 30 June 2016	2,875	747	3,622
Capital works in progress – at cost			
As at 30 June 2015	–	–	–
As at 30 June 2016	–	–	–
Total property, plant and equipment			
As at 30 June 2015	3,312	415	3,727
As at 30 June 2016	2,875	747	3,622

(i) Aggregate depreciation allocated during the year is recognised as an expense in the line item 'depreciation and amortisation expense' in the statement of comprehensive income.

Payguard Revaluation

Aurora Energy owns the Payguard devices that are situated in the Pay As You Go customers home that allow the control of prepaid electricity. The Payguard devices are carried at valuation and the Company revalued the Payguard assets as at 30 June 2016 to their written-down optimised replacement value and equates with fair value. The fair value measurement is categorised as Level 3.

The carrying amounts that would have been recognised had the revalued assets been carried under the cost model are:

	2016 $'000	2015 $'000
Payguard Assets	2,515	2,926

C6 Intangible assets

ACCOUNTING POLICY

Computer software is recorded at cost less accumulated amortisation and impairment. Amortisation is generally charged on a straight-line basis over the estimated useful life of five years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

The customer care and billing system is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life. The original estimated useful life was 12 years. Effective 1 July 2012 the useful remaining life was amended to 3 years being the period Aurora Energy expected to provide retail services to purchasers of the Retail Book as a result of electricity industry reforms. With the Government decision not to sell the Retail Book, the remaining useful life was reassessed to be 8 years from 1 July 2013 (5 years from 30 June 2016).

Changes in the expected useful life of an asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which can result in a change in an accounting estimate.

	Computer software $'000
Gross carrying amount	
Balance as at 1 July 2014	51,698
Additions	606
Balance as at 30 June 2015	**52,304**
Additions	1,428
Balance as at 30 June 2016	**53,732**
Accumulated amortisation and impairment losses	
Balance as at 30 June 2014	(25,260)
Impairment (ii)	(837)
Amortisation expense (i)	(6,446)
Balance as at 30 June 2015	**(32,543)**
Impairment (ii)	(1,023)
Amortisation expense (i)	(5,511)
Balance as at 30 June 2016	**(39,077)**
Net book value	
As at 30 June 2015	19,761
As at 30 June 2016	14,655
Software works in progress – at cost	
As at 30 June 2015	329
As at 30 June 2016	1,844
Total intangible assets	
As at 30 June 2015	20,090
As at 30 June 2016	16,499

(i) Amortisation expense is included in the line item 'depreciation and amortisation expense' in the statement of comprehensive income.

(ii) Impairment of computer software no longer to be used by the business.

		2016 $'000	2015 $'000
C7	**Non-current financial assets**		
	Derivative contracts (at fair value) (note E1)	17,834	13,720
		17,834	13,720

C8 Current trade and other payables

ACCOUNTING POLICY

Trade payables and other accounts payable are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Due to their short-term nature they are not discounted.

	2016 $'000	2015 $'000
Trade payables	144,690	117,400
Accrued expenses	617	638
Accrued REC expenses	14,935	12,145
Goods and services tax payable	-	1,589
	160,242	131,772

All trade payables and accrued expenses are unsecured

C9 Other current liabilities

	2016 $'000	2015 $'000
Income received in advance	24,775	22,835
Derivative contracts (at fair value)	1,147	5,568
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	14,185	2,228
Other	47	21
	40,154	30,652

C10 Other non-current liabilities

	2016 $'000	2015 $'000
Derivatives contracts (at fair value)	41	432
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	7,909	6,256
	7,950	6,688

SECTION D: EMPLOYEE BENEFITS

ACCOUNTING POLICY

(i) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company 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.

Provisions are measured at the present value of Aurora Energy's best estimate of the expenditure required to settle the present obligation at the reporting date. 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. The increase in the provision resulting from the passage of time (unwinding of discount) is recognised in finance costs on the statement of comprehensive income.

A restructuring provision is only recognised when general recognition criteria provisions are fulfilled. The Company needs to follow a detailed formal plan about the part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs, and an appropriate time line, and the people affected have a valid expectation that the restructuring is being carried out or the implementation has been initiated already.

(ii) Superannuation

The Retirement Benefits Fund (RBF) is a defined benefits superannuation scheme for Tasmanian Government employees. The RBF liability carried represents the present value of the defined benefit obligation adjusted for unrecognised service cost net of the fair value of the plan assets. The net assets, operating costs and investment returns of the RBF are allocated to Aurora Energy based on the percentage of funded past service liabilities for Aurora Energy compared to the funded past service liabilities for the whole of government. The RBF scheme was closed to new members from 15 May 1999.

The RBF is funded by employee and employer contributions. Employee contributions to the funds are transferred to RBF. An internal net interest charge, calculated by the application of market-related interest rates and after advice from the Company's actuary, is added to this provision each year.

Actuarial gains or losses are recognised in the statement of other comprehensive income and are recorded as a movement in retained earnings.

(iii) Other employee entitlement provisions

Contributions to these provisions are charged directly to cost centres as part of employment costs. The Company adopts the present value basis of measurement methodology where the liability recognised is the present value of expected non-current future payments to be made in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. Annual leave and long service leave provisions are classified as current where the company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. This does not imply that there is an expectation that the current provision will be paid out within the next twelve months.

		2016 $'000	2015 $'000
D1	**Current employee provisions**		
	Employee entitlements:		
	Annual leave	929	870
	Long service leave	433	446
	Superannuation	163	137
	Retirements Benefits Fund (note D4)	118	56
		1,643	1,509
	Other current provisions:		
	Payroll tax	93	88
	Provision for restructuring	-	294
		93	382
	Total current provisions	1,736	1,891
D2	**Non-current employee provisions**		
	Employee entitlements:		
	Long service leave	632	581
	Superannuation	59	53
	Retirements Benefits Fund (note D4)	2,680	2,320
		3,371	2,954
	Other non-current provisions:		
	Payroll tax	42	39
	Total non-current provisions	3,413	2,993
D3	**Net transfer (to)/from employee provisions:**		
	Employee entitlements	(550)	117,301
	Workers compensation	-	18
	Payroll tax	(8)	1,080
	Provision for restructuring	294	1,906
		(264)	120,305
	Provision for restructuring		
	Opening balance	294	2,200
	Additional provision	445	(166)
	Utilised	(739)	(1,740)
	Closing balance	-	294

D4 Retirement Benefits Fund (RBF)

The RBF is a defined benefit fund which pays lump sum and pension benefits to members upon retirement (most of which are calculated as a multiple of the member's final average salary). The RBF has Contributory members, Compulsory Preserved members and pensioners.

The RBF operates under the Retirement Benefits Act 1993 and the Retirement Benefits Regulations 2005. Although the RBF is not formally subject to the Superannuation Industry (Supervision) (SIS) legislation, the Tasmanian Government has undertaken to operate the fund in accordance with the spirit of the SIS legislation.

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

The RBF Board (the Board) is responsible for the governance of the RBF. As Trustee, the Board has a legal obligation to act solely in the best interests of RBF beneficiaries. The Board has the following roles:

- Administration of the RBF and payment to the beneficiaries when required in accordance with the RBF rules;
- Management and investment of the RBF assets; and
- Compliance with the spirit of the SIS legislation as referred to above.

This actuarial assessment has been provided by the State Actuary, Dr David Knox, Fellow of the Institute of Actuaries of Australia, in a report dated 8 July 2016.

Statement of financial position results	**30 June 2016**	**30 June 2015**
Net liability	**$'000**	**$'000**
Total Defined Benefit Obligations	3,149	2,736
RBF Contributory scheme assets	(351)	(360)
Deficit	2,798	2,376
Adjustment for effect of asset ceiling	–	–
Net liability	2,798	2,376
Current net liability (note D1)	118	56
Non-current liability (note D2)	2,680	2,320

Key assumptions	**30 June 2016**	**30 June 2015**
Key assumptions as at balance date and for the following year expense		
Discount rate[1]:	3.55%	4.80%
Salary increase rate:	3.00%	3.00%
Compulsory preserved increase rate	4.50%	4.50%
Inflation (pensions):	2.50%	2.50%
Decrement rates:	As per the most recent actuarial investigation and report dated 13 January 2014	

Note 1. The discount rate is based on the high quality corporate bond market. The Group of 100 (in conjunction with the Actuaries Institute of Australia) commissioned Milliman Australia to undertake research in relation to the corporate bond market in Australia. The research concluded that there is a sufficiently observable, deep and liquid market in high quality Australian corporate bonds which satisfy the accounting requirements of AASB 119.

D4 Retirement Benefits Fund (RBF) (continued)

	30 June 2016 $'000	30 June 2015 $'000
Profit and loss results for year		
Employer service cost [(1)]	(47)	112
Net interest cost (note B1(f)) [(2)]	105	96
Recognised past service cost [(1)]	-	-
Curtailment / settlement (gain)/loss [(1)]	-	-
Expense recognised	58	208

Note 1. Recognised in labour cost
Note 2. Recognised in net interest cost regarding RBF provision

	30 June 2016 $'000	30 June 2015 $'000
Other comprehensive income results for year		
Expense		
Actuarial (gains)/losses	850	(355)
Actual return on plan assets less interest income	(91)	32
Adjustment for effect of asset ceiling	-	-
Expense recognised	759	(323)

	30 June 2016 $'000	30 June 2015 $'000
Movements in the fair value of Plan assets		
Fair value of plan assets		
Fair value Plan assets at end of prior year	360	22,707
Employer contributions	396	-
Interest income	17	15
Actual return on plan assets less interest income	91	(32)
Actual participant contributions	33	32
Taxes, premiums & expenses paid	(3)	(4)
Actual benefit payments	(543)	-
Foreign currency exchange rate assets	-	-
Business combination assets	-	-
Curtailments/settlement assets	-	-
Transfer to TasNetworks (note A5)	-	(22,358)
Fair value Plan assets at end of year[(1)(2)(3)]	351	360

Note 1. Assets are not held separately for each authority but are held for the Fund as a whole. The fair value of Fund assets was estimated by allocating the total assets to each authority in proportion to the value of each authority's funded liabilities, calculated using the assumptions outlined in this note.

Note 2. The fair value of the Fund assets includes no amounts relating to any of the entity's own financial instruments.

Note 3. The total value of RBF assets includes $19 million relating to the value of 21 Kirksway Place, Hobart valued as at 31 March 2014. This property is partly occupied by Aurora Energy.

D4 Retirement Benefits Fund (RBF) (continued)

Fair value of Plan assets as at 30 June 2016[1]

	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Unobservable inputs Level 3
Asset category	$'000	$'000	$'000	$'000
Cash and cash equivalents	61	61	–	–
Equity instruments	239	109	105	25
Debt instruments	47	13	19	15
Derivatives	1	–	1	–
Real Estate	3	–	3	–
Investment funds	–	–	–	–
Asset-backed securities	–	–	–	–
Structured debt	–	–	–	–
Total	351	183	128	40

Note 1. Estimated based on assets allocated to Aurora Energy as at 30 June 2016 and asset allocation of the RBF as at 30 June 2015

Fair value of Plan assets as at 30 June 2015[1]

	Total	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Unobservable inputs Level 3
Asset category	$'000	$'000	$'000	$'000
Cash and cash equivalents	62	62	–	–
Equity instruments	246	112	108	26
Debt instruments	48	13	20	15
Derivatives	1	–	1	–
Real Estate	3	–	3	–
Investment funds	–	–	–	–
Asset-backed securities	–	–	–	–
Structured debt	–	–	–	–
Total	360	187	132	41

Note 1. Estimated based on assets allocated to Aurora Energy as at 30 June 2015 and asset allocation of the RBF as at 30 June 2014

Movements in the present value of Defined Benefit Obligations **Total Defined Benefit Obligations (net discount rate)**	**30 June 2016 $'000**	**30 June 2015 $'000**
Total Defined Benefit Obligations at end of prior year	2,736	124,672
Employer service cost plus operating costs	(47)	227
Interest cost	123	111
Actual participant contributions	33	32
Actuarial (gains)/losses arising from changes in demographic assumptions	0	0
Actuarial (gains)/losses arising from changes in financial assumptions	570	(375)
Actuarial (gains)/losses arising from liability experience	280	20
Taxes, premiums & expenses paid	(3)	(4)
Actual benefit payments	(543)	0
Foreign currency exchange rate liabilities	–	–
Business combination liabilities	–	–
Curtailments/settlement liabilities	–	–
New past service costs	–	–
Transfer to TasNetworks (note A5)	–	(121,947)
Total Defined Benefit Obligations at end of year	3,149	2,736

D4 Retirement Benefits Fund (RBF) (continued)

A quantitative sensitivity analysis for significant assumptions as at 30 June 2016

	Base Case	Scenario A -1.0% discount rate	Scenario B +1.0% discount rate	Scenario C -1.0% pa pension increase rate	Scenario D +1.0% pa pension increase rate
Discount rate	3.55% pa	2.55% pa	4.55% pa	3.55% pa	3.55% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	1.50% pa	3.50% pa
Defined benefit obligation ($'000)	3.149	3.755	2,679	2,777	3,599

Scenario A and B relate to discount sensitivity. Scenario C and D relate to expected pension increase rate sensitivity. The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

A quantitative sensitivity analysis for significant assumptions as at 30 June 2015

	Base Case	Scenario A -0.5% discount rate	Scenario B +0.5% discount rate	Scenario C -0.5% pa pension increase rate	Scenario D +0.5% pa pension increase rate
Discount rate	4.80% pa	4.30% pa	5.30% pa	4.80% pa	4.80% pa
Pension increase rate	2.50% pa	2.50% pa	2.50% pa	2.00% pa	3.00% pa
Defined benefit obligation ($'000)	2,596	2,857	2,370	2,490	2,714

Risks to RBF

There are a number of risks to which the Fund exposes Aurora Energy. The key risks relating to the defined benefits are:

- Investment risk – The risk that investment returns will be lower than assumed and employers will need to increase contributions to offset this shortfall.
- 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.
- Inflation risk – The risk that inflation is higher than anticipated, increasing pension payments and the associated employer contributions.
- Benefit options risk - The risk is 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 is that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period.
- Legislative risk – The risk is that legislative changes could be made which increase the cost of providing the defined benefits.

As the scheme is closed to new members and the number of participants has significantly reduced, the risks are manageable.

Estimate of expense for 2017	**30 June 2017 $'000**
Current service cost	61
Net interest cost	97
Past service cost	-
Movement in limitation on net assets	^
Effect of curtailments/settlements	^
Estimated superannuation expense	158

^ not known until end of 2017

Aurora Energy is not aware of any asset and liability matching strategies adopted by the Fund.

The weighted average duration of the defined benefit obligation for Aurora Energy is 17.5 years.

The expected employer contribution for 2017 is $118,000.

Funding and contribution information

The employer meets the cost of benefits as they emerge by paying a percentage of the benefit as it falls due, as defined in the Retirement Benefits Regulations 2005.

D5 Key management personnel compensation

The key management personnel of the Company during the year were:
Mr G. Willis AM (Chair, non-executive director)(resigned 31/03/16)
Ms C. Demarte PSM (non-executive director)(appointed Chair 16/05/16)
Mrs Y. Rundle (non-executive director)
Mr T. James (non-executive director)(appointed 25/04/16)
Mrs R. Kardos (Chief Executive Officer/managing director)
Ms M. Brooks (Manager People and Performance)
Mr K. Ingham (General Manager Commercial Services)
Mr T. Pearson (General Manager Billing and Systems) (retrenched 30/09/15)
Mrs C. Pillans (Company Secretary/Group Manager Business Services) (resigned 24/12/15)
Mr G. Russell (General Manager Customer Operations)(Chief Operating Officer from 01/01/16)
Ms M. Lukianenko (Chief Information Officer)(resigned 30/06/16)
Mr O. Cousland (Company Secretary)(commenced 25/12/15)

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

	2016 $	2015 $
Short-term employee benefits	1,508,315	1,702,234
Post-employment benefits	174,676	155,047
Other long-term benefits	-	-
Termination benefits	101,556	15,059
	1,784,547	1,872,340

There were no short-term incentive payments in 2015 or 2016.

Director remuneration

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

2016

Director	Directors' Fees $	Committee Fees $	Super-annuation[1] $	Other[2] $	Total 2016 $
Mr G. Willis AM – Chairman, resigned 31/03/16	18,380	3,652	27,415	600	50,047
Ms C. Demarte PSM – appointed Chair 16/05/16	39,693	6,644	4,283	600	51,220
Mrs Y. Rundle	37,232	7,199	3,775	300	48,506
Mr T. James – commenced 25/04/16	7,000	458	709	0	8,167
Total	**102,305**	**17,953**	**36,182**	**1,500**	**157,940**

2015

Director	Directors' Fees $	Committee Fees $	Super-annuation[1] $	Other[2] $	Total 2015 $
Mr G. Willis AM – Chairman	76,895	6,414	7,371	900	91,580
Ms C. Demarte PSM	42,370	8,395	4,049	2,150	56,964
Mrs Y. Rundle – commenced 1/01/15	18,255	3,525	2,069	600	24,449
Mr M. Vertigan AC – resigned 30/11/14	21,261	4,156	2,026	500	27,943
Mr M. Wallace – resigned 30/11/14	21,260	4,885	2,026	500	28,671
Total	**180,041**	**27,375**	**17,541**	**4,650**	**229,607**

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

[2]Other includes travel and other expenses

D5 Key management personnel compensation (continued)

Executive remuneration

The following tables disclose the remuneration details for each person who acted as a senior executive during the current and previous financial years.

2016

Executive Remuneration	Salary[1] $	Short term incentive payments[2] $	Termination benefits[3] $	Super-annuation[4] $	Other benefits[5] $	Other non-monetary benefits[6] $	Total 2016 $
Mrs R. Kardos	325,236	0	0	30,894	0	4,899	361,029
Ms M. Brooks	177,215	0	0	16,856	0	8,088	202,159
Mr K. Ingham	207,796	0	0	19,710	0	19,692	247,198
Mr T. Pearson – retrenched 30/09/15	56,580	0	95,795	11,770	0	-12,947	151,198
Mr G. Russell	257,023	0	0	24,428	0	4,216	285,667
Mrs C. Pillans – resigned 24/12/15	95,164	0	5,616	9,065	0	-19,468	90,377
Ms M. Lukianenko – resigned 30/06/16	186,296	0	145	18,134	0	-738	203,837
Mr O. Cousland – commenced 25/12/15	80,390	0	0	7,637	0	-2,885	85,142
Total	**1,385,700**	**0**	**101,556**	**138,494**	**0**	**857**	**1,626,607**

2015

Executive Remuneration	Salary[1] $	Short term incentive payments[2] $	Termination benefits[3] $	Super-annuation[4] $	Other benefits[5] $	Other non-monetary benefits[6] $	Total 2015 $
Mrs R. Kardos	319,980	0	0	30,403	0	16,781	367,164
Ms M. Brooks	173,661	0	0	16,547	0	8,380	198,589
Mrs N. Dixon-Flint	76,272	0	15,059	7,268	0	-28,418	70,181
Mr K. Ingham	193,330	0	0	18,377	0	13,693	225,400
Mr T. Pearson	246,685	0	0	23,611	0	518	270,814
Mr G. Russell	246,781	0	0	23,515	0	18,123	288,419
Mrs C. Pillans	177,425	0	0	16,965	0	16,794	211,183
Ms M. Lukianenko	9,424	0	0	820	0	739	10,983
Total	**1,443,558**	**0**	**15,059**	**137,506**	**0**	**46,610**	**1,642,733**

Note: Vehicles are included in Salaries as they are optional and form part of the Total Employment Package.

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

[2]Short term incentive payments are non-recurrent payments which depend on achieving specified performance goals within specified timeframes.

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

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

[5]Other benefits includes all other forms of employment allowances (excludes reimbursements such as travel, accommodation or meals), payments in lieu of leave, and any other compensation paid and payable.

[6]Other non-monetary benefits include annual and long service leave movements.

D5 Key management personnel compensation (continued)

Remuneration Principles

Non-Executive Directors

Non-executive directors are appointed by the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be reappointed. The level of fees paid to the 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.

Executive remuneration

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines, dated December 2014. Under these Guidelines, remuneration bands for Chief Executive Officers (CEO) are determined by the Government Business Executive Remuneration Panel 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 Government Business Executive Remuneration Advisory Panel when determining the CEO's remuneration package.

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

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 executives or the Board to provide a minimum notice period of up to three months for senior executives and six months for the CEO prior to the termination of the contract. Whilst not automatic, contracts can be extended.

Aurora Energy's approach to executive remuneration supports the ability to attract, retain and motivate competent and experienced executive management personnel, while aligning with Aurora Energy's capacity to be a stand-alone electricity retailer in a competitive market.

Aurora Energy uses the Mercer CED Job Evaluation methodology to determine the classification band for all positions organisation-wide. In determining the classification of each role and the appropriate salary band, a number of factors are considered. These are:

- Knowledge and expertise required to competently perform the role;
- The level and type of judgement required; and
- The type and level of accountability.

Aurora Energy's target policy position for Key Management Personnel and Senior Management positions is the median of the Mercer Tasmanian General Market.

Salary positioning is determined by the skills and experience the individual brings to the role, market factors (eg scarcity of particular skills in the market), performance in role and Aurora Energy's ability to fund remuneration increases year on year.

Aurora Energy is compliant with the Director and Executive Remuneration Guidelines, dated December 2014, as at the date of this report.

Short term incentive payments

Aurora Energy does not currently offer performance based payments. In the event that a program is implemented, the requirements outlined in the Guidelines will be adopted.

Termination benefits

Termination payments during the current year included:

- Mr T. Pearson who was retrenched, effective 30 September 2015 and was paid $95,795 representing the balance of his accrued annual leave and retrenchment entitlements.
- Mrs C. Pillans who resigned, effective 24 December 2015 and was paid $5,616 representing the balance of her accrued annual leave.
- Ms M. Lukianenko who resigned, effective 30 June 2016 and was paid $145 representing the balance of her accrued annual leave.

SECTION E: RISK AND FAIR VALUE

E1 Financial instruments

ACCOUNTING POLICY

Derivative Financial Instruments

The Company enters into various financial instruments in the form of electricity swaps in order to manage financial exposures faced by the Company from its operations. In accordance with its Treasury and Energy Risk Policies, the Company 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 recognised in profit or loss on the statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss on the statement of comprehensive income depends on the nature of the hedge relationship. On the date the contract is entered, each contract is recorded in Aurora Energy's hedge accounting system where the relevant effectiveness tests and documentation is created at inception and all further designation and valuation data is recorded. 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.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss on the statement of comprehensive income.

Hedging

The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities of firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss on the statement of comprehensive income immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk. Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss on the statement of comprehensive income from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or losses relating to ineffective portions are recognised immediately in profit or loss on the statement of comprehensive income. Amounts deferred in equity are recycled in profit or loss on the statement of comprehensive income in the periods when the hedged item is recognised in profit or loss on the statement of comprehensive income. 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 at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss on the statement of comprehensive income. 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 on the statement of comprehensive income.

E1 Financial instruments (continued)

(a) Capital risk management

The Company's objective is to have an appropriate capital structure that ensures financial flexibility and fiscal discipline and therefore ongoing viability to continue to provide returns for shareholders.

The shareholders have determined that Aurora Energy as a standalone retailer of electricity should have no debt and on 1 July 2014 all debt was transferred to TasNetworks as per the transfer notice dated 25th June 2014.

(b) Categories of financial instruments

	2016 $'000 Carrying amount	2015 $'000 Carrying amount
Financial assets		
Loans and receivables		
- Cash and cash equivalents	62,175	37,345
- Bank term deposit	–	20,000
- Trade and other receivables	54,812	49,798
- Market traded receivables	16,752	-
Financial liabilities		
Amortised cost		
- Trade and other payables and bank overdraft	144,690	117,400
Derivative instruments		
- Electricity swaps, futures and options – note E1(f)	57,354	10,376

(c) Financial risk management

The Company's Treasury function coordinates access to financial markets, and manages the interest rate risks relating to the operations of the Company. Risk management in respect of energy commodity exposures is managed under board approved Energy Risk Management (ERM) principles. Treasury and ERM operate under policies approved by the Board.

The Company's activities exposed it primarily to the financial risks of changes in energy consumption and price. The Company enters into a variety of derivative financial instruments to manage its exposure to these risks, including:

- electricity swaps, futures and caps to hedge the energy consumption and price risk arising on purchases and sales of electricity to customers.

(d) Credit risk management

Credit risk represents the loss that would be recognised at the reporting date if counterparties failed to meet their contractual obligations. The Company measures credit risk as the positive revaluation of financial instruments plus the potential credit exposure and an amount for settlement risk.

Credit risk associated with receivables is described in note C1.

A Board approved Counterparty Credit Risk Framework establishes credit limits for parties depending on their credit rating. The Company also uses ISDA agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties. The Framework is overseen by the Company's Energy Risk and Compliance Committee and Treasury Committee with delegations set by Board approved policies. The Company's overall strategy towards credit risk remained unchanged from 2010 however a revised counterparty credit policy and associated documentation was put in place for 1 July 2014 following the transfer of the Distribution and Telecommunications business to TasNetworks.

The majority of the Company's counterparty credit risk is to Australian based banks, financial institutions and electricity generators. At balance date, the only significant concentration of credit risk with any counterparty is to Hydro Tasmania as the dominant generator in Tasmania and the Westpac Bank and Commonwealth Bank for bank deposits. There is no material concentration risk in retail customers.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk at reporting date. In respect to those financial assets and the credit risk embedded within them, the Company holds no significant collateral as security and there are no other significant credit enhancements in respect of these assets.

The Company accepts guarantees from Australian financial institutions on behalf of major customer and supply contracts as collateral in respect of the financial assets/receivables.

(e) Liquidity risk management

Prudent liquidity management involves maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. To help counter this risk, the Company has adequate stand-by facilities and other funding arrangements in place as disclosed in note B3(a) and only uses financial instruments that are highly tradable.

The Company also continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

E1 Financial instruments (continued)

The following tables detail the Company's remaining contractual maturity for its financial assets and liabilities and expected maturity of derivative instruments. The tables have been drawn up based on the undiscounted cash flows based on the earliest date on which the Company can be required to pay its financial liabilities and receive its financial assets and is expected to settle its derivative instruments.

2016	Weighted average effective interest rate %	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000
Financial assets					
Cash and short term deposits	1.95	62,175	–	–	–
Trade and other receivables	–	54,812	–	–	–
Market traded receivables	–	16,752	–	–	–
Electricity derivatives	–	41,233	16,022	2,266	–
		174,972	16,022	2,266	–
Financial liabilities	–				
Trade and other payables	–	144,690	–	–	–
Electricity derivatives	–	1,153	42	–	–
		145,843	42	–	–

2015	Weighted average effective interest rate %	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000
Financial assets					
Cash and short term deposits	1.90	37,345	–	–	–
Trade and other receivables	–	49,798	–	–	–
Bank term deposits 2.88	–	20,000	–	–	–
Electricity derivatives	–	2,676	11,170	3,000	–
		109,819	11,170	3,000	–
Financial liabilities					
Trade and other payables	–	117,400	–	–	–
Electricity derivatives	–	5,684	429	44	–
		123,084	429	44	–

(f) Market risk management

Price risk management

The Company is exposed to commodity price risk from electricity associated with the purchase and/or sale of electricity. To manage its commodity price risks in respect to electricity, the Company enters into electricity derivatives, including caps and swaps.

The key elements of the Company's strategy include:

- Energy trading risks being actively managed and monitored against Board approved limits. These limits cover relative and absolute trading limits;
- Incorporating sufficient margin within contestable retail customer contract pricing to adequately cover costs and generate the required return for risk; and
- Ensuring alignment between key terms of customer sales and associated hedge contracts.

The Company's overall strategy provides for the utilisation of market exposure as per limits set out in the Board approved Energy Risk Policy.

The following tables detail the remaining terms of energy derivatives contracts outstanding as at reporting date and their fair values.

E1 Financial instruments (continued)

2016	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Assets					
Derivatives designated hedge in a cash flow relationship	26,430	7,731	2,174	–	36,335
Derivatives designated in a fair value hedge relationship	14,196	7,930	–	–	22,126
Derivatives not in designated hedge relationship	81	–	–	–	81
	40,707	15,661	2,174	–	58,542
Liabilities					
Derivatives designated hedge in a cash flow relationship	(1,147)	(41)	–	–	(1,188)
Derivatives designated in a fair value hedge relationship	–	–	–	–	–
Derivatives not in designated hedge relationship	–	–	–	–	–
	(1,147)	(41)	–	–	(1,188)
Total asset/(liability)	39,560	15,620	2,174	–	57,354

2015	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total $'000
Assets					
Derivatives designated hedge in a cash flow relationship	254	7,400	–	–	7,654
Derivatives designated in a fair value hedge relationship	2,229	3,656	2,607	–	8,492
Derivatives not in designated hedge relationship	172	58	–	–	230
	2,655	11,114	2,607	–	16,376
Liabilities					
Derivatives designated hedge in a cash flow relationship	(5,325)	(430)	–	–	(5,755)
Derivatives designated in a fair value hedge relationship	–	–	–	–	–
Derivatives not in designated hedge relationship	(243)	(2)	–	–	(245)
	(5,568)	(432)	–	–	(6,000)
Total asset/(liability)	(2,913)	10,682	2,607	–	10,376

Price sensitivity

The following table summarises the impact of increases/decreases of the relevant forward prices for electricity on the Company's post tax profit for the year and on other components of equity. The sensitivity analysis is calculated based on a calculation of the region's volatility of price as observed over the past year (excluding the effects on the price during the time of the failure of BassLink) to provide an indicator of likely potential variation to profit and equity of the company. A five dollar per megawatt hour rate variation, up and down, has been used in the analysis for 30 June 2016. Actual results may differ dependent on future market conditions. All variables other than the relevant primary risk variable identified are held constant in the analysis.

	Impact on post tax profit of the Company	Post tax impact on equity of the Company
	+/(-) ($'000)	+/(-) ($'000)
2016 Electricity forward price	17/(17)	10,236/(9,956)
2015 Electricity forward price	568/(551)	6,664/(6,664)

Profit for the year would increase/decrease as a result of electricity derivatives which do not qualify for cash flow hedge accounting under AASB 139. Equity would increase/decrease as a result of electricity derivatives which do qualify for cash flow hedge accounting under AASB 139.

E1 Financial instruments (continued)

(g) Fair value of financial instruments

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

The fair value of derivative instruments are 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 only used 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 account of the underlying exposures being hedged.

Tasmanian Electricity Derivative Contracts

The company has in place hedge arrangements for a portion of its Tasmanian market contracts customers. Hedges take the form of electricity swap agreements. The economic effect of these arrangements is to transfer to the counterparties some of the variable price risk and to fix the cost of electricity to the Company in line with the revenue streams that are contracted for with customers.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market date (unobservable inputs).

30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Derivative instruments				
- Electricity swap, futures and options – note E1(f)	-	57,354	-	57,354

There were no transfers between Level 1, 2 and 3 in the period.

30 June 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Derivative instruments				
- Electricity swap, futures and options – note E1(f)	-	10,376	-	10,376

There were no transfers between Level 1, 2 and 3 in the period.

Significant assumptions used in determining fair value of financial assets and liabilities.

The financial statements include electricity swaps and customer contracts which are measured at fair value. Their fair values are determined using valuation techniques based on the calculation of the present value of expected future cash flows. Inputs to these valuation techniques include some assumptions relating to the electricity forward prices in Tasmania that are supportable by regulated market prices and forecast of future load demand.

E2 Fair value measurement

The following tables provide the fair value measurement hierarchy of the Company's assets and liabilities.

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June 2016:

Assets measured at fair value	Date of valuation	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable Inputs (Level 2) $'000	Significant unobservable Inputs (Level 3) $'000
Derivative financial assets					
Electricity derivatives	30 June 16	58,542	-	58,542	-
Revalued property, plant and equipment					
PayGuard devices	30 June 16	2,875	-	-	2,875

There have been no transfers between Level 1, 2 and 3 in the period

Liabilities measured at fair value					
Derivative financial liabilities					
Electricity derivatives	30 June 16	1,188	-	1,188	-

There have been no transfers between Level 1, 2 and 3 in the period

Quantitative disclosures fair value measurement hierarchy for assets and liabilities as at 30 June 2015:

Assets measured at fair value	Date of valuation	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable Inputs (Level 2) $'000	Significant unobservable Inputs (Level 3) $'000
Derivative financial assets					
Electricity derivatives	30 June 15	16,376	-	16,376	-
Revalued property, plant and equipment					
PayGuard devices	30 June 15	3,311	-	-	3,311

There have been no transfers between Level 1, 2 and 3 in the period

Liabilities measured at fair value					
Derivative financial liabilities					
Electricity derivatives	30 June 15	6,000	-	6,000	-

There have been no transfers between Level 1, 2 and 3 in the period

E3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Assessment of impairment of non-financial assets

The Company considers annually whether such assets have suffered any impairment, in accordance with the accounting policy stated in note F8(b). An impairment of computer software no longer to be used by the business was recorded, see note C6.

The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of the following key assumptions:

- forecast electricity pool outcomes and regulated revenues;
- the level of customer churn to competitors with the introduction of full retail contestability from 1 July 2014; and
- discount rates.

Where an indicator of impairment exists, Aurora Energy makes a formal estimate of the recoverable amount of the cash generating unit. The whole of Aurora Energy is one cash generating unit.

A four year Corporate Plan for Aurora Energy has been approved by the Board. The plan reflects up-to-date information and the projections represent management's best estimate of future financial performance. Based on the future projections of Aurora Energy, the Board has determined that no indicators of impairment exist and, accordingly, no formal estimate of the recoverable amount has been performed.

(ii) Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market (for example, certain types of electricity derivatives) is determined by using valuation techniques. The Company uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at each balance sheet date.

(iii) RBF liability

The Retirement Benefits Fund defined benefits provision detailed in note D4 has been assessed by the State Actuary and various actuarial assumptions have been applied to arrive at the carrying value reported.

(iv) Unbilled revenue

Unbilled electricity sales are an estimate of the value of electricity units supplied between the date of the last meter reading and the year-end. The estimate of the units supplied is based on the customer historic usage profile adjusted to reflect the actual wholesale electricity purchases and the unit price used reflects the relevant tariff prices.

(v) Unbilled use of system expense

Unbilled use of system charges are an estimate of the system cost of delivering electricity to the customer between the date of the last meter reading and year end. The estimate is based on the same meter data and customer profiles as used in the unbilled revenue estimates but using the appropriate use of system tariffs.

(vi) Recovery of deferred tax asset

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

(vii) Customer care and billing system

A customer care and billing system was commissioned in February 2011 to replace an existing system which was no longer supported by the vendor and was unable to effectively support National Electricity Market requirements. At this time, the useful life of the asset was assessed to be 12 years. Aurora Energy receives an allowance per customer through the independent retail price regulation process. The book value of the customer care and billing system at 30 June 2013 was $17.226M. It was being depreciated over a useful remaining life of three years to 30 June 2015, the date reasonably expected as the end to Aurora Energy's retail services functions proposed under reform process with the sale of Aurora Energy's retail book. Following the September 2013 announcement of the abandonment of a process to sell Aurora Energy's retail customer base and the continuing on of Aurora Energy as a Retailer, the estimated useful life was reassessed to eight years from 1 July 2013 (5 years from 30 June 2016).

Aurora Energy will continue to assess the effective useful life in accordance with note C6.

SECTION F: OTHER INFORMATION

F1 Share capital

ACCOUNTING POLICY

Ordinary shares are classified as equity.

	2016 $'000	2015 $'000
Issued and paid-up capital		
112,700,004 ordinary shares, fully paid	50,212	50,212

	2016 No.	2016 $'000
Authorised shares, shares have no par value	500,000,000	
Movements in ordinary share capital		
Balance at beginning of year	112,700,004	50,212
Movements	-	-
Balance at end of year	112,700,004	50,212

F2 Retained earnings

	2016 $'000	2015 $'000
Balance at beginning of year	31,713	146,263
Transfer to TasNetworks (note A5)	-	(146,263)
Net profit attributable to members of the entity	30,186	31,487
Dividend provided/paid	(27,600)	-
Actuarial gain/(loss) on RBF defined benefit plan net of tax	(531)	226
Balance at end of year	33,768	31,713

F3 Reserves

	2016 $'000	2015 $'000
(a) Reserves comprise		
Asset revaluation reserve	103	72
Cash flow hedge reserve	24,602	1,329
	24,705	1,401
(b) Movements in reserves		
Asset revaluation reserve		
Balance at beginning of year	72	201,413
Transferred to TasNetworks (note A5)	-	(201,413)
Revaluation of assets in the year	43	103
Deferred tax liability arising on revaluation	(12)	(31)
Balance at end of year	103	72
Cash flow hedge reserve		
Balance at beginning of year	1,329	(16,979)
Transferred to TasNetworks (note A5)		
Interest rate swaps	-	6,405
Gain/(loss) recognised		
Electricity price swaps	36,256	43,629
Transferred to profit or loss		
Electricity price swaps	(3,008)	(26,624)
Deferred tax arising on hedges	(9,975)	(5,102)
Balance at end of year	24,602	1,329

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow 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.

F4 Related party disclosures

(a) Equity interests in related parties

Equity interests in subsidiaries

Aurora Energy has no equity interests in related parties or subsidiaries.

(b) Key management personnel compensation

Details of key management personnel compensation are disclosed in note D5 to the financial statements.

(c) Transactions with key management personnel

All transactions with key management personnel, including the supply of electricity for domestic purposes and to key management personnel in related entities, were conducted on an arm's length basis in the normal course of business and on commercial terms and conditions.

(d) Controlling entity

The Crown (Tasmanian Government) is the ultimate parent entity of Aurora Energy Pty Ltd.

The Company retails electricity and undertakes certain other transactions with government entities on an arm's length basis in the normal course of business and on commercial terms and conditions.

The Company purchased electricity transmission services, distribution services, telecommunications, information technology and various transitional services from TasNetworks. The Company purchases electricity derivatives from Hydro Tasmania.

The Company supplied electrical services to TasNetworks and Hydro Tasmania.

All transactions with TasNetworks and Hydro Tasmania were on an arm's length basis in the normal course of business and on commercial terms and conditions.

F5 Auditors' remuneration

	2016 $	2015 $
Amounts received, due and receivable, by the Auditor-General from the Company for:		
Auditing the accounts of the Company	129,851	236,737
Auditing Financial Services Licence	12,600	14,491
	142,451	251,228

F6 Contingent liabilities

There are no claims related to property loss, personal injury (excluding claims by employees for personal injuries), contractual and other matters outstanding at the date of publication of these accounts. The directors are not aware of any matters, based on legal advice, which would require a provision as at the signing date of these accounts.

F7 Lease commitments

ACCOUNTING POLICY

Leases are classified as finance leases when the terms of the lease substantially transfer all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

	2016 $'000	2015 $'000
Operating leases		
Non-cancellable operating lease payments		
Not longer than 1 year	722	691
Longer than 1 year and up to 5 years	1,856	2,358
Longer than 5 years	–	–
	2,578	3,049

Note F7 relates to property leases.
The Company leases property with the major operating lease expiring in 3.75 years, with a break clause in two years. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index.

All commitments are listed net of GST.

F8 Other accounting policies

(a) Goods and services tax

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

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

(ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the statement of cash flows on a gross basis.

(b) Impairment of assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent, if any, of the impairment loss.

Where the asset does not generate cash flows that are independent from other assets, the Company 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. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset (or cash-generating unit) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

F9 Subsequent events

At the time of signing these financial statements there have been no material subsequent events.

Independent Auditor's Report

To the Members of Aurora Energy Pty Ltd

Financial Report for the Year Ended 30 June 2016

Report on the Financial Report

I have audited the accompanying financial report of Aurora Energy Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2016 and the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration.

Auditor's Opinion

In my opinion:

(a) the Company's financial report is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of its financial position as at 30 June 2016 and its financial performance for the year ended on that date

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note A3.

The Responsibility 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.* This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note A3, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with Australian Accounting Standard/International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Directors' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

The *Audit Act 2008* 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.

Tasmanian Audit Office

E R De Santi
Deputy Auditor-General
Delegate of the Auditor-General

Hobart
12 August 2016

Aurora ENERGY

Helping to make a difference.