ANNUAL REPORT
2017

aurora energy

Contents

Our Business

Aurora Energy is Tasmania's 100 per cent owned and operated energy retailer. We are committed to delivering quality customer service and supporting our local communities.

OUR VISION:

To be valued by its customers and provide sustainable returns to the Tasmanian community.

OUR PURPOSE:

To proactively deliver practical energy choices for all Tasmanians.

UNITED

When we are united, we work collaboratively as one team with one vision.

ACCOUNTABLE

When we are accountable, we take responsibility for ourselves and deliver to others.

OPEN & HONEST

When we are open and honest, we expect feedback and constructively challenge.

ACHIEVING

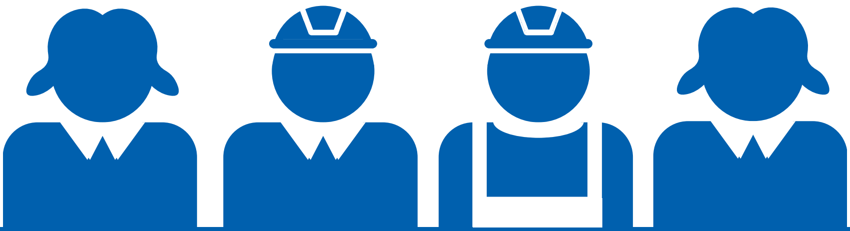
When we are achieving, we are goal-focussed, measured and seek performance.

TRUSTED

When we are trusted, we can be relied upon to do what we say we will do.

PASSIONATE & INNOVATIVE

When we are passionate and innovative, we work with enthusiasm and energy.



279,636 CUSTOMERS

Customer numbers:

Aurora Energy has 279,636 customers, including residential, small and large business customers.

♀ 114

♂ 74

Our people:

Aurora Energy employs 188 FTEs, of which 61 per cent is female and 39 per cent is male. The average age of the Aurora Energy workforce is 38 years.

80%

ABOVE TARGET

Customer loyalty:

Aurora Energy's customer loyalty score delivered strong results with an average of +36, which is 80 per cent above target and a 24 per cent improvement on last year's figures.

The Year at a Glance

In 2016–17 Aurora Energy:

- responded to customer feedback received through its Voice of Customer (VoC) program that led to above-target results for customer loyalty and a reduction in call-wait times by five seconds;
- expanded the scope and reach of its Your Energy Support (YES) program, which helped more than 2,000 customers to receive support with their energy usage and bill and enabled 48 per cent of participants to successfully complete the program;
- launched a winter campaign that promoted practical energy saving tips to help customers reduce their energy usage whilst remaining comfortable in their homes or businesses;
- provided support to more than 50 not-for-profit community organisations and activities, targeting those initiatives that made a practical difference to the lives of Tasmanians;
- upgraded ICT systems to stable vendor supported levels (including functional enhancements) and/or solutions replaced with enhanced alternatives;
- established a dedicated program team tasked to respond to energy market reforms in a changing regulatory and policy environment;
- exceeded or met nine out of 12 of its 2016–17 performance targets;
- reduced underlying operating costs by 10 per cent; and
- delivered $35.4M in returns to the Tasmanian Government.

2016

JULY

1ST

Introduced two new Time of Use (ToU) Tariffs, for residents and businesses:

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

OCTOBER

12TH

Launched prepayment product trial.

22ND

Concluded long-term naming rights partnership with Aurora Stadium at York Park in Launceston.

DECEMBER

1ST

Launched BPAY View for billing service.

2017

FEBRUARY

16TH

Supported 52 employees to undertake and graduate from a new formal qualifications program in partnership with TasTAFE.

20TH

Released new-look, easier to read bill for the first time in 19 years.

20TH

Commenced promoting PayPal as an additional payment channel.

MAY

1ST

Launched the Tasmanian Energy Efficiency Loan Scheme (TEELS) in partnership with the Tasmanian Government and Westpac Group.

4TH

Launched new Community Program at Agfest.

JUNE

6TH

Announced an in-principle agreement with Goldwind to underpin development of 144 MW windfarm at Wild Cattle Hill.

8TH

Increased support of the No Interest Loans (NILS) Network Energy Saver Loans and Subsidies.

22ND

Recognised as 2017 Tasmanian Employer of Choice.

23RD

New regulated electricity prices for 2017-18 approved.

Chair and CEO Review

It is with pleasure that we present Aurora Energy's 2016–17 Annual Report on behalf of the Board and management of Aurora Energy.

Creating and delivering value for customers, strong returns for Shareholders and leading energy efficiency initiatives for the Tasmanian community were at the forefront of Aurora Energy's performance in 2016–17.

By embedding a low-cost operating model and maintaining a focus on our customers, Aurora Energy met its commitment to its Shareholders while at the same time positioning the business on a sustainable footing to respond to an increasingly changing market.

2016–17 was again a year set against a changing market and operating environment. The transition to renewable generation within the National Electricity Market introduced significant volatility into wholesale energy markets and highlighted concerns surrounding energy security. Operating within this environment, Aurora Energy has remained focussed on improving customer service, operating efficiently and implementing strategic initiatives to provide its customers with greater control, convenience and choice.

From a financial perspective, it is pleasing to note that Aurora Energy recorded an after-tax profit of $19.4M. This will enable Aurora Energy to return $35.4M to the Tasmanian Government. In 2016-17 operating costs amounted to $36.8M, a significant achievement demonstrating a saving of 10 per cent when compared to the baseline of 2014-15. This was considerably ahead of the four per cent target for the year, ensuring Aurora Energy is well-positioned to achieve continued, sustainable cost reductions into the future.

RESPONDING TO CHANGE

Aurora Energy progressed a number of strategic initiatives in 2016–17 to respond to changing market requirements as well as develop increased product choice for our customers.

Commencing the development of Aurora Energy's next generation prepayment product incorporating a smart device app is an example of this; a process that will also lay the foundation for further product development in line with current customer expectations and needs.

Across the National Electricity Market, retailers are preparing to implement the Australian Government's Power of Choice reforms that will transfer the responsibility for small customer metering services to electricity retailers. In July 2016, Aurora Energy established a dedicated and extensive program of work to ensure it is ready for the commencement of the new rules and procedures to come into effect from December 2017. Once implemented, these reforms will be an enabler of increased customer choice and control.

Locally, Aurora Energy reached an agreement with Goldwind which secured the construction of a 144 MW wind farm at Wild Cattle Hill in Tasmania's Central Highlands, scheduled to commence in September 2017. The long-term partnership will assist Aurora Energy to meet its obligations, extending to 2030, under national renewable energy legislation through the purchase of Tasmanian generated renewable energy certificates produced by the wind farm.

The Tasmanian Energy Security Taskforce's Interim Report estimated that Tasmania has an annual energy deficit between on-island generation and Tasmanian consumption of between 700 GWh and 1 000 GWh, based on long-term averages.

The Wild Cattle Hill wind farm development will produce up to 487 GWh per year, or half of the identified shortfall by the Taskforce, which will not only strengthen the state's energy security, but deliver local benefits to both its customers and the community. Aurora Energy is proud to be partnering with a Tasmanian project of such significance.

SUPPORTING OUR CUSTOMERS & OUR COMMUNITY

Supporting our customers and making a difference in the community was again a key focus for Aurora Energy in 2016–17.

Aurora Energy expanded its successful Your Energy Support (YES) program in 2016–17, investing a further $1M to enable greater reach for the program and to support more Tasmanians with their energy affordability. Through YES, Aurora Energy partnered with Anglicare, providing home visits, support and financial literacy advice for its clients.

Aurora Energy is proud to have reached more than 5,720 customers since the inception of the YES program in November 2014.

Accompanying YES were a number of other initiatives progressed throughout the financial year. These include the design and launch of the Tasmanian Energy Efficiency Loans Scheme (TEELS) in partnership with the Tasmanian Government and Westpac Banking Corporation, continued support of No Interest Loans Tasmania (NILS); together with a number of ongoing programs offering customers information to help them take control of their energy usage, such as energy efficiency tips and tools, home energy advice and tailored support for small businesses.

In delivering these services, Aurora Energy recognises that it is essential for our business to listen to customers and be responsive to their feedback. Our successful Voice of the Customer program continued to demonstrate value in 2016–17 enabling residential and small business customers to assess Aurora Energy's performance and assist the business to identify opportunities for improvement.

Aurora Energy was also proud to continue its support for Tasmanian communities in 2016–17 by working with local volunteer and not-for-profit organisations. In 2016–17 Aurora Energy supported over 50 Tasmanian based organisations across state-wide and regional centres. This support continues to cover organisations who help make a practical difference to the lives of vulnerable Tasmanians. Each of the partnerships we form is an opportunity to engage and collaborate on ways to assist Tasmanians and their communities.

OUR PEOPLE

Aurora Energy has performed strongly in a year that has seen considerable change and uncertainty. Managing these challenges and maintaining a high level of performance is testament to the work of Aurora Energy's people and of the effort undertaken to develop a workplace which supports its employees.

CARYLE **DEMARTE**

REBECCA **KARDOS**

This effort was underlined in June 2017 when Aurora Energy was identified as a Tasmanian Employer of Choice. The Employer of Choice Awards recognise businesses that demonstrate contemporary workplace practices and outstanding support for their people, including opportunities for employees to build an effective work-life balance. The award was welcome recognition of Aurora Energy's commitment to, and the emphasis it places on, continuous improvement to the workplace.

2016–17 has been a year of achievement again demonstrating Aurora Energy's commitment to operate as a low-cost retailer, to create value and provide sustainable returns to the Tasmanian community.

We look forward to the challenges and opportunities that 2017-18 brings.

Caryle Demarte PSM
Chair

Rebecca Kardos
Chief Executive Officer

Our Customers

WAIT TIMES

LAST YEAR
25
SECONDS

THIS YEAR
21
SECONDS

Aurora Energy reduced its wait times with an average of 21 seconds in June 2017 compared to 25 seconds at the same time last year.

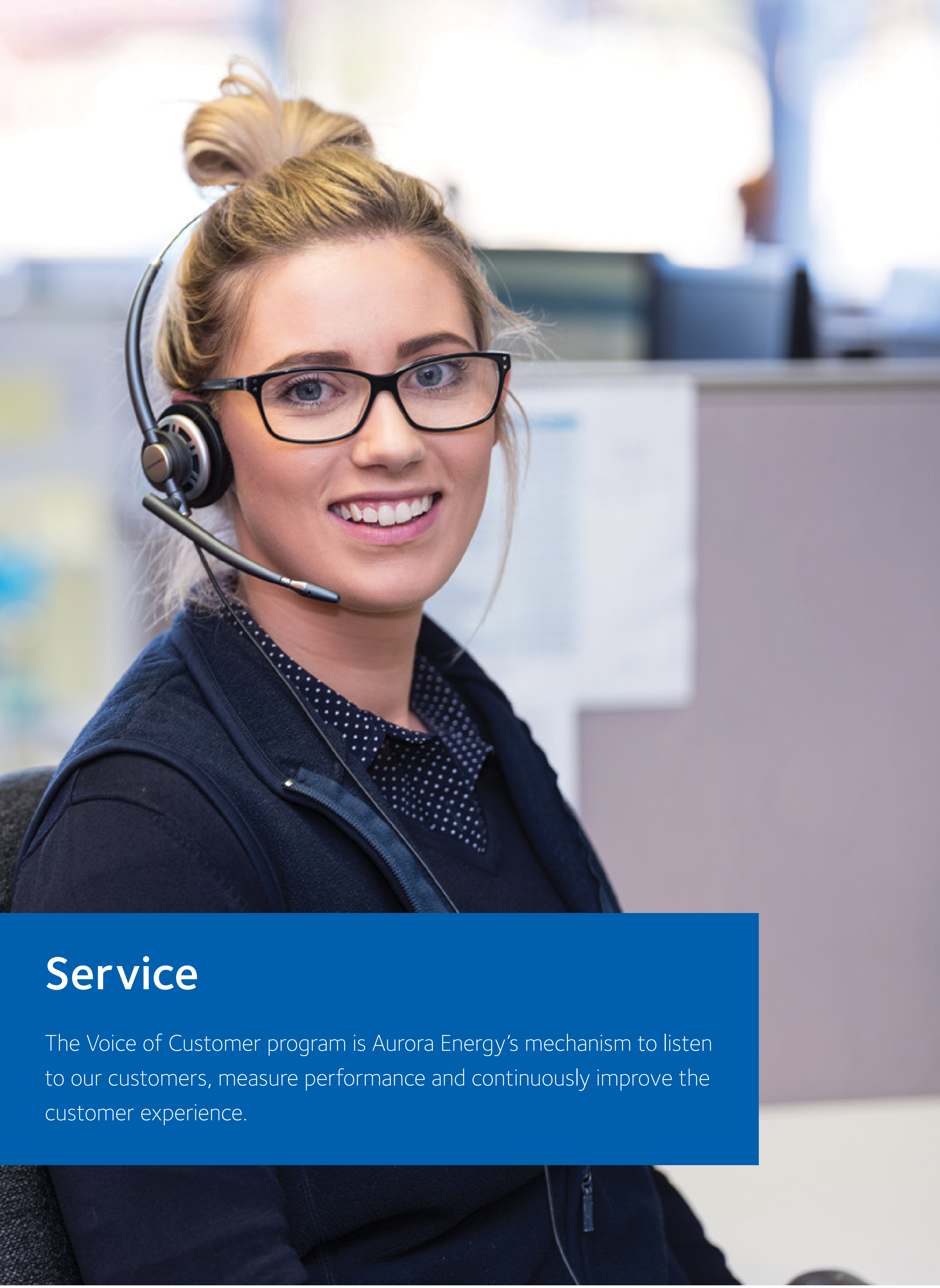
VOICE OF CUSTOMER/ NET PROMOTER SCORE

UP 24%

Aurora Energy achieved 24 per cent above its Net Promoter Score (NPS) compared to last year, reaching +36 in 2016–17.

+29
2015-2016
LAST YEAR

+36
2016-2017
THIS YEAR



Service

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

EASY

"Friendly and helpful customer service agent. I thought it would be more difficult and involved setting up a power account as I have never lived in Tasmania, but it was so easy."

EXPERTISE

"I had questions about my bill I didn't understand and the man explained it all to me with no trouble and was very friendly. He gave me tips on how to measure what was using the most electricity as well."

PROACTIVE

"The lady I dealt with was quite efficient, she did a quick analysis of my power usage and suggested that there would be significant savings to be had by switching to a Time of Use meter and the process to request the change was fairly simple."

RESPONSIVE

"The person that I dealt with was helpful and understanding. I was embarrassed about having to ask for time to pay my bill off, but not at any time was I made to feel uncomfortable."

OWNERSHIP

"I was pleased and impressed that the young lady that I spoke to actually did what she said she was going to do, make an enquiry and get back to me the same day."

Prepayment product trial participant, Malcom Liehr, displays the smart device app that enabled him to monitor his energy usage in real-time.

Products

Consistent with Aurora Energy's goal to provide its customers with greater control, convenience and increased choice, Aurora Energy progressed a number of initiatives for its customers.

AURORA PAY AS YOU GO (APAYG)

Aurora Energy continues to support its Aurora Pay As You Go (APAYG) customers to utilise the benefits they value in the existing product. This is achieved by ensuring that the underlying technology remains robust while the next generation solution is developed.

As part of this development, Aurora Energy launched its prepayment product trial in October 2016 and received overwhelming positive feedback from participants.

Forty-nine APAYG customers from across the state participated in the five-month trial that reflected feedback gathered from customers.

Trial participants were able to view their electricity usage in real-time through a customised smart device app, which also enabled them to pay conveniently via a mobile app.

It is anticipated the next generation prepayment product will become available to customers in 2018.

TIME OF USE (TOU)

Aurora Energy introduced two new Time of Use (ToU) Tariffs for residents and businesses on 1 July 2016, providing customers with increased choice.

The ToU Tariffs enable customers to reduce their energy costs by shifting their energy usage to less expensive times of the day.

INCREASED CHOICES

Launched on 1 December 2016, BPAY View enables Aurora Energy customers to receive bills electronically via online banking.

BPAY View streamlines the billing process by providing customers the ability to view, store, schedule and pay bills securely within their own online or mobile banking site.

Aurora Energy also commenced the promotion of PayPal as an additional payment method for customers.

NEW BILL FORMAT

Aurora Energy released its new-look bill statement and reminder notices in February 2017. The new format is easier to read and appropriate for a competitive retail environment.

The change was driven from customer feedback that found Aurora Energy's previous bill statement was outdated, hard to understand and difficult to navigate.

COST REFLECTIVE PRICING

In 2016–17, Aurora Energy prepared for the introduction of a new, more equitable pricing structure for its customers, as approved by the Tasmanian Economic Regulator.

The new prices, to apply from 1 July 2017, will reflect the true costs of providing electricity for each customer type over time.

Aurora Energy will be transitioning to its new pricing structure slowly, consequently its customers have plenty of time to adjust and to make informed choices to provide greater control over their energy use and costs.

> "I am a happy ToU customer, currently using around 27-28 per cent of my energy in peak times and likely to recoup my meter change out cost in two or three bills, just in time to reap the benefits for next winter!"
>
> Alex - Aurora Energy Customer

Aurora Energy CEO, Rebecca Kardos, launches the $20M Tasmanian Energy Efficiency Loan Scheme (TEELS) in partnership with the Tasmanian Government and Westpac Group.

Support

Aurora Energy provides support to its customers to help improve energy efficiency and affordability.

YOUR ENERGY SUPPORT PROGRAM

Aurora Energy's Your Energy Support (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.

Expanding the scope and reach in 2016–17 enabled 819 customers to successfully complete the program. As at 30 June 2017, there were 2,158 active participants in the YES program.

Since its inception in November 2014, the YES program has reached a total of 5,720 customers.

NO INTEREST LOANS TASMANIA ENERGY SAVER LOANS AND SUBSIDY PROGRAM

Aurora Energy partnered with No Interest Loans Tasmania (NILS) to offer concession customers a 50 per cent subsidy for the purchase of energy efficient household appliances and a no-interest loan for the balance of the purchase amount.

The NILS Energy Saver Loan and Subsidy program assists in making practical and sustainable changes to those customers most in need.

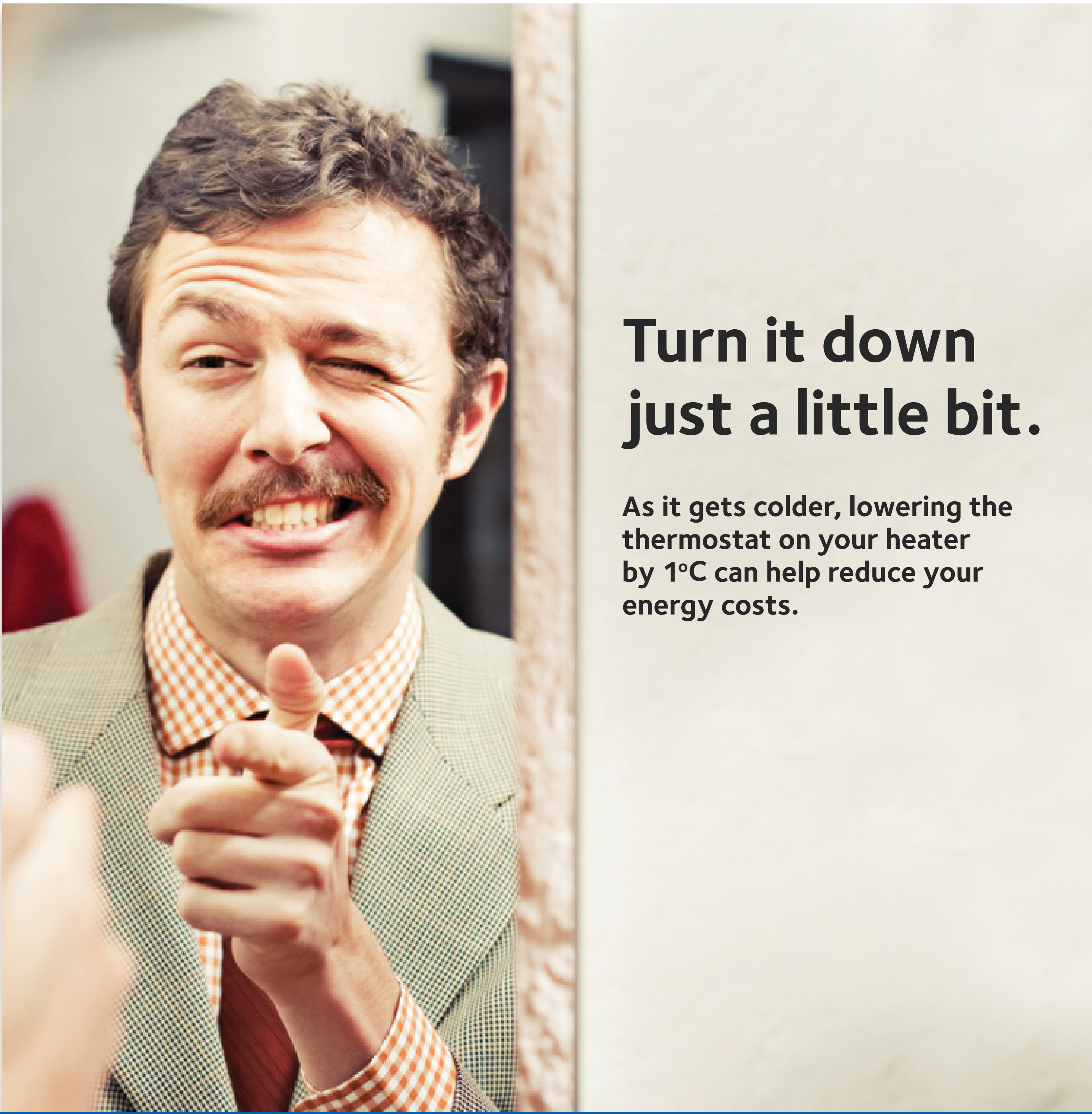
Consistent with previous years, the NILS Energy Saver Loan and Subsidy program had a substantial uptake, with more than 1,000 applications processed by NILS for the purchase of energy efficient products for low-income households.

TASMANIAN ENERGY EFFICIENCY LOAN SCHEME

A joint initiative of the Tasmanian Government, Westpac Group and Aurora Energy, the Tasmanian Energy Efficiency Loan Scheme (TEELS) provided $20M in the form of no-interest finance of up to $10,000 for the purchase of energy efficient product for households and small businesses.

The scheme helped customers purchase products such as heat pumps, double glazed windows, solar panels and solar hot water systems.

The response to TEELS was overwhelming, with more than 2,000 customers as at 30 June 2017 applying to take the first step to making practical changes within their homes and small businesses to help improve their energy efficiency.



Winter Campaign

Aurora Energy launched a winter campaign in June 2016 and again for winter in 2017, highlighting ways that customers can become more energy efficient.

The campaign was designed to help our customers reduce their electricity bills in what is traditionally a period of high energy demand. The campaign offered customers practical energy saving tips to assist them in reducing their energy usage whilst remaining comfortable in their homes or businesses.


There's cool and then there's cool.
Reducing your heater usage by just 1 hour per day can help cut the overall running costs of the appliance by up to 90 hours over a 3 month period.
Little changes help make a big difference.
Find more energy saving tips at auroraenergy.com.au
auroraenergy

Business Customers

SMALL BUSINESS CUSTOMERS

Aurora Energy recognises the important role small businesses play in the Tasmanian economy, with the sector making up 97 per cent of all 37,100 estimated businesses in the state and employing close to 100,000 Tasmanians.

Small businesses saw a modest price rise of 3.4 per cent in 2016–17 on Standing Offer Tariffs, which shielded them from the volatility experienced in the wholesale electricity market.

FEEDBACK FOR THE SMALL BUSINESS SERVICE AND SALES TEAM

> "Follow up is excellent and being able to communicate effectively by email for business customers is a plus."

> "Aurora staff could not have been more helpful on the phone in ensuring all parties had the correct information, were coordinating to ensure an excellent outcome, and generally ensuring the task progressed in a timely manner. They were pro-active, diligent, thorough and communicative throughout."

> "They were really helpful and sorted my problem without any hassle it was a pleasure dealing with someone who achieved a great outcome."

AGRIBUSINESS SUPPORT PROGRAM

Aurora Energy and Rural Business Tasmania continued their partnership in 2016–17 to provide Tasmanian agribusinesses with free services to help manage their energy usage and costs.

The Agribusinesses Support program is a collaboration that offers eligible small rural and regional agribusinesses tailored and flexible payment plan arrangements, business and financial management coaching sessions as well as on-farm energy usage audits.

Aurora Energy remains committed to providing support to rural enterprise in Tasmania, recognising that rural communities can be impacted by many situations outside their control.

LARGE BUSINESS CUSTOMERS

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

In 2016–17, the rising cost of wholesale electricity prices was a direct result of uncertainty in the National Electricity Market because of factors such as the closure of the Hazelwood coal-fired power station, increasing gas prices and the transition to renewable energy. Aurora Energy worked closely with businesses to best manage and, to the extent possible, minimise the impacts to them.

Aurora Energy also strived to sustainably grow Aurora Energy's large business customer market share in 2016–17.

This was achieved by:

- exceeding customer retention targets;
- acquiring key customers;
- developing and implementing enhanced products that improve the customer experience; and
- streamlining systems, people and processes to minimise costs.

People

Nearly one third of employees undertook a formal qualification in 2016 as part of Aurora Energy's Formal Qualifications program.

30%

of Aurora Energy employees achieved a formal qualification in 2016

employer of choice 2017

Aurora Energy was formally recognised as a Tasmanian Employer of Choice in 2017

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

A combination of open communication, succession planning initiatives, fostering growth opportunities and a flexible workplace that recognises and values diversity, ensures that key talent is retained and developed whilst maintaining an engaged and productive workforce.

Two key initiatives were progressed throughout the year in the form of a culture and engagement strategy and a strategic workforce plan.

EMPLOYER OF CHOICE

Aurora Energy was formally recognised as a Tasmanian Employer of Choice in June 2017. The annual Employer of Choice Awards credit businesses that demonstrate contemporary workplace practices and outstanding support for their people, including opportunities for employees to build an effective work-life balance. The award was welcome recognition of Aurora Energy's commitment to, and the emphasis it places on, continuous improvement to the workplace.

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 both upskill and multi-skill through formal and informal learning and development programs.

A Strategic Workforce Plan was developed during 2016–17, underpinning an employee value proposition, to ensure the business is best placed to deliver on its strategic objectives. In addition, the 2016 Formal Qualifications Program – offered to all employees – was completed. Nearly one third of the workforce undertook a nationally recognised qualification and 100 per cent of participants successfully completed the program.

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.

EMPLOYEE ENGAGEMENT

Employee engagement has been a key focus for Aurora Energy in the three years since becoming a stand-alone energy retailer.

Understanding the role that leadership has in driving culture, investment has been made in leadership development of Aurora Energy's senior leaders. This provided them with the necessary support to drive Aurora Energy's cultural journey with the aim of achieving a constructive, high performing culture.

EMPLOYEE RECOGNITION

Aurora Energy actively encourages employees to recognise the achievements of others who exemplify the Values and Behaviours of the business through its reward and recognition program.

Aurora Energy receives formal recognition as a Tasmanian Employer of Choice, from left, the Hon Matthew Groom, Minister for Energy, Tom Kelleher, Caryle Demarte, Kane Ingham, Rebecca Kardos, Hayden Moore, Sophie Percival, Erin Bonner, Michelle Brooks, Grant Russell, Krista Pentecost and Oliver Cousland.

Excellence

Aurora Energy has a key focus on the application of efficient systems, processes and partnerships in order to drive continuous improvements and strive for excellence throughout all aspects of business performance. In 2016–17, this included optimising business processes with a focus on revenue management and leveraging technology to support business priorities.

PROCESS IMPROVEMENT

Building on the process improvement methodology established and implemented throughout Aurora Energy in 2015–16, a number of improvements were progressed in 2016–17. Key process improvements included:

- improved risk and financial management framework; and
- revamped induction and on-boarding process.

COMPLIANCE

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 2016–17, Aurora Energy reported one Type 1 and one Type 2 compliance breaches of the Framework to the AER.

While one Type 1 breach was within the KPI target of <3 in 2016–17, Aurora Energy has opted to set a new target of zero Type 1 breaches in 2017-18, demonstrating its commitment to customer excellence.

SYSTEM UPGRADES

Throughout 2016–17, Aurora Energy undertook a number of initiatives to strengthen its operating capabilities, including:

- transition to a new payroll system;
- implementation of new business-wide intranet;
- replaced all out-of-service-life desktops and laptops;
- implementation of Skype for Business; and
- all systems were either upgraded or replaced to ensure a stable operating environment.

COST REDUCTION

Aurora Energy has continued to spend less whilst providing more services and support to its customers. In 2016–17 Aurora Energy achieved an underlying cost saving of 10 per cent, well above the target of four per cent. 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.

2015-2016 LAST YEAR	7%
2016-2017 THIS YEAR	10%

Case Study

In January 2016, 78-year-old Aurora Energy customer, 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.

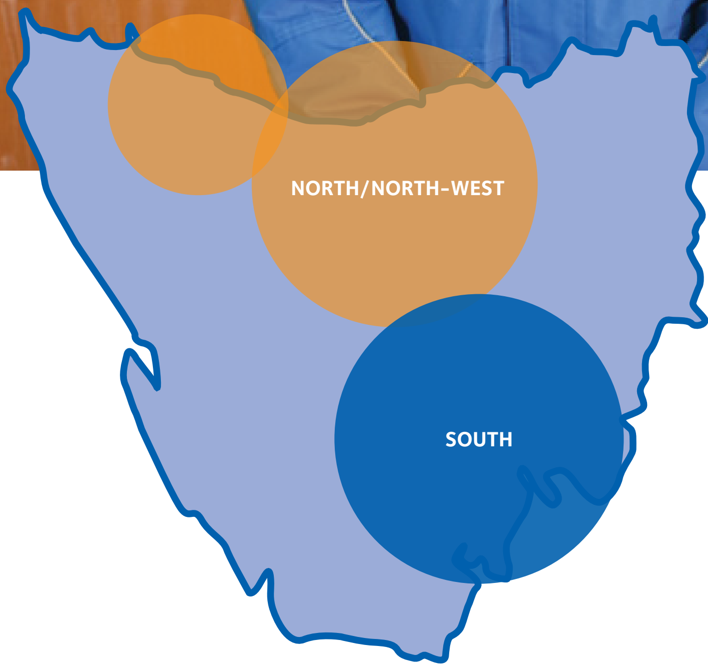
By completing our Voice of Customer survey, Pat was able to provide details of which services she felt Aurora Energy needed to improve. From this feedback, Aurora Energy was able to work proactively with our vendor to resolve this issue.

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 enabled 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.

Community

Aurora Energy redesigned its Community Program in 2016-17 to further target its support and help make a practical difference to the lives of vulnerable Tasmanians.

The program provides an opportunity to engage with a number of non-profit and charity organisations across the state and collaborate on ways to assist fellow Tasmanians. During 2016-17, Aurora Energy provided support to more than 50 not-for-profit community organisations and activities in both state-wide and regional centres across Tasmania.



STATE-WIDE

- Australian Childhood Foundation
- The Humour Foundation
- Tascare Society for Children
- Colony 47
- St Vincent De Paul
- SpeakUp! Stay ChatTY
- Association for Children with Disability
- Tasmanian Men's Shed Association
- Women's Legal Service Tasmania
- Lara Jean Association
- TasCOSS
- The Salvation Army
- Leukaemia Foundation
- Anglicare Tasmania
- MS Australia
- Ten Days on the Island
- The Smith Family
- Cancer Council Tasmania
- Financial Counselling Tasmania
- Make-a-Wish Foundation
- Alannah and Madeline Foundation
- MND Tasmania
- Neighbourhood Houses Tasmania

NORTH/NORTH-WEST

- Citizen Advocacy Northern Region
- Aurora Stadium Naming Rights
- Coroneagh Park Auxiliary
- Clifford Craig Medical Research Trust
- Eskleigh Foundation
- Launceston City Mission
- Launceston City Community Christmas
- Zeehan Gem and Mineral Fair Association
- Rotary Club of Ulverstone
- Devonport City Council
- Men's Shed (Penguin)
- Wyndarra Centre

SOUTH

- Hobart City Mission
- Rotary Club of Hobart
- Pathways Tasmania
- St Giles
- Royal Hobart Hospital Research Foundation
- Huon Valley PCYC
- Derwent Valley PCYC
- Loui's Van
- Lion's Club of Hobart

OUR PARTNERSHIPS

In 2016–17 Aurora Energy maintained partnerships with non-profit organisations which produced practical and long-term benefits for the Tasmanian community. Our partners delivered support programs and activities which directly improved the livelihood of Tasmanians.

Tasmanian Men's Shed Association

The Tasmanian Men's Shed Association (TMSA) is the peak body for Men's Sheds in the state. The sheds provide a facility for community members to gather, learn new skills and work together while openly communicating with one another. Men's Shed members learn new technical abilities as well as opportunities to develop their social and emotional skills in a safe and productive environment.

Aurora Energy's ongoing partnership with the TMSA directly assists its internal and external communications capacity, addressing a critical need identified by the TMSA in its strategic plan as they seek to promote the work of each 52 member sheds throughout Tasmania to achieve a cohesive network of sheds.

The Smith Family

The Smith Family is a national, independent children's charity helping disadvantaged Australians to get the most out of their education, so they can create better futures for themselves.

In 2017, Aurora Energy and The Smith Family commenced their partnership with a shared vision to deliver a better future for disadvantaged young people in Tasmania. As part of The Smith's Family *Learning for Life program*, Aurora Energy will provide ongoing support for 25 primary and 25 secondary school students from disadvantaged backgrounds across Burnie/Wynyard communities in the north-west of the state. The partnership aims to inspire students to value education.

Association for Children with Disability (Tasmania)

The Association for Children with Disability (Tasmania) is a state-wide non-profit disability specialist family organisation supporting parents, carers, siblings, family members or professionals who work with children and families.

In 2016–17 Aurora Energy supported the Association for Children with Disability (Tasmania) achieve their communication objectives by subsidising the cost to produce their newsletter, *Parents Empowering Parents (PEP) Talk*. This support consequently enables the association to further invest in its online resources and other programs.

Agfest

After a successful collaboration at Agfest in 2016, Aurora Energy occupied a joint site again in 2017 with Rural Business Tasmania, Rural Alive and Well, Rural Business Training, Tasmania Women in Agriculture, Primary Employers Tasmania, Carers Tasmania and Centrelink.

The site provided an opportunity for Aurora Energy staff to engage one-on-one with the public, giving away more than 900 showbags, including shower timers and fridge thermometers to assist households to reduce their energy usage.

Aurora Energy – Statement of Corporate Intent

COMPANY OVERVIEW

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

Aurora Energy retails electricity and gas retail services for more than 279,000 Tasmanian customers. Aurora Energy offers a number of electricity and gas products tailored to the needs of customers through tariffs, market contracts and payment options.

The principal objectives of the company as outlined in the *Electricity Companies Act 1997* (Tas) 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 2016–17 and beyond was developed on the basis of a set of underlying business imperatives, outlined in the Members' Statement of Expectations.

These are to:

a) focus on its core business, the delivery of electricity retail services on mainland Tasmania;

b) operate its activities in accordance with sound commercial practice;

c) maximise its sustainable return to Shareholders;

d) 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;

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

f) maintain flexibility for a potential future divestment of the business; and

g) maintain a customer-centric focus and efficiently deliver the state's electricity concessions on behalf of the Government.

AURORA ENERGY'S STRATEGIC DIRECTION

Aurora Energy's vision, ***'Aurora Energy is valued by its customers and provides sustainable returns to the Tasmanian community',*** captures the principal objective of Aurora Energy and its key characteristics of success and promoting an efficient, customer orientated, cost-effective business which recognises the value it can provide as a Tasmanian entity to its Shareholders and customers.

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

Customer:

Provide consistent, proactive, strong customer products and service linked to customer value;

People:

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

Excellence:

Application of efficient systems, processes and partnerships; and

Stakeholder:

Influence industry and regulatory changes for the benefit of Aurora Energy and advocate for the Tasmanian community.

KEY PERFORMANCE MEASURES

STRATEGIC THEME	KEY PERFORMANCE INDICATOR	16-17 TARGET	16-17 ACTUAL	OUTCOME
CUSTOMER Provide consistent, proactive, strong customer products and services linked to customer value.	Customer Loyalty (Net Promoter Score)	+20	+36	
	YES Affordability - Successful YES Affordability program Completion Rate	45%	47.8%	
	Complaint Frequency Rate - Number of complaints per 100 customers (on a rolling quarterly basis)	0.4-0.8	0.95	
	Customer Retention - Total Share of Customers	>95%	98.7%	
EXCELLENCE Application of efficient systems, processes and partnerships.	Profit - Annual Profit after-tax target	$14.8M	$19.4M	
	Operating Costs - Annual cost reductions against base year 2014-15	4%	10%	
	Compliance - Maximum Type 1 Non Compliance events related to NECF	<3	1	
	Program of Work Performance - % on target	95%	98%	
	Returns to Government - Annual returns to Government ($M per year - Accruals)	$27.3M	$35.4M	
PEOPLE Delivered by commited, capable, valued and passionate people who care about what they do and the important role they play in the community.	Rolling 12 Months Medically Treated Injury Frequency Rate - Number of medically treated injuries per 1,000,000 hours worked	0	3	
	Unscheduled leave - average days per headcount per annum	<7	6.8	
	Employee Engagement - Employee Engagement Score	65%	63%	

PERFORMANCE COMMENTARY

Aurora Energy maintained its strong financial and operational performance for 2016–17. In total, nine out of 12 key performance indicators were met or exceeded for the financial year. Aurora Energy exceeded its projected financial targets and achieved the majority of its operational key performance indicators.

The Customer Complaint Frequency Rate target was not met in 2016–17. This reflected an increase in bill-related queries, with the majority of customer complaints linked to issues regarding access for meter reading and estimated bills issued where access had not been possible.

A National Electricity Customer Framework Type 1 breach occurred in June 2017, the first in nearly two years. Aurora Energy seeks to continuously improve and the review of this breach provided an opportunity to do that. Further process improvements to avoid a breach of this nature are now in place.

Aurora Energy's rolling 12 Months Medically Treated Injury Frequency Rate target, measured as the number of medically treated injuries per 1,000,000 hours worked, was not met in 2016–17. A medically treated injury occurred in September 2016, the first since Aurora Energy commenced as a standalone retailer on 1 July 2014.

Aurora Energy recorded an employee engagement score in 2016–17 of 63 per cent, less than the 65 per cent target set for the year. Employee engagement was measured twice during the year with an improvement recorded from 61 per cent in the first survey to 63 per cent in the second.

1. Reductions to ongoing expenditure - excludes one-off expenditure such as projects and strategic initiatives that may be incurred in any given year.
2. Refers to completion of targeted annual projects/initiatives.

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 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 auroraenergy.com.au.

BOARD COMPOSITION

Aurora Energy is managed by a Board of five directors and a management team led by the Chief Executive Officer (CEO).

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

Ms Caryle Demarte

PSM, (Chair) 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 is currently a Director of Jacana Energy in the Northern Territory.

In 2000, 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 Fellow of The Tax Institute, Graduate of the Australian Institute of Company Directors, Fellow of the University of Tasmania 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, Board member of the Advisory Board of the University of Tasmania's Tasmanian School of Business and Economics 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 40 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 Chairman of Turnkey Energy Solution which brokers innovative renewable energy solutions to its customers.

He is also Chairman of GTE Group, which provides electrical engineering services to the mining industry; he sits on the AEMO WA Gas Compliance Panel, is a member of the Curtin University Graduate School of Management Advisory Board and is a member of the Lakelands Country Club Planning Committee.

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

Mr Cameron O’Reilly

BEc (Hons), MPPM, GAICD

Cameron was appointed a Director of Aurora Energy on 1 September 2016. Cameron is a member of Aurora Energy’s Board Appointments and Remuneration Committee and the Board Audit, Risk and Compliance Committee.

The Board recognises Cameron as an independent Director.

Cameron is the Chief Executive of the Aged Care Guild, an association of nine of the largest for-profit residential aged care providers in Australia. Prior to this role Cameron was Chief Executive Officer of the Energy Retailers Association of Australia for nine years, the peak industry body for retailers of electricity and gas in Australia’s national energy markets (now part of the new Australian Energy Council).

Cameron also serves as an advisor to the Boards of Uchoose Holdings Ltd (an online comparison service on products in the electricity industry) and Infradebt Pty Ltd (an infrastructure debt investment company).

Before joining the Energy Retailers Association of Australia, Cameron was the Chief Operating Officer of CPR Communications & Public Relations Pty Ltd. He is also a former Director of NSW-based energy retailer, Mojo Power, a former Member of the Federal Government’s Telecommunications Universal Service Management Agency and is a former Chair of Energy Assured Ltd.

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 Australian Energy Council.

Mr Oliver Cousland

Company Secretary / General Counsel
LLB, B.Com, MAICD, GIA (Cert)

Oliver was appointed Company Secretary on 1 January 2016. Oliver is a lawyer with 15 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.

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 • 2016 Australian Women's Leadership Symposium • AICD Directors' Briefing 'Innovating your Governance and Strategy: Pursuing Growth Opportunities' • Governance Workshop • AICD Course 'The Role of the Chair'	• Director since April 2006 • Chair since May 2016	**11**	11	**3**	3	**5**	5	**1**	1
Rebecca Kardos • AICD Directors' Briefing 'Innovating your Governance and Strategy: Pursuing Growth Opportunities' • 2016 Australian Women's Leadership Symposium • GIA's Governance Forum 2016 'Building Integrity with Good Governance Principles' • AICD Essential Director update • Integrity Commission's 'Ethical Conversations - A Challenge for Boards' • AICD Directors' Briefing 'Big Issues for Serious Directors'	• Director since November 2014	**10**	10	**-**	-	**-**	-	**-**	1[1]
Yvonne Rundle • Governance Workshop • AICD Director Discussion Group Meetings • Integrity Commision - 'Ethical Conversations - A Challenge for Boards' • ICAA Business Forum • Tasmanian Audit Office - Audit Committee Client Information Session	• Director since January 2015 • BARCC Chair since January 2015	**11**	10[2]	**3**	3	**5**	5	**1**	1
Trevor James • AEMO NEM Overview • Governance Workshop • Essential Director Update • AEMO Gas Rules Update	• Director since April 2016 • REM Chair since May 2016	**11**	10[2]	**3**	3	**5**	4[2]	**1**	1
Cameron O'Reilly • Induction Program • Governance Workshop	• Director since September 2016	**9**	8[2]	**2**	2	**4**	3[2]	**1**	1

[1] Attended in role of CEO [2] Approved leave of absence

The 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 joined Aurora Energy in 2013 and oversees the Customer Operations unit 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 YES Program).

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

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

Mr Kane Ingham

B.Com, CA, GradDipACG, GAICD.
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 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, GAICD.
Manager People and Performance

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

Michelle joined Aurora Energy in March 2012, where she 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.

Mr Oliver Cousland

LLB, B.Com, MAICD, GIA (Cert).
Company Secretary/General Counsel

Oliver was appointed Company Secretary/General Counsel on 1 January 2016.

His responsibilities include management of legal services, procurement, board secretariat and corporate governance.

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

Mr Philip Lane

Pg Dip.
Chief Information Officer

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

Prior to establishing his own consulting business, most recently consulting at Western Power in Perth, Philip was General Manager at Essential Network Services across Singapore and Malaysia. This position followed a four-year assignment as General Manager IT and Retail with Australian Inland based in Broken Hill, providing electricity, water and sewerage services to approximately 20,000 customers ahead of the entity merging with Country Energy. Other roles include Chief Operations Officer for the WebPerform Group based in London, Head of Project Management for QXL.com and Group IT Director for Welcome Break.

Mr Grant Taylor

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

Grant was Chief Information Officer from 20 June 2016 until his resignation on 2 November 2016.

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 that 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 internal evaluation review was conducted in June 2017. Recommendations from this appraisal will be implemented with oversight by the Board and Company Secretary. An external independent review will normally be conducted every three years.

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 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 Demarte as Chair at the 2016 AGM. Director O'Reilly was appointed in September 2016.

The status of each Director's independence is assessed on appointment and the status is disclosed in each Director's biography on pages 33-34.

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 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 Board Appointments and Remuneration Committee oversees the Code of Conduct and its integration into the company's culture. In addition Aurora Energy also has a number of more specific policies and procedures that relate to our commitment to comply with our legal obligations and to act ethically and responsibly. These include the Compliance Policy, Fraud and Corruption Policy, Public Interest Disclosures ('Whistleblowers') Policy, Workplace Behaviour Policy, Procurement and Probity Policy and Conflicts of Interest Procedures.

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

Right to Information

Aurora Energy complies with the *Right to Information Act* (Tas). In accordance with the RTI Act, the following disclosures are provided for 2016–17.

Public Interest Disclosures

Aurora Energy is subject to the *Public Interest Disclosures Act 2002* (Tas). In accordance with the PID Act, the following disclosures are provided for 2016–17.

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

Right to Information Act statistics 2016–17	
Number of applications received for assessed disclosures	1
Number of applications where information was disclosed in full	Nil
Number of applications refused and the section	Nil
Number of applications relating to exempt information and relevant sections	1-Section 36 (1)
Number of applications for internal review and the outcomes	1 - Decision made not to release exempt information on public interest grounds

Public Interest Disclosure Act statistics 2016–17	
Number of disclosures either received, determined to be public interest disclosures, 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 applications relating to exempt information and relevant sections	Nil
Number of recommendations made by the Ombudsman to Aurora Energy	Nil

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 2016–17, 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 2016 AGM.

The Board Audit, Risk and Compliance Committee's Charter and relevant policies are available at 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 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 Board Charter and relevant policies are available at 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 2016–17, are provided earlier in this section.

The Committee's Charter and relevant policies are available at 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 2016–17 Financial Statements details the remuneration of Directors and key management personnel, and its composition.

In 2016–17, 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 auroraenergy.com.au.

Shareholder Directions and Guidelines

In accordance with the Direction issued under Section 4.4 of the Members' Statement of Expectations, Aurora Energy successfully implemented the first agreed component of the Tasmanian Energy Efficiency Loans Scheme (TEELS) as a non-commercial activity. The cost of undertaking this activity in 2016–17 was estimated to be $53,242.

In accordance with the Direction issued under Section 4.4 of the Members' Statement of Expectations, Aurora Energy provided ex-gratia payments to affected business customers to meet the Government's commitment that they would not be negatively impacted by the energy supply event. The payments, made in December 2016, were a non-commercial activity and totalled $625,000.

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 2016–17 financial year are provided in the table below.

Purchases from Tasmanian businesses	
% of purchases from Tasmanian businesses	97.4%
Value of purchases from Tasmanian businesses	$943,578,689.71

Consultancies valued at more than $50,000 (ex GST)				
Name of Consultant	Location	Description	Period of Engagement	Amount
KPMG	Hobart	Internal audit services	1/7/16 to 30/6/17	$125,060.00
12 other consultants were engaged for $50,000 or less totalling:				$125,682.68
Total payments to consultants				**$250,742.68**

PAYMENT OF ACCOUNTS

Payment Measure	
Creditor days	47.5
Number of accounts due for payment	3,111
Number of accounts paid on time	2,987
Amount due for payment	$1,106,717,147.83
Amount paid on time	$1,105,221,174.42
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 2016–17.

FINANCIAL REPORT

FOR YEAR ENDED 30 JUNE 2017

Contents

Directors' Report

Directors' Report on the Operations of the Company and on the Financial Statements for the Financial Year Ended 30 June 2017.

DIRECTORS AND COMPANY SECRETARY

The Directors of the Company in office between 1 July 2016 and the date of this report were Ms C. Demarte PSM, Mrs R. Kardos, Mrs Y. Rundle and Mr T. James.

Mr C. O'Reilly joined the Board on 1 September 2016 and remained as a Director at the date of this report.

Mr O. Cousland was the Company Secretary from 1 January 2016 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.

The following table outlines key financial information for the Company:

REVIEW AND RESULTS OF OPERATIONS AND STATE OF AFFAIRS

Aurora Energy has continued to achieve strong financial results for 2016–17 recording Profit Before Tax of $27.8M for the year, albeit declining from the prior year figure of $43.1M. The reduction in earnings is largely attributable to key changes from the 2016 Retail Pricing Determination that took effect from 1 July 2016. In this Determination, the Tasmanian Economic Regulator reduced the Cost-to-Serve Allowance by 11 per cent, which has had the effect of reducing Aurora Energy's 2016–17 earnings.

Aurora Energy's net asset position as at 30 June 2017 was $108M, a marginal decrease from the previous year. This movement has predominately been due to Aurora Energy's reduced earnings for 2016–17, offset in part by a favourable movement in financial derivative valuations during the year. Aurora Energy's cash position continues to remain strong with $46.3M cash on hand as at 30 June 2017, albeit a $15.9M decrease from the previous year. The reduced cash position is largely attributable to lower operating cash flows for the year, as well as the payment of a $27.0M dividend to the shareholders. A dividend of $17.6M was recommended to the Shareholders on 10 August 2017 in relation to the earnings of the 2016–17 year.

Indicator ($M)	2016–17	2015–16	Var.
Operating Revenue	904.4	867.4	37.0
Profit Before Tax	27.8	43.1	(15.3)
Total Comprehensive Income	26.3	53.0	(26.7)
Assets	108.0	108.7	(0.7)
Cash on Hand	46.3	62.2	(15.9)
Shareholder Returns[1]	37.6	42.9	(5.3)

1. Shareholder Returns is calculated on a cash basis and includes dividends paid and other distributions.

LIKELY FUTURE DEVELOPMENTS

There are currently reforms underway to the National Electricity Market (NEM) following the Australian Energy Market Commissions (AEMC) Power of Choice review that aims to give consumers options in the way they use electricity.

The key changes impacting on Aurora Energy, as an electricity retailer, from 1 December 2017 are:

- changing standards for new and replacement meters for all small customers; and
- responsibility for the appointment of a new participant, Metering Coordinator, in the electricity market.

Aurora Energy is currently engaged in a Program of Work to change systems and processes to allow Aurora Energy to continue to efficiently participate in the NEM from 1 December 2017.

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 48 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.

Signed in accordance with a resolution of the Directors:

Ms C. Demarte PSM	Mrs Y. Rundle
Chair	Director
10 August 2017	10 August 2017

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

10 August 2017

The Board of Directors
Aurora Energy Pty Ltd
GPO Box 191
HOBART TAS 7000

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 2017, 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

Jara K Dean
Assistant Auditor-General Financial Audit
Delegate of the Auditor-General

FINANCIAL STATEMENTS

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 2017 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	Mrs Y. Rundle
Chair	Director
10 August 2017	10 August 2017

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Revenue			
Sales revenue		857,229	821,314
Interest revenue	B1(a)	1,778	2,258
Other revenue	B1(b)	45,413	43,863
Other gains/(losses)	B1(c)	(1,370)	(1,153)
Total revenue		903,050	866,282
Expenses			
Energy and network purchases		(786,129)	(741,478)
Electricity derivative fair value movements	B1(d)	(126)	5,020
Functional expenses	B1(e)	(40,632)	(39,752)
Finance costs	B1(f)	(99)	(105)
Depreciation and amortisation expense	B1(g)	(5,470)	(6,103)
Other expenses from operating activities	B1(h)	(42,759)	(40,738)
Total expenses		(875,215)	(823,156)
Profit before income tax equivalent expense		**27,835**	**43,126**
Income tax equivalent expense	B2	(8,353)	(12,940)
Profit for the year		**19,482**	**30,186**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of assets	C5,F3	21	43
Actuarial superannuation re-measurement gains/(losses)	D(ii)	583	(759)
Income tax equivalent relating to items that will not be reclassified subsequently	B2(b), F3	(181)	214
		423	(502)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Gain taken to equity	F3(b)	49,240	30,240
Transferred to profit for the year	F3(b)	(40,080)	3,008
Income tax equivalent relating to item that may be reclassified subsequently	B2(b), F3(b)	(2,748)	(9,975)
		6,412	23,273
Other comprehensive income for the year net of income tax equivalent		6,835	22,771
Total comprehensive income for the period		**26,317**	**52,957**

Notes to and forming part of the accounts are included on pages 55 to 87

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

ASSETS

	Note	2017 $'000	2016 $'000
Current assets			
Cash and short-term deposits	B3	46,309	62,175
Trade and other receivables	C1	156,130	146,772
Inventories	C2	23,146	26,779
Financial assets	C3	70,807	57,657
Other current assets	C4	3,284	3,660
Total current assets		**299,676**	**297,043**
Non-current assets			
Property, plant and equipment	C5	1,839	3,622
Deferred tax assets	B2(d)	10,198	10,108
Intangible assets	C6	13,096	16,499
Financial assets	C7	24,888	17,834
Total non-current assets		**50,021**	**48,063**
Total assets		**349,697**	**345,106**

LIABILITIES

	Note	2017 $'000	2016 $'000
Current liabilities			
Trade and other payables	C8	163,355	160,242
Current tax payable	B2(c)	1,118	1,392
Provisions	D1	2,032	1,736
Other current liabilities	C9	46,490	40,154
Total current liabilities		**212,995**	**203,524**
Non-current liabilities			
Deferred tax liabilities	B2(d)	23,460	21,534
Provisions	D2	3,189	3,413
Other non-current liabilities	C10	2,050	7,950
Total non-current liabilities		**28,699**	**32,897**
Total liabilities		**241,694**	**236,421**
Net assets		**108,003**	**108,685**

EQUITY

	Note	2017 $'000	2016 $'000
Issued capital	F1	50,212	50,212
Reserves	F3	31,132	24,705
Retained earnings	F2	26,659	33,768
Total equity		**108,003**	**108,685**

Notes to and forming part of the accounts are included on pages 55 to 87

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	Share Capital $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total equity $'000
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:						
Dividends paid	B4	-	-	-	(27,600)	(27,600)
Balance 30 June 2016		**50,212**	**103**	**24,602**	**33,768**	**108,685**
Profit for the period		-	-	-	19,482	19,482
Other comprehensive income		-	15	6,412	409	6,835
Total comprehensive income for the period		-	15	6,412	19,891	26,317
Transactions with owners in their capacity as owners:						
Dividends paid	B4	-	-	-	(27,000)	(27,000)
Balance 30 June 2017		**50,212**	**118**	**31,014**	**26,659**	**108,003**

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		941,191	928,303
Interest received		1,800	2,190
Payments to suppliers and employees		(920,502)	(880,063)
Interest and other finance costs paid		(2)	-
Income tax equivalents paid		(9,720)	(14,481)
Net cash provided by operating activities	**B3(b)**	**12,767**	**35,949**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		9	-
Proceeds from bank term deposits		-	20,000
Payment for property, plant and equipment		(131)	(575)
Payment for intangible assets		(1,511)	(2,944)
Net cash used in investing activities		**(1,633)**	**16,481**
Cash flows from financing activities			
Dividend paid	B4	(27,000)	(27,600)
Net cash used by financing activities		**(27,000)**	**(27,600)**
Net (decrease)/increase in cash and cash equivalents		**(15,866)**	**24,830**
Cash and cash equivalents at the beginning of financial year		**62,175**	**37,345**
Cash and cash equivalents at the end of financial year	**B3**	**46,309**	**62,175**

Notes to and forming part of the accounts are included on pages 55 to 87

Section A
Corporate information and basis of preparation

A1 COMPANY INFORMATION

Aurora Energy Pty Ltd is a private company (the 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 10 August 2017.

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 2014-4 *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 2015-9 *Amendments to Australian Accounting Standards - Scope and Application Paragraphs (AASB 8, AASB 133 & AASB 1057)* is applicable for annual reporting periods beginning on or after 1 January 2016.
- AASB 1057 *Application of Australian Accounting Standards* for annual reporting periods beginning on or after 1 January 2016.

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 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.
- *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.

The Company anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Company. There will be some changes in the disclosures made.

AASB 9 *Financial Instruments* will have most relevance to Aurora Energy for hedge accounting. The standard reforms the approach to hedge accounting, simplifying hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. The Company has assessed the impact to be immaterial.

AASB 15 *Revenue from Contracts* with Customers specifies the accounting treatment for revenue arising from contracts with customers. The core principle of AASB 15 is that the Company recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has reviewed its customer revenue contracts using the five step process implied by the standard, namely:

- identify the customer contract;
- identify the performance obligation in the contract;
- determine the transaction prices;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when the company satisfies a performance obligation.

From the review of the contracts, the directors have determined, considering that for each of the five steps Aurora Energy's current revenue recognition processes are consistent with the new standard, that there will be no material impact from the introduction of AASB 15.

AASB 16 *Leases* requires lessees to recognise assets and liabilities for all long term leases unless the underlying asset is of low value. While the introduction of AASB 16 will change the accounting for leases by Aurora Energy, the small number and value of leases within the business means that although there will be some additional disclosures required, the impact on the profit statement and balance sheet has been determined by the Company to be immaterial.

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 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.

		2017 $'000	2016 $'000
B1(a)	**Interest revenue**		
	Money market investments	1,068	1,389
	Bank investments	16	112
	Trade receivables	694	757
		1,778	2,258
B1(b)	**Other revenue**		
	Community service agreements*	40,897	38,445
	Connection & services order fees	4,877	4,805
	Other	(361)	613
		45,413	43,863

*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.

		2017 $'000	2016 $'000
B1(c)	**Other gains/(losses)**		
	Losses on disposal of plant and equipment	(201)	(130)
	Impairment of non-current assets (notes F8(b), C5)	(1,169)	(1,023)
		(1,370)	(1,153)

B1(d)	Electricity derivative fair value movements	2017 $'000	2016 $'000
	(Loss)/gain on derivatives in a fair value hedge accounting relationship	(7,725)	13,634
	Gain/(loss) on adjustment to hedged item in a fair value hedge accounting relationship	7,693	(13,610)
	Unrealised (loss)/gain on electricity derivatives at fair value through P&L	(81)	96
	Realised (loss)/gain on derivatives at fair value through the P&L[1] (note E1(c))	(13)	4,900
		(126)	5,020

[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.

B1(e)	Functional expenses		
	Labour	(18,947)	(17,823)
	Operating lease rental expense (note F7)	(767)	(784)
	IT, communication and other service fees and charges	(20,918)	(21,145)
		(40,632)	(39,752)

B1(f)	Finance expenses		
	Finance costs	(2)	-
	Net interest cost regarding RBF provision (note D(ii))	(97)	(105)
		(99)	(105)

B1(g)	Depreciation and amortisation		
	Property, plant and equipment depreciation (note C5)	(556)	(592)
	Intangibles amortisation (note C6)	(4,914)	(5,511)
		(5,470)	(6,103)

B1(h)	Other expenses		
	Impairment losses on trade receivables (note C1)	(1,862)	(2,293)
	Community service agreements – discounts allowed (note B1(b))	(40,897)	(38,445)
		(42,759)	(40,738)

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.

	2017 $'000	2016 $'000
(a) Income tax recognised in profit		
Tax expense comprises:		
Current tax expense	9,446	13,307
Deferred tax expense relating to the origination and reversal of temporary differences	(1,093)	(367)
Total tax expense from continuing operations	8,353	12,940
Reconciliation between tax expense and pre-tax profit:		
Profit before income tax equivalent expense	27,835	43,126
Income tax equivalent expense calculated at 30%	8,351	12,938
Non-deductible expenses	2	2
Income tax equivalent expense	8,353	12,940
(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	(6)	(13)
Cash flow hedges	(2,748)	(9,975)
Provisions	(175)	227
	(2,929)	(9,761)

(c) Current tax assets and liabilities	2017 $'000	2016 $'000
Income tax payable:	1,118	1,392

(d) Deferred tax balances	2017 $'000	2016 $'000
Deferred tax assets comprise:		
Temporary differences	10,198	10,108
Deferred tax liabilities comprise:		
Temporary differences	(23,460)	(21,534)
Net deferred liability	(13,262)	(11,426)

Taxable and deductible temporary differences arise from the following:

2017	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
Gross deferred tax liabilities:				
Property, plant and equipment	3,970	(932)	6	3,044
Financial instruments & other	17,564	104	2,748	20,416
	21,534	(828)	2,754	23,460
Gross deferred tax assets:				
Provisions	3,066	152	(175)	3,043
Financial instruments & other	7,042	113	-	7,155
	10,108	265	(175)	10,198
	(11,426)	1,093	(2,929)	(13,262)

2016				
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)

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-term deposits as defined above, net of outstanding bank overdrafts. Any bank overdrafts are included within trade and other payables on the statement of financial position.

	2017 $'000	2016 $'000
Bank balances	339	390
Money market investments	45,970	61,785
Cash and short-term deposits	46,309	62,175
Cash and cash equivalents	**46,309**	**62,175**

(a) Financing facilities
The Company has access to finance facilities at 30 June 2017 as indicated below:

Master Loan Facility Agreement		
Facility Limit (including guarantees)	364,000	364,000
Less drawn down	(133,800)	(94,000)
Balance	230,200	270,000
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	150,000
Less drawn down	-	(141,000)
Balance	150,000	9,000
Corporate Mastercard		
Facility Limit	1,000	1,000
Less drawn down	(20)	(20)
Balance	980	980

(b) Reconciliation of profit for the period to net cash provided by operating activities	2017 $'000	2016 $'000
Operating profit after income tax equivalents	19,482	30,186
Depreciation, amortisation & decommissioning costs	5,470	6,103
Loss on disposal of non-current assets	201	130
Fair value through profit or loss of financial instruments	113	(120)
Impairment of non-current assets	1,169	1,023
Increase in accrued interest/market traded receivables	(10,696)	(16,801)
Decrease in other assets	376	57
Decrease/(increase) in inventories	3,633	(11,294)
Increase in trade and other receivables	(9,358)	(1,739)
Decrease in deferred and current taxes	(1,365)	(1,541)
Increase in trade and other payables	3,113	28,177
Increase/(decrease) in employee provisions	656	(199)
(Decrease)/increase in other liabilities	(27)	1,967
Net cash provided by operating activities	12,767	35,949

B4 DIVIDENDS

Recognised amounts		
Declared and paid, dividends on ordinary shares	27,000	27,600
Unrecognised amounts	17,606	27,000

The dividend for the year ended 30 June 2017 has not been recognised in this financial report because the dividend was declared subsequent to 30 June 2017. 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.

	2017 $'000	2016 $'000
Trade receivables	55,364	54,812
Accrued income	25,922	20,565
Unbilled energy sales	79,769	76,470
Provision for impairment	(4,925)	(5,075)
	156,130	146,772

Of the total $55.364M (2016: $54.812M) of trade receivables, $40.759M (2016: $40.911M) are current with an average of 18.69 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:

	2017 $'000	2016 $'000
Balance at the beginning of the year	5,075	5,206
Impairment losses recognised on receivables	1,862	2,293
Amounts written off as uncollectable	(4,506)	(4,876)
Amounts recovered during the year	2,494	2,452
Balance at the end of the year	4,925	5,075

(b) Included in the allowance for impairment of debts are individually impaired trade receivables for which $0.121M (2016: $0.062M) 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 74 days overdue.

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

	2017 $'000	2016 $'000
Less than 30 days overdue	5,577	4,998
Between 31 and 60 days overdue	1,918	1,560
Between 61 and 180 days overdue	1,951	2,051
Greater than 180 days overdue	737	746
	10,183	9,355

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, $3.820M (2016: $3.275M) are renegotiated receivables and Aurora Energy has assessed on the basis of historical experience that not all will be recoverable and an impairment of $0.971M (2015: $0.917M) has been recorded.

(e) An amount of $4,925M (2016: $5.075M) 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 1 MWh 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, to mitigate its market risk, 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.

	2017 $'000	2016 $'000
Stores (valued at cost)	205	221
Renewable energy certificates (valued at cost)	22,941	26,558
	23,146	26,779

Stores and renewable energy certificates recognised as an expense for the year ended 30 June 2017 totalled $45.226M (2016: $37.937M).

C3 CURRENT FINANCIAL ASSETS

Interest accrued	157	198
Market traded receivables[1]	27,488	16,752
Derivative contracts (at fair value) (note E1)	43,162	40,707
Total current financial assets	70,807	57,657

[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

	2017 $'000	2016 $'000
Prepayments	131	447
Customer services obligation recoveries (note B1(b))	3,144	3,190
Payroll prepaid	9	23
	3,284	3,660

C5 PROPERTY, PLANT AND EQUIPMENT

ACCOUNTING POLICY

(i) Valuation

The Pay As You Go PayGuard assets were revalued at 30 June 2017 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%

Gross carrying amount	PayGuards at fair value $'000	Others at cost $'000	Total $'000
Balance as at 30 June 2015	5,255	2,177	7,432
Additions	-	574	574
Disposals	(405)	(108)	(513)
Net revaluation increments	68	-	68
Balance as at 30 June 2016	**4,918**	**2,643**	**7,561**
Additions	-	131	131
Disposals	(210)	(121)	(331)
Net revaluation (decrement) increments	46	-	46
Balance as at 30 June 2017	**4,754**	**2,653**	**7,407**
Accumulated depreciation and impairment losses			
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)**
Disposals	-	121	121
Net adj. revaluation increments (decrements)	(25)	-	(25)
Impairment losses charged to profit (ii)	(1,169)	-	(1,169)
Depreciation expense (i)	(327)	(229)	(556)
Balance as at 30 June 2017	**(3,564)**	**(2,004)**	**(5,568)**
Total property, plant and equipment			
As at 30 June 2016	**2,875**	**747**	**3,622**
As at 30 June 2017	**1,190**	**649**	**1,839**

(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.

(ii) Impairment of PayGuard units no longer to be used by the business.

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 2017 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:

	2017 $'000	2016 $'000
PayGuard assets	884	2,515

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 (4 years from 30 June 2017).

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 30 June 2015	52,304
Additions	1,428
Balance as at 30 June 2016	**53,732**
Additions	2,370
Balance as at 30 June 2017	**56,102**
Accumulated amortisation and impairment losses	
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)**
Amortisation expense (i)	(4,914)
Balance as at 30 June 2017	**(43,991)**
Net book value	
As at 30 June 2016	14,655
As at 30 June 2017	12,111
Software works in progress – at cost	
As at 30 June 2016	1,844
As at 30 June 2017	985
Total intangible assets	
As at 30 June 2016	16,499
As at 30 June 2017	13,096

(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.

C7 NON-CURRENT FINANCIAL ASSETS

	2017 $'000	2016 $'000
Derivative contracts (at fair value) (note E1)	24,888	17,834
	24,888	17,834

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.

Trade payables	143,102	144,690
Accrued expenses	588	617
Accrued REC expenses	19,665	14,935
	163,355	160,242

All trade payables and accrued expenses are unsecured.

C9 OTHER CURRENT LIABILITIES

Income received in advance	24,698	24,775
Derivative contracts (at fair value)	7,293	1,147
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	14,401	14,185
Other	98	47
	46,490	40,154

C10 OTHER NON-CURRENT LIABILITIES

Derivatives contracts (at fair value)	2,050	41
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	-	7,909
	2,050	7,950

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.

D1 CURRENT EMPLOYEE PROVISIONS

	2017 $'000	2016 $'000
Employee entitlements:		
Annual leave	1,112	929
Long service leave	564	433
Superannuation	201	163
Retirements Benefits Fund (note D(ii))	41	118
	1,918	1,643
Other current provisions:		
Payroll tax	114	93
Provision for restructuring	-	-
	114	93
Total current provisions	2,032	1,736

D2 NON-CURRENT EMPLOYEE PROVISIONS

	2017 $'000	2016 $'000
Employee entitlements:		
Long service leave	774	632
Superannuation	72	59
Retirements Benefits Fund (note D(ii))	2,291	2,680
	3,137	3,371
Other non-current provisions:		
Payroll tax	52	42
Total non-current provisions	3,189	3,413

D3 NET TRANSFER (TO)/FROM EMPLOYEE PROVISIONS

	2017 $'000	2016 $'000
Employee entitlements	(41)	(550)
Payroll tax	(31)	(8)
Provision for restructuring	-	294
	(72)	(264)
Provision for restructuring		
Opening balance	-	294
Additional provision	86	445
Utilised	(86)	(739)
Closing balance	-	-

D4 KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Company during the year were:

Ms C. Demarte PSM (Chair, non-executive director)

Mrs Y. Rundle (non-executive director)

Mr T. James (non-executive director)

Mr C. O'Reilly (non-executive director)(appointed 01/09/16)

Mrs R. Kardos (Chief Executive Officer/managing director)

Ms M. Brooks (Manager People and Performance)

Mr K. Ingham (General Manager Commercial Services)

Mr G. Russell (Chief Operating Officer)

Mr O. Cousland (Company Secretary)

Mr. G. Taylor (Chief Information Officer)(01/07/16 to 01/11/16)

Mr. P. Lane (Chief Information Officer)(commenced 03/04/17)

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

	2017 $	2016 $
Short-term employee benefits	1,494,630	1,509,515
Post-employment benefits	141,836	174,790
Other long-term benefits	-	-
Termination benefits	39,206	101,556
	1,675,672	1,785,861

There were no short-term incentive payments in 2016 or 2017.

Director remuneration

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

2017

Director	Directors' Fees $	Committee Fees $	Superannuation[1] $	Other[2] $	Total 2017 $
Ms C. Demarte PSM - Chair	56,288	5,234	5,930	1,200	68,652
Mrs Y. Rundle	37,602	7,375	4,358	1,200	50,535
Mr T. James	37,602	7,841	4,403	1,200	51,046
Mr C. O'Reilly – commenced 01/09/16	31,316	4,094	3,421	600	39,431
Total	**162,808**	**24,544**	**18,112**	**4,200**	**209,664**

2016

Director	Directors' Fees $	Committee Fees $	Superannuation[1] $	Other[2] $	Total 2017 $
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	4,340	1,200	51,877
Mrs Y. Rundle	37,232	7,199	3,832	900	49,163
Mr T. James – commenced 25/04/16	7,000	458	709	0	8,167
Total	**102,305**	**17,953**	**36,296**	**2,700**	**159,254**

[1]Superannuation means the contribution to the superannuation fund of the individual.
[2]Other includes travel and other expenses

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.

2017

Executive Remuneration	Salary[1] $	Short term incentive payments[2] $	Termination benefits[3] $	Superannuation[4] $	Other benefits[5] $	Other non-monetary benefits[6] $	Total 2017 $
Mrs R. Kardos	330,420	0	0	31,408	0	16,476	378,304
Ms M. Brooks	180,470	0	0	17,155	0	1,169	198,794
Mr K. Ingham	212,676	0	0	20,215	0	2,905	235,796
Mr G. Russell	263,780	0	0	25,074	0	7,758	296,612
Mr O. Cousland	157,987	0	0	15,016	0	9,961	182,964
Mr G. Taylor – 01/07/16 to 01/11/16	64,409	0	39,206	9,849	0	-880	112,584
Mr P. Lane – commenced 03/04/17	52,680	0	0	5,007	0	3,267	60,954
Total	**1,262,422**	**0**	**39,206**	**123,724**	**0**	**40,656**	**1,466,008**

2016

Executive Remuneration	Salary[1] $	Short term incentive payments[2] $	Termination benefits[3] $	Superannuation[4] $	Other benefits[5] $	Other non-monetary benefits[6] $	Total 2017 $
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**

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.

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 3 months for senior executives and 6 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 G. Taylor who resigned, effective 1 November 2016 and was paid $39,206 representing the balance of his accrued annual leave and pay in lieu of notice entitlements.

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.

(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.

(b) Categories of financial instruments

	2017 $'000 Carrying amount	2016 $'000 Carrying amount
Financial assets		
Loans and receivables		
- Cash and cash equivalents	46,309	62,175
- Trade and other receivables	55,364	54,812
- Market traded receivables	27,488	16,752
Financial liabilities		
Amortised cost		
- Trade and other payables and bank overdraft	143,102	144,690
Derivative instruments		
- Electricity swaps, futures and options – note E1(f)	58,707	57,354

(c) Financial risk management

The Company's Treasury function coordinates access to financial markets, and manages the 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 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, ANZ 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.

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.

2017	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	2.01	46,309	-	-	-
Trade and other receivables	-	55,364	-	-	-
Market traded receivables	-	27,488	-	-	-
Electricity derivatives	-	43,472	24,799	904	-
		172,633	24,799	904	-
Financial liabilities	-				
Trade and other payables	-	143,102	-	-	-
Electricity derivatives	-	7,420	2,072	262	-
		150,522	2,072	262	-

2016					
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	-	-

(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.

2017	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	28,761	24,242	865	-	53,868
Derivatives designated in a fair value hedge relationship	14,401	-	-	-	14,401
Derivatives not in designated hedge relationship	-	-	-	-	-
	43,162	24,242	865	-	68,269
Liabilities					
Derivatives designated hedge in a cash flow relationship	(7,293)	(2,022)	(247)	-	(9,562)
Derivatives designated in a fair value hedge relationship	-	-	-	-	-
Derivatives not in designated hedge relationship	-	-	-	-	-
	(7,293)	(2,022)	(247)	-	(9,562)
Total asset/(liability)	35,869	22,220	618	-	58,707

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

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 to provide an indicator of likely potential variation to profit and equity of the company. A ten-dollar-per-megawatt hour rate variation (2016: $5), up and down, has been used in the analysis for 30 June 2017. 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 +/(-) ($'000)	Post tax impact on equity of the Company +/(-) ($'000)
2017		
Electricity forward price	0/(0)	12,871/(28,139)
2016		
Electricity forward price	17/(17)	10,236/(9,956)

Profit for the year would increase/(decrease) as a result of electricity derivatives which do not qualify for cash flow hedge accounting (ineffective) under AASB 139. There were no ineffective cash flow hedges as at 30 June 2017. Equity would increase/(decrease) as a result of electricity derivatives which do qualify for cash flow hedge accounting under AASB 139.

(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 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative instruments				
- Electricity swap, futures and options – note E1(f)	-	58,707	-	58,707

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

30 June 2016				
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.

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 2017:

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 17	68,050	-	68,050	-
Revalued property, plant and equipment					
PayGuard devices	30 June 17	1,190	-	-	1,190

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 17	9,343	-	9,343	-

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 2016:

Assets measured at fair value					
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.

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 property, plant and equipment no longer to be used by the business was recorded, see note C5.

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) 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.

(iv) 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.

(v) 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.

(vi) 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 3 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 8 years from 1 July 2013 (4 years from 30 June 2017).

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.

	2017 $'000	2016 $'000
Issued and paid-up capital		
112,700,004 ordinary shares, fully paid	50,212	50,212

	2017 No.	2017 $'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

	2017 $'000	2016 $'000
Balance at beginning of year	33,768	31,713
Net profit attributable to members of the entity	19,482	30,186
Dividend provided/paid (note B4)	(27,000)	(27,600)
Actuarial gain/(loss) on RBF defined benefit plan net of tax (note D(ii))	409	(531)
Balance at end of year	26,659	33,768

F3 RESERVES

	2017 $'000	2016 $'000
(a) Reserves comprise		
Asset revaluation reserve	118	103
Cash flow hedge reserve	31,014	24,602
	31,132	24,705
(b) Movements in reserves		
Asset revaluation reserve		
Balance at beginning of year	103	72
Revaluation of assets in the year	21	43
Deferred tax liability arising on revaluation	(6)	(12)
Balance at end of year	118	103
Cash flow hedge reserve		
Balance at beginning of year	24,602	1,329
Gain/(loss) recognised		
Electricity price swaps	49,240	30,240
Transferred to (profit) or loss		
Electricity price swaps	(40,080)	3,008
Deferred tax arising on hedges	(2,748)	(9,975)
Balance at end of year	31,014	24,602

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 D4 to the financial statements.

(c) Transactions with key management personnel

Ministers of the Crown are considered to be part of key management personnel and as such the Ministers and their close family members and controlled entities of Ministers and their close family members are related parties to Aurora Energy.

All transactions with key management personnel, including the supply of electricity for domestic purposes and to key management personnel 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

Amounts received, due and receivable, by the Auditor-General from the Company for:	2017 $	2016 $
Auditing the accounts of the Company	109,400	129,851
Auditing Financial Services Licence	12,000	12,600
	121,400	142,451

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.

	2017 $'000	2016 $'000
Operating leases		
Non-cancellable operating lease payments		
Not longer than 1 year	722	722
Longer than 1 year and up to 5 years	1,134	1,856
Longer than 5 years	-	-
	1,856	2,578

Note F7 relates to property leases.

The Company leases property with the major operating lease expiring in 2.75 years, with a break clause in 1 year. 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

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Aurora Energy Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2017, the statements of comprehensive income, changes in equity and cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and the directors' declaration.

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

(a) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended

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

Basis for Opinion

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

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

I confirm that the independence declaration required by the *Corporations Act 2001*, was provided to the directors on the same date as this auditor's report and is included in the Director's Report.

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

Key Audit Matters

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

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Unbilled energy sales *Refer to notes B1 and C1*	
The Company's electricity sales include an estimate of unbilled energy supplied to customers between the date of the last meter reading and the year end. Unbilled energy sales were estimated at $79.77m. Determining the volume of unbilled energy involves significant management judgement to estimate consumption between the last electricity bill and the end of the reporting period to calculate the unbilled energy sales.	• Ensuring that the methodology for estimating unbilled energy sales remained appropriate and the management's assumptions and estimates were appropriate, adequately supported and based on accurate and relevant data. • Analysing energy sales and recalculating.
Financial instruments valuation and hedge accounting *Refer to notes B1 (d), C3, C7, C9 C10, and E1*	
The Company entered into electricity swaps in order to manage financial exposures faced in purchasing electricity. At inception, each contract is recorded in the hedge accounting system where the relevant effectiveness tests and documentation is created. Further designation and valuation data is also recorded. These financial instruments are recorded at fair value and as at 30 June 2017, derivative financial assets totalled $68.05m and derivative financial liabilities totalled $9.34m. Valuation and accounting for these financial instruments is complex.	• Engaging an expert to evaluate the valuation of derivative instruments, assess the reasonableness of hedge effectiveness testing and evaluate sensitivity analysis and disclosure requirements for compliance with relevant Australian Accounting Standards. The expert tested, on a sample basis the existence and valuation of derivative contracts as at 30 June 2017. • Evaluating the adequacy of the expert's work to ensure the expert's conclusions were consistent with other audit evidence, the assumptions and methods used by the expert were relevant and reasonable and the source data used was relevant, complete and accurate.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

Jara K Dean
Assistant Auditor-General Financial Audit
Delegate of the Auditor-General

Tasmanian Audit Office

10 August 2017

Hobart

aurora energy