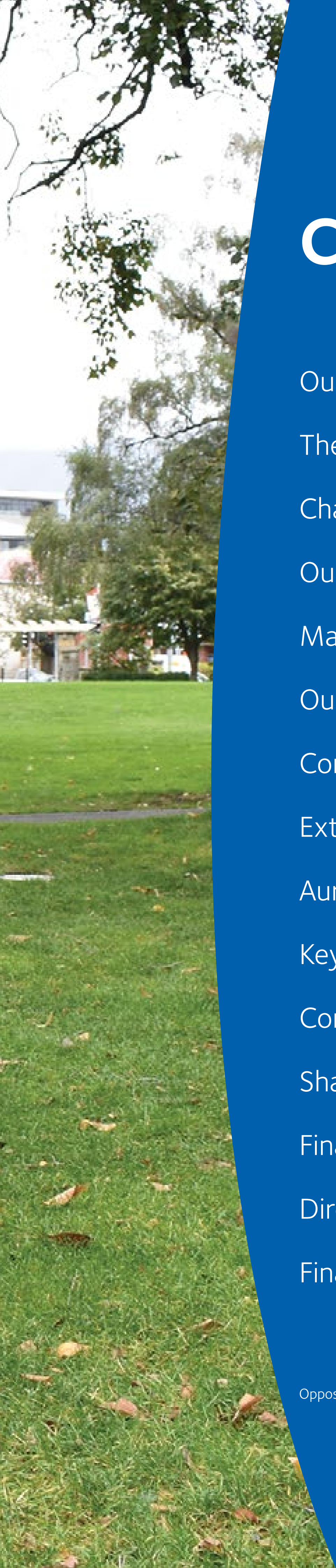
ANNUAL REPORT 2018

aurora energy



Contents

Opposite: Aurora Energy CEO Rebecca Kardos with three-year-old cystic fibrosis patient, Scarlett Fox.

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.

Our **Performance**

Average customer loyalty score of +40

33% ABOVE TARGET

Achieved a **complaint frequency** rate of **0.62** per 100 customers

0 TYPE 1

Compliance breaches of the Framework to the Australian Energy Regulator (AER)

Reduced underlying operating costs

COSTS ▼ 10%

$23.3M

Returns to the Tasmanian Government

Medically treated injuries = 0

Profit after tax

$ 13.2M

Return on equity

18.4 %

The Year at a Glance

2017

JULY

4 Commenced new Aurora Energy Community Grants program

OCTOBER

13 Finalised the Wild Cattle Hill Wind Farm agreement

DECEMBER

1 Took on new responsibilities to manage advanced meters for residential and small business customers

SEPTEMBER

7 Commenced solar PV pilot alongside Beon Energy Solutions to help deliver an 831kW solar system at SRT Logistics premises, completed in May 2018 (pictured)

26 Launched partnership with The Smith Family

NOVEMBER

21 Announced partnership with metering service provider, Metering Dynamics

2018

MARCH

29 Approval of the Aurora Pay As You Go (APAYG) Business Case

29 Supported 16 employees to gain a formal qualification from TasTAFE

APRIL

1 Partnered with the No Interest Loan Scheme (NILS) Network of Tasmania to deliver Energy Saver Loan and Subsidy Program

30 Opened second round of the Aurora Energy Community Grants program

30 Extended the Tasmanian Energy Efficiency Loan Scheme (TEELS) together with the Tasmanian Government and Westpac

MAY

28 Launched partnership with the Alannah and Madeline Foundation to deliver eSmart Digital Licences throughout Tasmanian schools

29 Welcomed 14 students from Montrose Bay High School as part of The Smith Family's Work Inspiration Mentoring Program

31 Commenced Farm Energy Advocate service for agribusiness customers

JUNE

21 Approval of new regulated electricity prices for 2018-19

Chair and CEO Review

On behalf of the Board and management of Aurora Energy, it is our pleasure to present Aurora Energy's 2017-18 Annual Report.

Creating and delivering value for customers was again at the forefront of Aurora Energy's performance in 2017-18. By embedding a low-cost operating model and maintaining a focus on our customers, Aurora Energy met its commitment to Shareholders by delivering sound returns while continuing to position the business to respond to an increasingly changing market and operating environment.

Despite ongoing developments and challenges in the external environment, Aurora Energy remained focused on improving customer service and delivering initiatives aimed at providing our customers with enhanced control, convenience and choice.

It is also pleasing to note Aurora Energy recorded a profit after tax of $13.2M, enabling the business to return $23.3M to the Tasmanian Government. Whilst this result is below budget, in December 2017 Aurora Energy funded the Government's Special Energy Bonus. The Special Energy Bonus was a one-off payment of $125 per household for Aurora Energy account holders who held a Pensioner Concession Card or Commonwealth Seniors Health Card.

The total cost of undertaking this activity in 2017-18 was estimated to be $10.1M. If Aurora Energy had not undertaken this activity, Aurora Energy would have again exceeded expectations with regard to financial performance.

In 2017-18, operating costs amounted to $36.9M, representing an underlying cost saving of 10 per cent when compared to the baseline of 2014-15.

NAVIGATING CHANGE

Aurora Energy advanced a number of strategic initiatives in 2017-18 in response to changing market requirements, including those arising from the national Power of Choice reforms, which aimed to provide opportunities for consumers to make informed choices about electricity products and services.

As part of these changes, all electricity retailers operating in the National Electricity Market (NEM) took over responsibility of providing advanced metering services to residential and small business customers. Following an extensive tendering process, Aurora Energy was pleased to appoint Metering Dynamics as its Metering Coordinator.

A raft of major process changes and system upgrades were identified and implemented in order to transition in time for the successful commencement in December 2017.

Since this time, Aurora Energy and Metering Dynamics have made significant progress in streamlining the delivery of advanced metering services and are committed to ensuring that the roll-out continues to be managed efficiently.

Aurora Energy also continued to support the NEM's transition to renewable generation, including finalising our agreement with Goldwind, which will see the construction of a 144MW wind farm at Wild Cattle Hill in Tasmania's Central Highlands. This will not only strengthen the state's energy security but deliver local benefits to both customers and the community.

SUPPORTING OUR CUSTOMERS

Supporting our customers remained a key focus for Aurora Energy in 2017-18.

The growing reach of the successful Your Energy Support (YES) program is an example, which enabled 1,923 new participants to receive support with their energy affordability. Through YES, Aurora Energy strengthened its relationship with Anglicare, with an Anglicare financial counsellor working onsite two days a week for immediate referrals to assist vulnerable customers, in addition to home visits and financial literacy advice.

Since its inception in November 2014, Aurora Energy is proud to have assisted more than 7,600 customers through the YES program.

Aurora Energy also recognises that it is essential for our business to listen to customers to continuously improve the customer experience. Our successful Voice of the Customer program continued to demonstrate value in 2017-18, allowing customers to assess Aurora Energy's performance and assist the business to identify opportunities for improvement.

Other initiatives aimed at assisting customers to take control of their energy usage included the extension of the Tasmanian Energy Efficiency Loan Scheme (TEELS) for an additional 12 months in partnership with the Tasmanian Government and Westpac, as well as additional funding provided to No Interest Loan Scheme (NILS) Network of Tasmania to deliver its Energy Saver Loan and Subsidy Program to Tasmanian concession holders.

For our commercial customers, Aurora Energy investigated the role it could play in the delivery of renewable energy solutions. We commenced a solar PV pilot alongside Beon Energy Solutions to help deliver a state-of-the-art 2,546 panel, 831kW solar system at Tasmanian-owned transport company SRT Logistics. On the back of this success, we will now finalise a review of the pilot to confirm future opportunities to deliver commercial energy solutions to businesses across the state.

Farewell from the Chair

As this is the last Aurora Energy Annual Report that I will have the pleasure of contributing to, I wish to take the opportunity to thank the Shareholders for the honour and privilege to serve on the Aurora Energy Board, to extend my gratitude and admiration to my Board colleagues, the Leadership team, Management and staff of Aurora Energy and to offer my very best wishes to you all.

SUPPORTING OUR COMMUNITY

Aurora Energy was also proud to deliver the first round of its new Community Grants program in 2017-18 and continue its support for the Tasmanian community more generally. The grants provided up to $5,000 to support projects or programs that made a real and positive difference in the lives of vulnerable Tasmanians.

Through our Community Program, Aurora Energy also established a new partnership with the Alannah and Madeline Foundation to enable all Grade 6 students in Tasmanian Government schools to access an eSmart Digital Licence – another meaningful partnership to produce practical and lasting benefits for the Tasmanian community.

In total, we supported more than 60 Tasmanian-based organisations across Tasmania in 2017-18.

EMPOWERING OUR PEOPLE

Aurora Energy has again performed strongly amid a changing environment. We must acknowledge the outstanding work of Aurora Energy's committed and passionate people, who have maintained a high level of performance throughout the past 12 months, but the external uncertainty hasn't been without its challenges. Recent culture results demonstrate we have lost some ground gained in 2016, and our employees are experiencing a culture that is changeable and at times conflicting. While the results are disappointing, they have provided some great insight on where we need to focus our efforts to continue to improve the experience of our people as we position ourselves for the future.

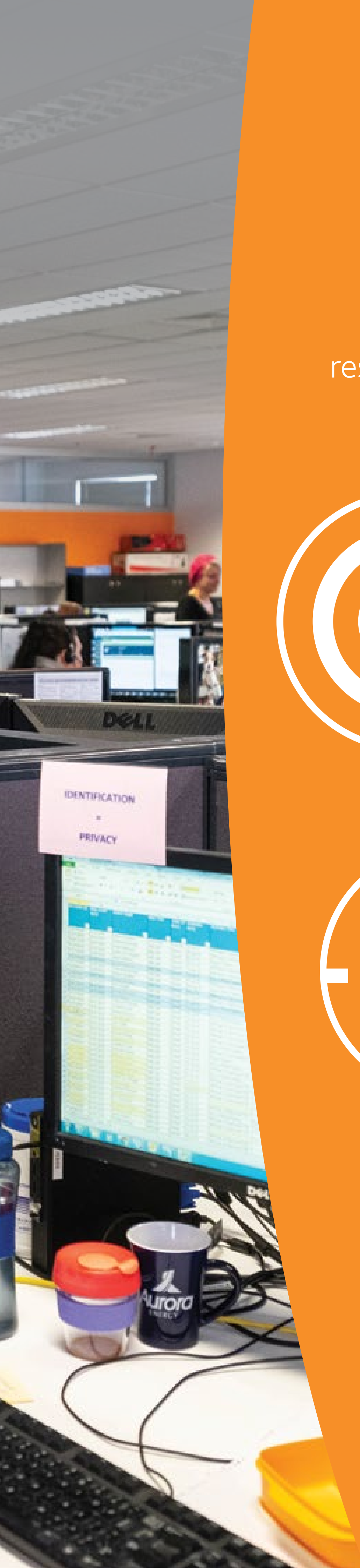
Aurora Energy is also committed to the ongoing development of its people by providing growth opportunities. An example of this is our ongoing collaboration with TasTAFE to offer a customised Formal Qualifications Program to all employees. To date, a third of Aurora Energy's workforce has obtained a nationally recognised qualification through TasTAFE, with a further 33 registered for the program this year.

In 2018-19 change and uncertainty will continue, however, as the business continues to develop the skills and capabilities to thrive in this environment, we look forward to the exciting opportunities that lie ahead.

Caryle Demarte PSM
Chair

Rebecca Kardos
Chief Executive Officer

Our **Customers**



283,020

residential, small and large business customers as at 30 June 2018.

Customer Loyalty Score

33%

ABOVE TARGET

Reduced wait times by

1.9

SECONDS

Grade of Service

UP BY 2%

Service

The Voice of Customer program is Aurora Energy's mechanism to listen to its customers, measure performance and ensure the customer experience continues to improve. This is done by asking questions underpinning five key pillars.

EASY

"It was so nice and straightforward. Moving out of my old house and moving in to my new house is a stressful time but glad that at least this electricity matter was simple and easy. Thank you."

EXPERTISE

"You were understanding and, due to me being unfamiliar with the whole process, were able to explain my power bill for me."

PROACTIVE

"The customer service agent proactively offered solutions and alternative arrangements. I wasn't made to feel embarrassed about my late payment and I was spoken to with understanding. I felt like they actually cared."

RESPONSIVE

"She listened to my enquiry and gave me great advice on how to better manage my energy savings."

OWNERSHIP

"The YES program helped me take control of my debt. Now that my debt is paid, your staff have helped me arrange to keep paying weekly amounts to ensure I stay on top of my power bill. I love not worrying about receiving a bill and always having it paid in advance. It takes a lot of pressure off my shoulders. The staff are always very helpful and so kind. Thanks Aurora."

Support

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

YOUR ENERGY SUPPORT (YES) PROGRAM

A continued focus on expanding the reach and impact of Aurora Energy's Your Energy Support (YES) program enabled 1,923 new participants to receive support and 919 customers to successfully complete the program in 2017-18.

The YES program provides a framework to identify vulnerable customers and provide them with the tools to take control of their energy usage and bill. The 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.

Through YES, Aurora Energy also strengthened its relationship with Anglicare, providing home visits, support and financial literacy advice for its clients. In-home energy audits of appliances together with a review of a customer's broader financial position ensures an individual approach can be tailored consistent with their specific circumstances and practical steps taken to assist the customer.

> "I was embedded in Aurora Energy's YES team for six months to work as a financial counsellor with their hardship customers. It always brings a smile to my face when customers 'see the light' and make positive changes to their lives in order to keep the lights on."
>
> - Bert Aperloo, Anglicare Financial Counsellor

NILS ENERGY SAVER LOAN AND SUBSIDY PROGRAM

In 2017-18, Aurora Energy provided $217,500 additional funding to the No Interest Loan Scheme (NILS) Network of Tasmania to offer concession customers the opportunity to apply for 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 saw a substantial uptake, with more than 500 applications processed by NILS for the purchase of energy efficient products for low-income households. To date, Aurora Energy has provided $1.6M in funding to the program.

Aurora Energy supporting the community with energy efficient tips and advice at Agfest.

AGFEST

Aurora Energy attended Agfest in May 2018 with a focus on energy efficiency and providing customers with tips and tools to reduce their energy usage. Customers were empowered to make simple changes around their homes, whilst remaining comfortable throughout the cooler winter months.

The site also provided an opportunity for Aurora Energy staff to engage face-to-face with the public, respond to a broad range of customer queries and to assist households to reduce their energy use.


auroraenergy

Advocacy

Aurora Energy plays a proactive role in advocating for its customers and engages in a range of regulatory and policy developments to ensure that the interests of Tasmanian energy consumers are represented.

NATIONAL ENERGY CHARTER

Aurora Energy is one of 15 organisations from across the entire national electricity and gas supply chain that are participating in the development of a national Energy Charter. The aim of the Charter is to embed the customer-centred culture and solutions required within the energy supply industry to deliver energy in line with community expectations.

ASSISTING VULNERABLE CUSTOMERS

Aurora Energy has obligations to provide a Hardship Policy under the National Energy Retail Law (South Australia) Act 2011.

Aurora Energy's Hardship Policy identifies and provides assistance to vulnerable customers to manage their energy usage and associated costs.

The Australian Energy Regulator (AER) recently selected Aurora Energy for an independent compliance audit of its Hardship Policy. The audit concluded that Aurora Energy's Hardship Policy was effective and compliant.

Aurora Energy was also pleased to provide input throughout the development of the ACCC Retail Electricity Pricing Inquiry, including details on its Your Energy Support (YES) program.

The report, published in July 2018, recognised the YES program, stating that "...initiatives such as this one, which take account of a consumer's financial situation as a whole and can assess how best to deal with electricity costs and usage within that context, are likely to significantly assist consumers."

TRANSITIONING THE NATIONAL ELECTRICITY MARKET TO LOW-EMISSIONS GENERATION

At a national level, one of the most significant challenges is the transition of the National Electricity Market to low-emissions generation sources while maintaining system reliability and keeping electricity prices affordable.

While Aurora Energy acknowledges the importance of this, it also notes that the Tasmanian circumstances are different, with predominantly renewable generation already and price regulation for the majority of Tasmanian customers.

Aurora Energy has engaged rule- and policy-makers in an effort to ensure that any developments do not unnecessarily impact Tasmania without commensurate benefit to the state. In this way, Aurora Energy is continuing to help shape policy and regulatory outcomes to benefit Tasmanians.

Tasmanian Government Initiatives

In 2017-18, Aurora Energy implemented a range of programs and initiatives on behalf of the Tasmania Government.

TASMANIAN ENERGY EFFICIENCY LOAN SCHEME

Together with the Tasmanian Government and Westpac, Aurora Energy extended the small component of the Tasmanian Energy Efficiency Loan Scheme (TEELS) for an additional 12 months. The scheme assists residential and small business customers to make energy saving changes through the purchase of energy efficient products for their homes via no-interest finance of up to $10,000.

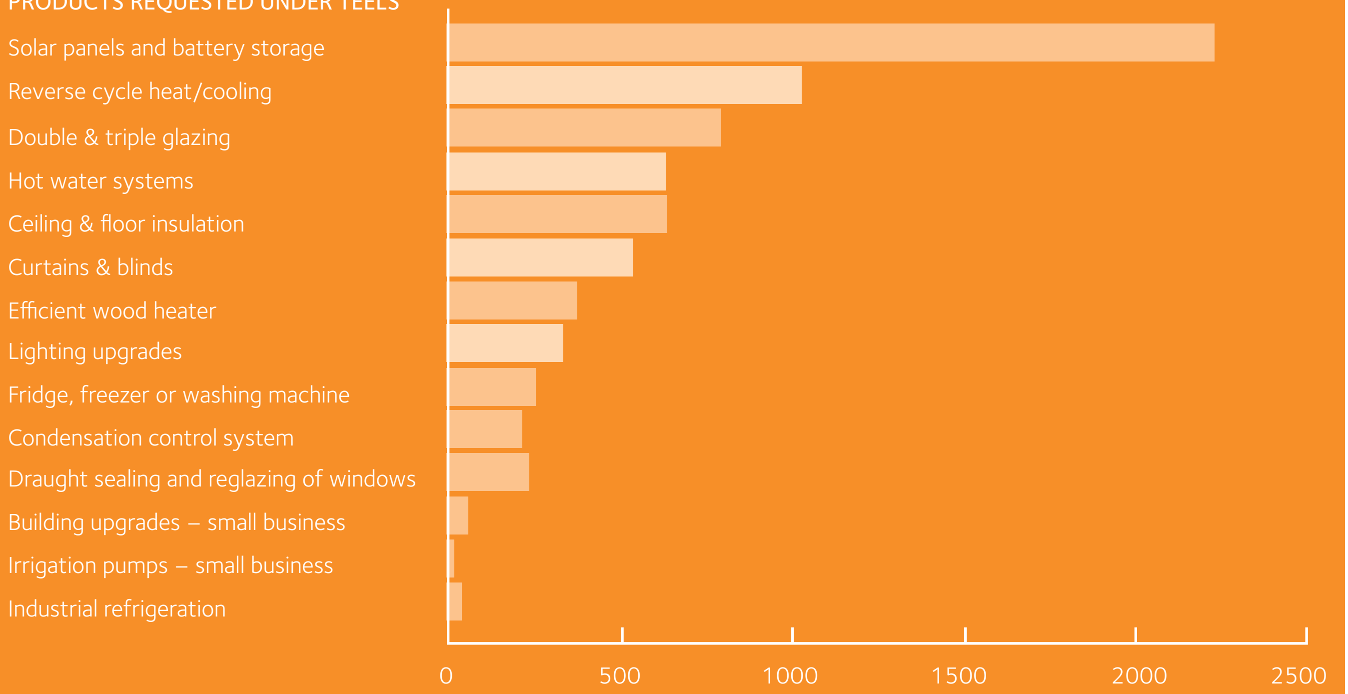
Eligible products include heat pumps, double glazed windows, solar panels and solar hot water systems.

The response to TEELS has been overwhelming since its launch in May 2017, with close to 4,000 customers as at 30 June 2018 applying to make practical changes within their homes and small businesses to improve energy efficiency.

The large component of the scheme, for small business purchases of $10,001 up to $40,000, was not extended. In total, the large scheme received 244 applications for funds just over $7.8M.

Minister for Energy, the Hon. Guy Barnett, announces the TEELS extension.

PRODUCTS REQUESTED UNDER TEELS



FARM ENERGY ADVOCATE

In partnership with the Tasmanian Government, Aurora Energy initiated a new service that offers farm business customers specialist advice and information on managing their energy usage and costs.

The Farm Energy Advocate service provides farm business customers access to personalised account managed services, tariff optimisation and tailored payment arrangements. The service also connects and refers farmers to other specialist support services, including the Agribusiness Support program.

> “Farmers will be able to ascertain their energy use and their best use of energy to ensure that their businesses remain profitable and sustainable into the future.”
>
> – Peter Skillern, Tasmanian Farmers and Graziers Association chief executive

COMMERCIAL AND INDUSTRIAL REBATE

The Tasmanian Government allocated $20M for a Commercial and Industrial (C&I) rebate, with Aurora Energy administering payments for its C&I customers throughout the year. The C&I rebate was developed in response to ongoing volatility in the national wholesale market to reduce the impact of increasing prices on unregulated customers.

In June 2018, the Government announced an extension to the energy rebate scheme, committing to an additional $10M in the 2018-19 Budget.

SPECIAL ENERGY BONUS

The Special Energy Bonus was an initiative delivered by Aurora Energy on behalf of the Tasmanian Government. The Bonus was a one-off payment of $125 per household for Aurora Energy account holders, who at the time of the scheme held a Pensioner Concession Card or Commonwealth Seniors Health Card.

In total, Aurora Energy coordinated the distribution of more than 80,000 Special Energy Bonus cheques to its customers.

Major Initiatives

METERING

In November 2015, the Australian Electricity Market Commission (AEMC) made a final determination for a rule to expand competition in the provision of metering services in the National Electricity Market (NEM).

This rule change was part of a broader set of changes, referred to as the Power of Choice reforms, which had a profound impact on Aurora Energy's systems, processes and people throughout 2017-18.

Aurora Energy invested $10M in an extensive program of work, which directly involved over 100 employees from across all areas of the business. The program included the delivery of a range of process and system changes to accommodate the new market participant, prepare for transactions with the market operator and cater for a much greater volume of meter data.

One of the most significant milestones of the transition process was the appointment of a Metering Coordinator to deliver advanced metering services to residential and small business customers. Following an extensive procurement process, Aurora Energy selected, Metering Dynamics as its supplier for the metering role.

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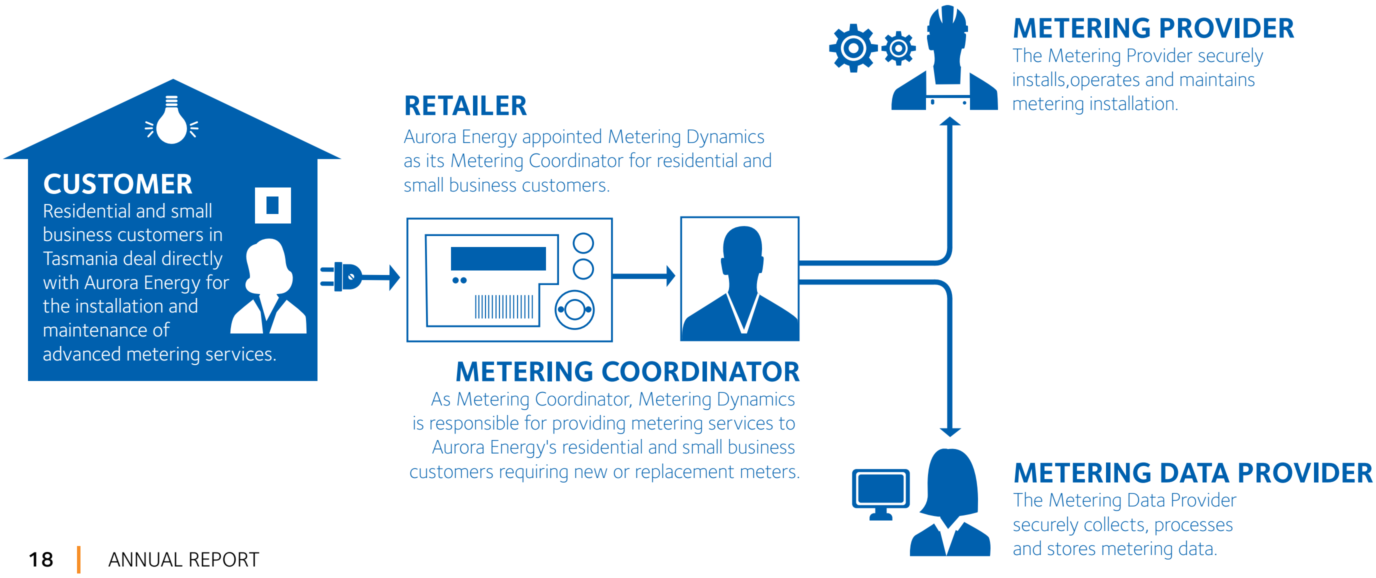
METERING ARRANGEMENTS IN TASMANIA

Under the change, electricity consumers will have an advanced meter installed in new and replacement situations, which is installed and maintained by a retailer-appointed Metering Coordinator.

TasNetworks remains responsible for the installation and maintenance of basic meters for customers across Tasmania.



On 4 December 2017, the transition occurred as planned and no significant systems issues were experienced by Aurora Energy or its partner Metering Dynamics. This was an enormous undertaking for Aurora Energy that impacted over 250 operational processes, all billing and market connectivity systems and involved the execution of more than 7,000 test cases.

Throughout the second half of the financial year, Aurora Energy continued to focus considerable effort on automating its systems, operationalising the new processes and building a strong relationship with Metering Dynamics to efficiently deliver advanced metering services to its Tasmanian customers.

As at 30 June 2018, 1,528 new meter installations and 2,633 meter replacements had been completed, and Aurora Energy and Metering Dynamics are together making steady progress toward Aurora Energy's target of completing 95 per cent of installations within 20 business days.

AURORA PAY AS YOU GO

Aurora Energy continues to support its Aurora Pay As You Go (APAYG) customers to utilise the benefits they value in the existing product while a replacement is developed.

The significant focus on implementing the national Power of Choice metering reforms, and the need to coordinate product development with the associated advanced meter rollout, resulted in Aurora Energy reassessing its timeframes for bringing the APAYG replacement product to market.

The product development process commenced in February 2018 and continued to build on the feedback gathered from APAYG customers in a product trial completed in 2017. The new APAYG product will help customers avoid bill shock, give greater convenience and control in how and when customers pay their electricity bills, as well as provide visibility of daily consumption data to help them better manage their energy use.

The replacement product is scheduled to become available to existing APAYG customers in the first quarter of 2019.

SOLAR PV SOLUTIONS

In 2017, Aurora Energy started to investigate the role it could play in the delivery of renewable energy solutions for its commercial customers.

Aurora Energy teamed up with Beon Energy Solutions to implement a solar PV pilot at Tasmanian-owned transport company SRT Logistics, across two of its distribution centres in Launceston and Devonport. The solution was custom-designed to meet the specific electricity requirements of SRT Logistics, while optimising the existing infrastructure and geographical features to produce the most efficient system possible.

Combined, the state-of-the-art 2,546 panel, 831kW solar system is one of the largest commercial PV solutions in Tasmania and will generate over 1 million kWhs per year, or the equivalent of powering 143 homes.

The solar PV installation at SRT Logistics' distribution centre in Devonport.

Our People

Workforce as at 30 June 2018

218

of which 61 per cent is female and the average age is 38 years.

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

Aurora Energy Chair Caryle Demarte, Aurora Energy CEO Rebecca Kardos and TasTAFE CEO Jenny Dodd (far right) with Formal Qualifications Program graduates.

TRAINING AND DEVELOPMENT

Aurora Energy is committed to the ongoing development of its people to provide growth opportunities and enable the business to continue operating effectively in an increasingly challenging environment.

A Formal Qualifications Program continues to be offered to all employees. In 2017-18, 15 employees completed either a Certificate III in Business or a Diploma of Leadership and Management, with the content of both courses customised to support Aurora Energy's operational deliverables and requirements.

Certificate IV in Business will be added to the suite of qualifications in 2018-19.

Aurora Energy's senior leadership continues to undertake targeted development training to enhance their ability to lead the organisation in the face of increasing uncertainty in the external environment. This will be expanded in 2018-19 to include a formalised in-house program for all levels of leadership.

EMPLOYEE ENGAGEMENT

Aurora Energy strives to develop a constructive culture that supports a high performing organisation. Knowing how things are done is just as important as what is done in terms of providing a working environment that encourages people to be and do their best.

Recent culture results highlighted that Aurora Energy had lost some ground gained in 2016, with employees reporting a culture that is changeable and at times conflicting. The impact of current culture has also been reflected in the engagement results which have shown a declining level of engagement over the last year, with the result at 50 per cent, down from a high of 63 per cent.

The results have provided some great insight which Aurora Energy will use to focus its efforts to improve staff experience as the business positions itself for the future.

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.

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-focused, 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.

> "Knowing that it's okay to leave school and not knowing what you want to do"
>
> "Being able to connect and feel comfortable around the Aurora leaders and the amount of respect they gave us"
>
> – Work Inspiration participants from Montrose Bay High School

WORK INSPIRATION

Aurora Energy recognises wonderful opportunities to integrate ongoing training and education into its workplace to ensure Tasmanian workforces are future ready.

As part of this and through its partnership with The Smith Family, Aurora Energy hosted 14 high school students for two days via its Work Inspiration program.

Work Inspiration provides young people with opportunities to experience different types of work firsthand in a meaningful and inspiring way to help broaden their perspectives and develop aspirations for life after school. The program connects students with employers in their local community who can start engaging conversations and get students excited about a variety of different career opportunities — some of which they may not have been exposed to before.

Community

The Aurora Energy Community Program is designed to provide targeted support to not-for-profit and community organisations that reduce disadvantage and build capability and capacity in Tasmania. Aurora Energy aims to achieve this in a variety of ways, including:

- Community Partnerships
- Community Grants
- Community Fund
- Volunteering
- Energy Support

COMMUNITY GRANTS

Aurora Energy delivered the first round of its new Community Grants program in 2017-18. The grants provided up to $5,000 to support projects and programs that made a practical and positive difference in the lives of vulnerable Tasmanians.

CANCER COUNCIL TASMANIA - funded the purchase of a specialised oncology massage table and related accessories.

CHOIR OF HIGH HOPES - assisted the choir to rebrand as an identity and performance group, providing the opportunity to lift the choir's profile across the state, particularly in greater Hobart.

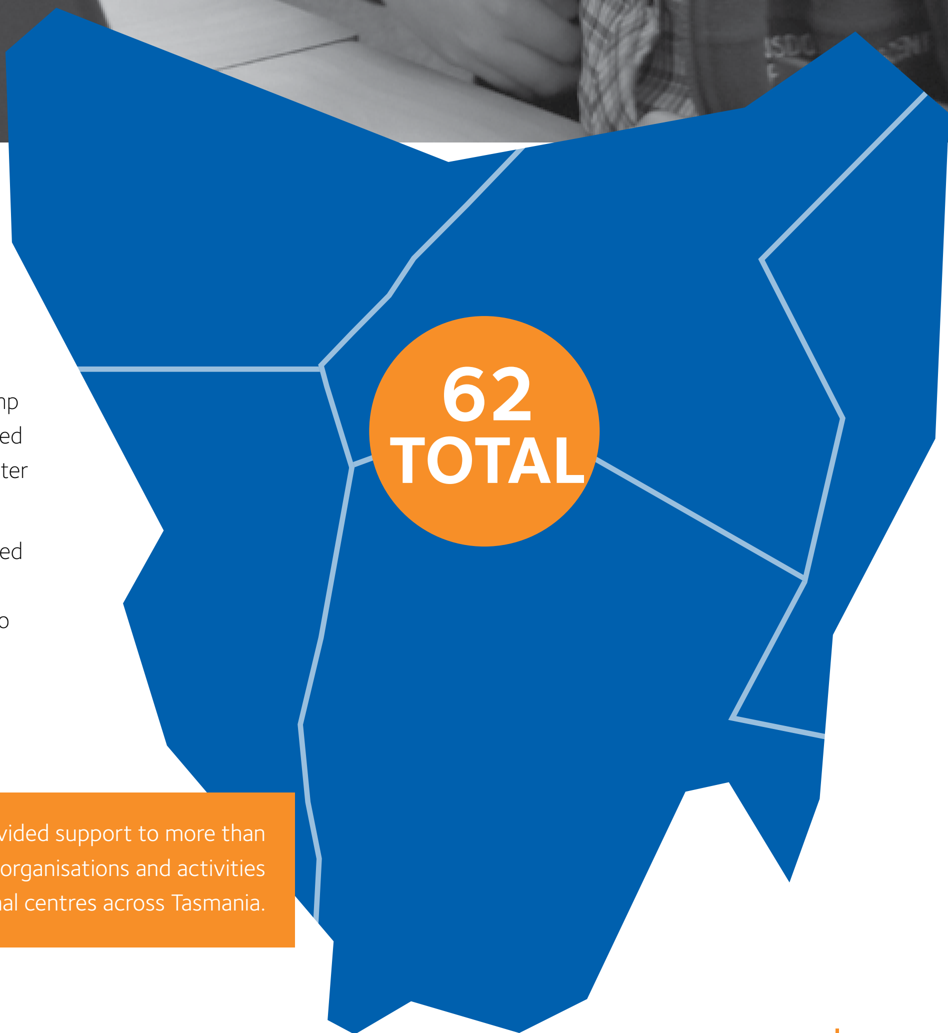
CYSTIC FIBROSIS TASMANIA - funded the purchase of 41 brand-new nebulisers and spare parts, which can assist in controlling symptoms for patients living with the incurable disease.

Students from Lansdowne Crescent Primary School demonstrate an eSmart Digital License to Aurora Energy CEO Rebecca Kardos at The Alannah and Madeline Foundation partnership launch.

LAUNCESTON WOMEN'S SHELTER – enabled the purchase of new bedding essentials for infants and children whose mothers are experiencing homelessness.

WHITELION – assisted to deliver an annual camp for young people who are severely disadvantaged to give them the courage to grow and build better futures.

ZEEHAN NEIGHBOURHOOD CENTRE – assisted to deliver a school holiday program that gives children and youth of Zeehan the opportunity to participate in a variety of events ranging from craft, cooking, fun-days and sports.



During 2017-18, Aurora Energy provided support to more than 60 not-for-profit community organisations and activities both statewide and in regional centres across Tasmania.

PARTNERSHIPS

Aurora Energy seeks to engage in meaningful partnerships with not-for-profit organisations to produce practical and lasting benefits for the Tasmanian community.

The Alannah and Madeline Foundation

In May 2018, Aurora Energy commenced a three-year partnership with The Alannah and Madeline Foundation to enable all Grade 6 students in Tasmanian Government schools to access an eSmart Digital Licence.

The eSmart Digital Licence is an online cyber safety program that teaches children critical digital skills to be smart, safe and responsible online. The program incorporates eight modules that address problematic issues, including relationships and reputation, location-based apps, technology addiction and digital footprints.

"If we can equip our children with as many ingredients to help them navigate the teenage years, I think it's actually an essential thing for us to do."

- Bridget Field, Lansdowne Crescent Primary School teacher

The Smith Family

Aurora Energy formally launched its relationship with The Smith Family in September 2017, with a shared vision to deliver a better future for disadvantaged young people in Tasmania.

The partnership aims to inspire 50 students (25 primary school and 25 high school) in the north west of the state to value education through the Learning for Life program.

The Learning for Life program provides financial support for education-related expenses, such as uniforms, books and excursions, and links families to a Smith Family coordinator in their community who connects them with vital out-of-school learning programs and educational opportunities.

Tasmanian Men's Shed Association

Aurora Energy extended its partnership with the Tasmanian Men's Shed Association (TMSA) to assist its internal and external communications capacity.

The ongoing relationship addresses a critical need identified by the TMSA as they seek to promote the work of each of the 55 member sheds throughout Tasmania to achieve a cohesive network of sheds.

The Association for Children with Disability (Tas)

Aurora Energy continued to support the Association for Children with Disability (ACD) achieve their communication objectives by subsidising the cost to produce their newsletter, *Parents Empowering Parents (PEP) Talk*.

This support consequently enables ACD to further invest in its online resources and other programs.

Aurora Energy CEO Rebecca Kardos addresses Wynyard High School students at The Smith Family partnership launch.

External Environment

Aurora Energy's performance remained strong against a changing operating environment in 2017-18. The national Power of Choice metering reforms were one of many developments in the regulatory and policy arena.

NATIONAL ENERGY GUARANTEE

In 2017-18, the Council of Australian Government (COAG) Energy Council developed a draft policy to combine the goals of reliable electricity and lower carbon emissions. The proposed National Energy Guarantee (NEG) aims to support the provision of reliable, secure and affordable electricity, including by placing additional obligations on energy retailers.

In October 2017, the Energy Security Board (ESB) provided the COAG Energy Council with advice on changes to the National Electricity Market (NEM) and legislative framework necessary to deliver the NEG. The ESB subsequently commenced engagement with industry to assist with the preparation of a detailed design of the scheme.

Aurora Energy will continue to engage in NEG developments.

RETAIL MARKET REFORM

In 2017-18, an escalating volume of regulatory intervention in retail energy markets across Australia occurred.

In August 2017, the Prime Minister convened two roundtable meetings with the Chief Executive Officers of some larger mainland energy retailers to address mounting community concerns from across the NEM with the retail energy market, particularly those markets where retail competition exists.

This was followed by the ACCC Retail Electricity Pricing Inquiry, which has highlighted concerns about the affordability of energy.

Following this, the Federal Government submitted multiple electricity market rule change proposals with respect to retail market reform.

Given that retail price regulation exists in Tasmania, many of the community concerns identified in mainland states are not directly relevant in Tasmania. As a result, Aurora Energy seeks to ensure that changes to the NEM do not unnecessarily impose costs for Tasmanians with no corresponding commensurate benefit.

During 2017-18, Aurora Energy supported the Tasmanian Government's decision to cap prices for households and small business to protect regulated customers from increased national wholesale electricity costs.

OPPORTUNITY FOR TASMANIA

Many aspects of the NEM's transition to lower emissions generation sources present an opportunity for Tasmanians. This includes the potential for Tasmania to become the "Battery of the Nation" through investment in pumped hydro generation, further renewable generation such as wind and a second Bass Strait interconnector.

While Hydro Tasmania and TasNetworks are currently leading these initiatives, Aurora Energy continues to engage and support, where appropriate.

Aurora Energy Statement of Corporate Intent

COMPANY OVERVIEW

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

Aurora Energy provides electricity and gas retail services to more than 279,000 customers throughout mainland Tasmania. As part of its retail offering, Aurora Energy offers a range 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* 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 2017-18 and beyond has been 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 efficient business which recognises the value it can provide as a Tasmanian entity to its Shareholders and customers. This vision is supported by Aurora Energy's purpose, ***'To proactively deliver practical energy choices for all Tasmanians'***.

Underpinning Aurora Energy's vision and purpose are four strategic themes:

- **Customer:** Provide consistent, proactive, strong customer products and service linked to customer value;
- **People:** Delivered by committed, capable, valued and passionate people and partners who care about what they do and the important role they play in the community;
- **Excellence:** Application of efficient systems, processes and partnerships that reflect the Aurora Energy brand; and
- **Stakeholder:** Continually monitor and 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	2017-18 TARGET	2017-18 ACTUAL	OUTCOME
CUSTOMER Provide consistent, proactive, strong customer products and service linked to customer value	Customer Loyalty – Customer satisfaction and loyalty score	+30	+40	
	Complaint Frequency Rate – Number of complaints per 100 customers	0.3-0.7	0.62	
	Customer Retention – Total Share of Customers	>93%	98.9%	
EXCELLENCE Application of efficient systems, processes and partnerships that reflect the Aurora Energy brand	Profit – Annual profit after tax target (PAT)	$18.8M	$13.2M	
	Operating Costs – Annual cost reductions against base year 2014-15	7%	10%	
	Compliance – Maximum Type 1 Non Compliance events related to NECF	0	0	
	Regulated Cost to Serve – Regulated Cost to Serve per Customer	As budgeted	Lower than budgeted	
	Returns to Government – Annual returns to Government ($M per year – Accruals)	$25.0M	$23.3M	
PEOPLE Delivered by committed, capable, valued and passionate people and partners who care about what they do and the important role they play in the community	Rolling 12 Month Medically Treated Injury Frequency Rate – Number of medically treated injuries per 1,000,000 hours worked	0	0	
	Employee Engagement – Employee engagement score	65%	50%	
	Employee Culture Target – Improvement in constructive styles	>5%	(23%)	

PERFORMANCE COMMENTARY

Aurora Energy maintained a stable financial and operational performance for 2017-18. In total, seven out of 11 key performance indicators were met or exceeded for the financial year.

Aurora Energy's key focus on supporting customers was demonstrated in its strong customer loyalty score, with an average of +40, which was well above target and a 10 per cent improvement on last year's figures. A performance highlight occurred in June 2018 with the achievement of a customer loyalty score of +45, the highest since the commencement of this key performance indicator.

Overall, financial performance was lower than anticipated in 2017-18, reflecting the one-off Special Energy Bonus payments. Had Aurora Energy not undertaken this activity it would have exceeded its financial targets.

Significantly, Aurora Energy achieved zero Type 1 compliance breaches, demonstrating its ability to operate effectively within the National Energy Customer Framework.

2017-18 was characterised by a number of major projects and changes in the regulatory environment, which may have had an impact on the experience of Aurora Energy employees. Aurora Energy captured a below-target culture score, as well as an employee engagement score of 50 per cent, down from a high of 63 per cent in the previous year.

Corporate Governance Statement

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 Tasmanian Treasurer, on behalf of the Tasmanian community.

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

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

BOARD COMPOSITION

Aurora Energy is managed by a Board of up to five directors and a management team led by the Chief Executive Officer (CEO). Since February 2018 there has been a vacancy on the Board with a selection process underway to fill the vacancy.

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

Mrs Yvonne Rundle, B.Bus, FCA, FAICD, 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 Chartered Accountants Australia and New Zealand, the Australian Institute of Company Directors, Taxation Institute of Australia and the University of Tasmania. Yvonne is a former owner and director of a statewide Chartered Accounting practice and has over 30 years of experience in public practice, consulting in areas such as succession planning, strategic planning, corporate governance, risk management business and taxation advice.

Yvonne has experience in a range of board roles with her current roles including Chair of AGW Funds Management Ltd, Director of Fairbrother Foundation Pty Ltd and Action Against Homelessness Limited, Member of the University of Tasmania Foundation Committee 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 became a non-executive Director of Aurora Energy on 25 April 2016 and is Chairman of the Board Appointments & Remuneration Committee and a member of its Board Audit, Risk & Compliance Committee.

The Board recognises Trevor as an independent Director.

Trevor retired as Chief Executive Officer of Synergy, Western Australia's then largest energy retailer, on 3 December 2013 and was an energy consultant and executive coach for two years. On 1 January 2016, he was appointed Chairman of Turnkey Energy Solution providing innovated renewable energy solutions to its customers in Australia.

Trevor is also Chairman of the GTE Group which provides electrical engineering services to the mining industry and he sits on the AEMO WA Gas Compliance Panel.

He is also a member of the Central Queensland University's MBA (Leadership) Professional Reference Group.

Trevor holds a Bachelor of Business, is a Fellow of CPA Australia and a member of the Australian Institute of Company Directors. He was awarded the W.S. Lonnie Chief Financial Officer of the year in 2006 which was sponsored by The Institute of Chartered Accountants in Australia.

Mr Cameron O’Reilly, B.Bus, MAICD, FCPA

Cameron was appointed a director of Aurora Energy on 1 September 2016 and resigned from the Board on 22 February 2018. Cameron was a member of Aurora Energy’s Board Appointments and Remuneration Committee and the Board Audit, Risk and Compliance Committee.

The Board recognised Cameron as an independent Director.

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 Alannah and Madeline Foundation, No Interest Loans Network (NILS) Tasmania and the Australian Energy Council.

Company Secretary / General Counsel: Mr Oliver Cousland, LLB, B.Com, GAICD, GIA (Cert)

Oliver was appointed Company Secretary from 1 January 2016. Oliver is a lawyer with 16 years’ experience in private practice and as an in-house legal adviser in large organisations in Australia and the United Kingdom. Oliver joined Aurora Energy in 2014 and his responsibilities include management of legal services, procurement, risk, compliance, internal audit, board secretariat and corporate governance.

Board and Committee Attendance and Professional Development Activities 2017-18

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 • AICD's Essential Director Update:17	Director since April 2006 Chair since May 2016 Current term ends November 2018	9	9	3	3	5	5	1	1
Rebecca Kardos • AICD's 2017 Chair' Mentoring Program • AICD's Essential Director Update:17 • AICD's Australian Governance Summit	Director since November 2014 Ongoing, term linked to CEO role end date	9	9	-	-	-	-	1	1[1]
Yvonne Rundle • Taxation Institute Australia - Inspiring Women in Business • Australian Taxation Office - Open Forum • Australian Taxation Office – Taxation Webinars • University of Tasmania - The Future of Retail • AI Group - Managing Workplace Conflict • Kaplan - Accountants Financial Planning	Director since January 2015 BARCC Chair from January 2015 Current term ends November 2020	9	9	3	3	5	5	1	1
Trevor James • Curtin University Graduate School Innovation Presentation • WA Energy Future Presentation • AICD Essential Directors Update • AEMO Gas Compliance Panel Update • AICD Leadership Forum • AICD's Essential Director Update:17	Director since April 2016 REM Chair from May 2016 Current term ends April 2019	9	9	3	3	5	5	1	1
Cameron O'Reilly • AICD's Essential Director Update:17	Director since September 2016 Resigned 22 February 2018	6	5	3	3	3	2[2]	1	1

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

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 above.

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

Grant is a senior executive with 17 years' experience in the contestable energy market and holds qualifications at Masters level.

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

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

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

Mr Kane Ingham B.Com, CA, GradDipACG, GAICD.
General Manager Commercial Services

The Commercial Services unit is responsible for undertaking the financial, corporate affairs, regulatory, and strategy functions for Aurora Energy. The unit completes activities such as strategy development, financial planning and analysis, financial accounting, energy and network settlements, 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.
General Manager People and Performance

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

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

Mr Oliver Cousland, LLB, B.Com, GAICD, 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 above.

Ms Mel Percival, BBus, GAICD. General Manager Marketing and Products

The Marketing and Product Team is responsible for developing new practical products and services to help meet our customers' needs now and in the future and developing communications that engage with our customers.

Mel joined the Aurora Energy team as General Manger Marketing and Product in September 2017. Mel has over 14 years' experience in senior executive positions in both private blue chip companies and government, most recently as the General Manager Corporate Affairs and Airlines for Hobart Airport and National Marketing Manager for Tourism Tasmania. Mel has also held senior positions in the Tasmanian State Government and Telstra Corporation and is a member of the Australian Institute of Company Directors.

Mr Shaun Weber, Chief Information Officer

The Systems team is responsible for planning, managing and delivering a commercially prudent, robust and fit for purpose information, communications and technology (ICT) environment that meets the organisational needs of Aurora Energy and enables timely delivery to corporate outcomes.

Shaun was appointed Chief Information Officer in February 2018 and has more than 30 years' information technology experience across financial, public sector and utility organisations including 15 years with a global IT services company.

Across his career, Shaun has held senior leadership roles in service delivery, ICT operations and contract & supplier relationship management.

Mr Philip Lane, Pg Dip. Chief Information Officer

Philip was Chief Information Officer from 3 April 2017 until his resignation on 14 December 2017.

Corporate Governance Principles

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Aurora Energy complies with Principle 1.

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

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

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

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

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

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

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

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

The Board Charter includes the requirement to evaluate the performance of the Board annually. An internal evaluation review was conducted by the Board in July 2018. 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 2017 AGM. Director Rundle was also reappointed for a further three year term on November 2017. Director O'Reilly resigned from the Board in February 2018. Following Director O'Reilly's resignation the Board had one vacancy and has commenced a director selection process for his replacement together with a new Chair to replace Director Demarte whose term expires at the 2018 AGM.

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

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

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

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

The Shareholders' "Board Appointments Guideline" describes the composition of the Director Selection Advisory Panel. The Board prepares its optimal Skills Matrix for the Panel and this is regularly refreshed. A review of the Board's skills matrix was undertaken in February 2018 as part of the director selection process which is currently in progress.

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 Act statistics 2017-18

Number of applications received for assessed disclosures	2
Number of applications where information was disclosed in full	1
Number of applications refused and the Section	0
Number of applications relating to exempt information and the relevant sections	1 - section 27(1)
Number of applications for internal review and the outcomes	1 – internal review upheld original decision not to release exempt information sought in application

Public Interest Disclosure Act statistics 2017-18

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 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 2017-18, 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 2017 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 and enabling legislation specify 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 set out the Shareholders' expectations in relation to the strategic priorities and performance of the Company and is incorporated in Aurora Energy'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 2017-18, 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 2017-18 Financial Statements detail the remuneration of directors and key management personnel, and its composition.

In 2017-18, the Board Appointments and Remuneration Committee focused on 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 & Guidelines

In accordance with the requirements of Section 4.4 of the *Members' Statement of Expectations*, Aurora Energy received three Directions to undertake non-commercial activities during 2017-18, details of these are set out below.

DELIVERY OF SPECIAL ENERGY BONUS

The Special Energy Bonus was a one-off payment of $125 per household for Aurora Energy account holders who held a Pensioner Concession Card or Commonwealth Seniors Health Card.

The cost of undertaking this activity in 2017-18 was estimated to be $10.1M.

EXTENSION OF TASMANIAN ENERGY EFFICIENCY LOANS SCHEME

Due to its popularity, the Tasmanian Energy Efficiency Loan Scheme (TEELS) for households and small businesses was extended and will now run until 30 April 2019, or until the additional $20M finance pool is exhausted.

The cost of undertaking this activity in 2017-18 was estimated to be up to $0.7M.

ESTABLISHMENT OF A FARM ENERGY ADVOCATE

Through the Farm Energy Advocate service, Aurora Energy's farm business customers can now access specialist advice and information on managing their energy usage and costs.

The cost of undertaking this activity in 2017-18 was estimated to be $155,000.

In addition to undertaking the above activities as Directed by its Shareholders, Aurora Energy also provided ex-gratia payments to its unregulated business customers to reduce the impact of increasing wholesale prices, and managed the application of customer concessions under a Community Service Obligation (CSO) Agreement with Government, via the State Revenue Office.

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

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

BUY LOCAL

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

Details for Aurora Energy for the 2017-18 financial year are provided in the table below.

Purchases from Tasmanian Business	
% of purchases from Tasmanian businesses	93.8%
Value of purchases from Tasmanian businesses	$1,006,787,742.28

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

Name of consultant	Location	Description	Period of engagement	Amount
KPMG	Melbourne	Probity advice	1/7/17 to 31/12/17	$130,417.37
8 other consultants were engaged for $50,000 or less totalling:				$47,323.00
Total payments to consultants				**$177,740.37**

Payment of Accounts

Payment Measure	
Creditor days	43.8
Number of accounts due for payment	3,320
Number of accounts paid on time	3,301
Amount due for payment	$1,207,666,180.43
Amount paid on time	$1,207,339,982.73
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 2017-18.

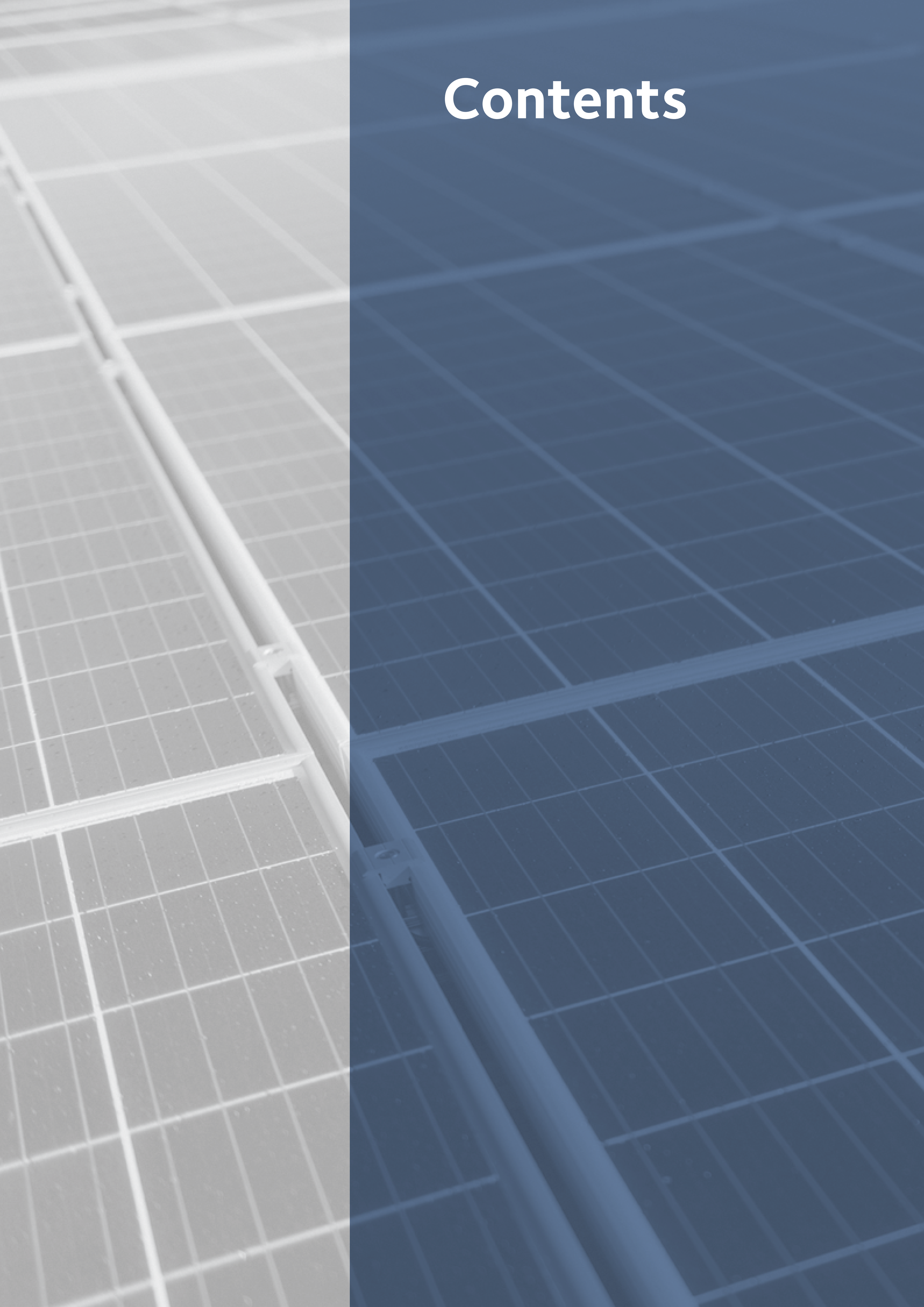
Financial Report

FOR YEAR ENDED 30 JUNE 2018

AURORA ENERGY PTY LTD

ABN 85 082 464 622

Contents



Directors' Report

Directors' report on the Operations of the Company and on the Financial Statements for the Financial Year Ended 30 June 2018.

DIRECTORS AND COMPANY SECRETARY

The Directors of the Company in office between 1 July 2017 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 was a Director from 1 July 2017 until he resigned on 22 February 2018.

Mr O. Cousland was the Company Secretary from 1 July 2017 to the date of this report.

PRINCIPAL ACTIVITIES

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

REVIEW AND RESULTS OF OPERATIONS AND STATE OF AFFAIRS

The following table outlines key financial information for the Company:

Aurora Energy has continued to achieve strong financial results for 2017-18 recording Profit Before Tax of $18.9M for the year, albeit declining from the prior year figure of $27.8M. The reduction in earnings is largely attributable to the direction of the Shareholders to the Board to fund and distribute a one-off 'Special Energy Bonus' payment of $125 to eligible Aurora Energy electricity customers. The cost of the Special Energy Bonus was $10.1M. The earnings were also negatively affected by an unexpected 112% increase in small – scale technology certificates (STC) required to be acquitted for the six months to 30 June 2018.

Aurora Energy's net asset position as at 30 June 2018 was $121.2M, an increase of $13.6M from the previous year. This movement has predominately been due to a favourable movement in electricity derivative valuations during the year, offset in part by Aurora Energy's reduced earnings for 2017-18.

Aurora Energy's cash position continues to remain strong with $32.1M cash on hand as at 30 June 2018, albeit a $14.2M decrease from the previous year. The reduced cash position is largely attributable to the payment of the Special Energy Bonus, as well as the payment of a $17.6M dividend to the Shareholders.

A dividend of $11.5M was recommended to the Shareholders on 9 August 2018 in relation to the earnings of the 2017-18 year.

INDICATOR ($M)	2017-18	2016-17	VAR.
Operating Revenue	982.4	904.4	78.0
Profit Before Tax	18.9	27.8	(8.9)
Total Comprehensive Income	31.2	26.3	4.9
Net assets	121.2	107.6*	13.6
Cash on Hand	32.1	46.3	(14.2)
Shareholder Returns[1]	26.3	37.6	(11.3)

* Restated from the 2016-17 Directors' Report. See Financial Statements note A6.

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

LIKELY FUTURE DEVELOPMENTS

There is currently a high pace of change in Aurora Energy's regulatory and policy environment, reflecting heightened scrutiny of the operation of the National Electricity Market and public sensitivity regarding increasing electricity prices. The regulatory and policy reform is occurring in all aspects of the energy supply chain, including:

Wholesale market reform, in particular the development of the National Energy Guarantee aimed at linking energy and climate policy; and

Retail market reforms to ensure customers are receiving the best prices and products available to them.

While Tasmania's circumstances are different to the rest of Australia, the current reform agenda is expected to have a significant impact on Aurora Energy in the future.

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
Chair
9 August 2018

Mrs Y. Rundle
Director
9 August 2018

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

9 August 2018

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 2018, 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

Stephen Morrison
Assistant Auditor-General Financial Audit Services
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 2018 and of its performance for the year ended on that date;

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

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

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

On behalf of the Board

Ms C. Demarte PSM
Chair
9 August 2018

Mrs Y. Rundle
Director
9 August 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 Restated* $'000
Revenue			
Sales revenue		923,623	857,229
Interest revenue	B1(a)	1,470	1,778
Other revenue	B1(b)	57,350	45,413
Total revenue		982,443	904,420
Other gains/(losses)	**B1(c)**	**(10,886)**	**(1,370)**
Expenses			
Energy and network purchases		(854,109)	(786,129)
Electricity derivative fair value movements	B1(d)	632	(210)
Functional expenses	B1(e)	(41,114)	(40,632)
Finance costs	B1(f)	(101)	(99)
Depreciation and amortisation expense	B1(g)	(4,124)	(5,470)
Other expenses from operating activities	B1(h)	(53,810)	(42,759)
Total expenses		(952,626)	(875,299)
Profit before income tax equivalent expense		**18,931**	**27,751**
Income tax equivalent expense	B2	(5,683)	(8,328)
Profit for the year		**13,248**	**19,423**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of assets	C5,F3	25	21
Actuarial superannuation re-measurement gains/(losses)	D(ii)	(2)	583
Income tax equivalent relating to items that will not be reclassified subsequently	B2(b),F3	(6)	(181)
		17	423
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Gain taken to equity	F3(b)	47,220	49,240
Transferred to profit for the year	F3(b)	(21,577)	(40,080)
Income tax equivalent relating to item that may be reclassified subsequently	B2(b),F3(b)	(7,693)	(2,748)
		17,950	6,412
Other comprehensive income for the year net of income tax equivalent		17,967	6,835
Total comprehensive income for the period		**31,215**	**26,258**

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to note A6

Notes to and forming part of the accounts are included on pages 53 to 86

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	2018 $'000	2017 Restated* $'000	As at 1 July 2016 Restated* $'000
ASSETS				
Current assets				
Cash and short term deposits	B3	32,118	46,309	62,175
Trade and other receivables	C1	152,434	156,130	146,772
Inventories	C2	23,561	23,146	26,779
Current tax asset	B2(c)	518	-	-
Financial assets	C3	92,154	80,468	58,495
Other current assets	C4	3,012	3,284	3,660
Total current assets		**303,797**	**309,337**	**297,881**
Non-current assets				
Property, plant and equipment	C5	1,195	1,839	3,622
Deferred tax assets	B2(d)	29,935	45,587	31,648
Intangible assets	C6	17,679	13,096	16,499
Financial assets	C7	71,550	132,630	88,320
Total non-current assets		**120,359**	**193,152**	**140,089**
Total assets		**424,156**	**502,489**	**437,970**
LIABILITIES				
Current liabilities				
Trade and other payables	C8	130,667	163,355	160,242
Current tax payable	B2(c)	-	1,118	1,392
Provisions	D1	2,677	2,032	1,736
Other current liabilities	C9	52,069	56,146	40,991
Total current liabilities		**185,413**	**222,651**	**204,361**
Non-current liabilities				
Deferred tax liabilities	B2(d)	50,242	58,681	42,931
Provisions	D2	3,063	3,189	3,413
Other non-current liabilities	C10	64,218	110,357	78,914
Total non-current liabilities		**117,523**	**172,227**	**125,258**
Total liabilities		**302,936**	**394,878**	**329,619**
Net assets		**121,220**	**107,611**	**108,351**
EQUITY				
Issued capital	F1	50,212	50,212	50,212
Reserves	F3	49,100	31,132	24,705
Retained earnings	F2	21,908	26,267	33,434
Total Equity		**121,220**	**107,611**	**108,351**

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to note A6.

Notes to and forming part of the accounts are included on pages 53 to 86

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	Share Capital $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total equity $'000
Balance 30 June 2016 (restated*)		**50,212**	**103**	**24,602**	**33,434**	**108,351**
Profit for the period		-	-	-	19,423	19,423
Other comprehensive income		-	15	6,412	409	6,835
Total comprehensive income for the period		-	15	6,412	19,832	26,258
Transactions with owners in their capacity as owners:						
Dividends paid	B4	-	-	-	(27,000)	(27,000)
Balance 30 June 2017 (restated*)		**50,212**	**118**	**31,014**	**26,267**	**107,611**
Profit for the period		-	-	-	13,248	13,248
Other comprehensive income		-	18	17,950	(1)	17,967
Total comprehensive income for the period		-	18	17,950	13,247	31,215
Transactions with owners in their capacity as owners:						
Dividend paid	B4	-	-	-	(17,606)	(17,606)
Balance 30 June 2018		**50,212**	**136**	**48,964**	**21,908**	**121,220**

* Certain amounts shown here do not correspond to the 2017 financial statements and reflect adjustments made, refer to note A6.

Notes to and forming part of the accounts are included on pages 53 to 86

STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		1,043,632	941,191
Interest received		1,452	1,800
Payments to suppliers and employees		(1,025,793)	(920,502)
Interest and other finance costs paid		(1)	(2)
Income tax equivalents paid		(7,806)	(9,720)
Net cash provided by operating activities	**B3(b)**	**11,484**	**12,767**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		–	9
Payment for property, plant and equipment		(188)	(131)
Payment for intangible assets		(7,881)	(1,511)
Net cash used in investing activities		**(8,069)**	**(1,633)**
Cash flows from financing activities			
Dividend paid	B4	(17,606)	(27,000)
Net cash used by financing activities		**(17,606)**	**(27,000)**
Net (decrease)/increase in cash and cash equivalents		**(14,191)**	**(15,866)**
Cash and cash equivalents at the beginning of financial year		**46,309**	**62,175**
Cash and cash equivalents at the end of financial year	**B3**	**32,118**	**46,309**

Notes to and forming part of the accounts are included on pages 53 to 86

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 9 August 2018.

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 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 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle* is applicable for annual reporting periods beginning on or after 1 January 2017.

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 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments* for annual reporting periods beginning on or after 1 January 2018.
- 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(October 2015)* 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. This standard changes the approach to hedge accounting, simplifying hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. The Company has reviewed the current valuation methodology and reporting of financial assets and liabilities and found it to be consistent with the new standard. 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 Company has 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.

A6 CORRECTION OF AN ERROR

In June 2012 Aurora Energy entered into a customer sales contract and a corresponding electricity derivative as a fair value hedge against the fair value of the sales commitment, from 1 July 2012 to 31 December 2017. In December 2014 the terms of the sales contract and the electricity derivative were varied by a change in the price and the extension in the termination dates to 31 December 2024. The change in the terms and life to the sale contract and the electricity derivative were not noted in Aurora Energy's hedge accounting system and hence the valuations disclosed since 30 June 2015 for the fair value of electricity derivatives and the fair value adjustment to hedged item designated in a fair value hedge accounting relationship have been incorrect. The error has an immaterial impact on earnings and the customer sales and electricity derivative transactions have always been in accordance with the modified terms of the contracts.

The error has been corrected by restating each of the affected financial statement line items for the prior periods, as follows:

A6 CORRECTION OF AN ERROR (CONTINUED)

IMPACT ON THE STATEMENT OF FINANCIAL POSITION

	30 June 2017	1 July 2016
	$'000	$'000
Current financial assets – derivative contracts at fair value	9,661	838
Non-current financial assets – derivative contracts at fair value	107,742	70,486
Non-current deferred tax assets	35,389	21,540
Total assets	152,792	92,864
Current financial liability – fair value adjustment to hedged item designated in a fair value hedge accounting relationship	9,656	837
Non-current liability – fair value adjustment to hedged item designated in a fair value hedge accounting relationship	108,307	70,964
Non-current deferred tax liabilities	35,221	21,397
Total liabilities	153,184	93,198
Net impact on equity – retained earnings	(392)	(334)
Impact on statement of comprehensive income		
Electricity derivative fair value movements	(84)	
Income tax expense	25	
Net impact on profit for the year	(59)	

The change did not have an impact on the statement of other comprehensive income or the statement of cash flows.

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.

		2018 $'000	2017 $'000
B1(a)	**Interest revenue**		
	Money market investments	779	1,068
	Bank investments	26	16
	Trade receivables	665	694
		1,470	1,778
B1(b)	**Other revenue**		
	Community service agreements[1]	40,131	40,897
	Tasmanian government energy rebates[2]	12,547	-
	Connection & services order fees	4,415	4,877
	Other	257	(361)
		57,350	45,413

[1] 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.

[2] Aurora Energy has an agreement with the Crown in right of the State of Tasmania to provide rebates to large Tasmanian electricity customers to reduce the impact from volatility in mainland wholesale electricity markets which has resulted in increases in the Tasmanian wholesale electricity price and for Aurora Energy to be reimbursed for the rebate costs.

		2018 $'000	2017 $'000
B1(c)	**Other gains/(losses)**		
	Losses on disposal of plant and equipment	(31)	(201)
	Impairment of non-current assets (notes F8(b), C5)	-	(1,169)
	Tasmanian Energy Efficiency Loan Scheme expense[1]	(746)	-
	Special Energy Bonus[2]	(10,109)	-
		(10,886)	(1,370)

[1] A joint initiative of the Tasmanian Government and Aurora Energy to assist our Tasmanian community with the purchase of energy efficient products.

[2] The shareholding Ministers issued a members' direction to the directors to fund and distribute a one-off 'Special Energy Bonus' payment of $125 to eligible Aurora Energy electricity customers.

		2018 $'000	2017 $'000
B1(d)	**Electricity derivative fair value movements**		
	(Loss)/gain on derivatives in a fair value hedge accounting relationship	(53,294)	38,354
	Gain/(loss) on adjustment to hedged item in a fair value hedge accounting relationship	53,548	(38,470)
	Unrealised (loss)/gain on electricity derivatives at fair value through P&L	378	(81)
	Realised (loss)/gain on derivatives at fair value through the P&L[1] (note E1(c))	-	(13)
		632	(210)

[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.

		2018 $'000	2017 $'000
B1(e)	**Functional expenses**		
	Labour	(19,559)	(18,947)
	Operating lease rental expense (note F7)	(875)	(767)
	IT, communication and other service fees and charges	(20,680)	(20,918)
		(41,114)	(40,632)
B1(f)	**Finance expenses**		
	Finance costs	(1)	(2)
	Net interest cost regarding RBF provision (note D(ii))	(100)	(97)
		(101)	(99)
B1(g)	**Depreciation and amortisation**		
	Property, plant and equipment depreciation (note C5)	(826)	(556)
	Intangibles amortisation (note C6)	(3,298)	(4,914)
		(4,124)	(5,470)
B1(h)	**Other expenses**		
	Impairment losses on trade receivables (note C1)	(1,132)	(1,862)
	Community service agreements – discounts allowed (note B1(b))	(40,131)	(40,897)
	Tasmanian government energy rebates paid (note B1(b))	(12,547)	-
		(53,810)	(42,759)

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.

	2018 $'000	2017 $'000
(a) Income tax recognised in profit		
Tax expense comprises:		
Current tax expense	6,170	9,446
Deferred tax expense relating to the origination and reversal of temporary differences	(487)	(1,118)
Total tax expense from continuing operations	5,683	8,328
Reconciliation between tax expense and pre-tax profit:		
Profit before income tax equivalent expense	18,931	27,751
Income tax equivalent expense calculated at 30%	5,679	8,326
Non-deductible expenses	4	2
Income tax equivalent expense	5,683	8,328
Under/(over) provision of income tax in prior years	-	-
Income tax equivalent expense	5,683	8,328

B2 INCOME TAX (CONTINUED)

	2018 $'000	2017 $'000
(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	(7)	(6)
Financial instruments & other	(7,693)	(2,748)
Provisions	1	(175)
	(7,699)	(2,929)
(c) Current tax assets and liabilities		
Income tax payable:	(518)	1,118
(d) Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	29,935	45,587
Deferred tax liabilities comprise:		
Temporary differences	(50,242)	(58,681)
Net deferred liability	(20,307)	(13,094)

Taxable and deductible temporary differences arise from the following:

2018	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
Gross deferred tax liabilities:				
Property, plant and equipment	3,044	(685)	7	2,366
Financial instruments & other	55,637	(15,454)	7,693	47,876
	58,681	(16,139)	7,700	50,242
Gross deferred tax assets:				
Provisions	3,043	2	1	3,046
Financial instruments & other	42,544	(15,655)	-	26,889
	45,587	(15,653)	1	29,935
	(13,094)	486	(7,699)	(20,307)
2017				
Gross deferred tax liabilities:				
Property, plant and equipment	3,970	(932)	6	3,044
Financial instruments & other	38,961	13,927	2,748	55,637
	42,931	12,995	2,754	58,681
Gross deferred tax assets:				
Provisions	3,066	152	(175)	3,043
Financial instruments & other	28,582	13,962	-	42,544
	31,648	14,114	(175)	45,587
	(11,283)	1,119	(2,929)	(13,094)

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.

	2018 $'000	2017 $'000
Bank balances	1,004	339
Money market investments	31,114	45,970
Cash and short term deposits	32,118	46,309
Cash and cash equivalents	**32,118**	**46,309**

(a) Financing facilities

The Company has access to finance facilities at 30 June 2018 as indicated below:

	2018	2017
Master Loan Facility Agreement		
Facility Limit (including guarantees)	364,000	364,000
Less drawn down	(120,000)	(133,800)
Balance	244,000	230,200
Committed Intra Day Credit Accommodation Facility		
Facility Limit	30,000	30,000
Bank overdraft		
Facility Limit	1,000	1,000
Bank guarantee		
Facility Limit	50,000	150,000
Less drawn down	-	-
Balance	50,000	150,000
Corporate Mastercard		
Facility Limit	1,000	1,000
Less drawn down	(48)	(20)
Balance	952	980

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

	2018 $'000	2017 $'000
Operating profit after income tax equivalents	13,248	19,423
Depreciation, amortisation & decommissioning costs	4,124	5,470
Loss on disposal of non-current assets	31	201
Fair value through profit or loss of financial instruments	(632)	198
Impairment of non-current assets	-	1,169
Decrease/(increase) in accrued interest/market traded receivables	23,524	(10,696)
Decrease in other assets	272	376
(Increase)/decrease in inventories	(415)	3,633
Decrease/(increase) in trade and other receivables	3,695	(9,358)
Decrease in deferred and current taxes	(2,122)	(1,391)
(Decrease)/increase in trade and other payables	(32,688)	3,113
Increase in employee provisions	517	656
Increase/(decrease) in other liabilities	1,931	(27)
Other	(1)	-
Net cash provided by operating activities	11,484	12,767

B4 DIVIDENDS

Recognised amounts		
Declared and paid, dividends on ordinary shares	17,606	27,000
Unrecognised amounts	11,525	17,606

The dividend for the year ended 30 June 2018 has not been recognised in this financial report because the dividend was declared subsequent to 30 June 2018.

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.

	2018 $'000	**2017 $'000**
Trade receivables	46,398	55,364
Accrued income	30,540	25,922
Unbilled energy sales	79,914	79,769
Provision for impairment	(4,418)	(4,925)
	152,434	156,130

Of the total $46,398M (2017: $55.364M) of trade receivables, $34.059M (2017: $40.759M) are current with an average of 18.07 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.

	2018	2017
(a) Movement in the allowance for impairment of debts:		
Balance at the beginning of the year	4,925	5,075
Impairment losses recognised on receivables	1,132	1,862
Amounts written off as uncollectable	(3,788)	(4,506)
Amounts recovered during the year	2,149	2,494
Balance at the end of the year	4,418	4,925

(b) Included in the allowance for impairment of debts are individually impaired trade receivables for which $0.032M (2017: $0.121M) 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 82 days overdue.

	2018	2017
(c) Ageing of trade receivables that were past due but not impaired		
Less than 30 days overdue	5,657	5,577
Between 31 and 60 days overdue	1,571	1,918
Between 61 and 180 days overdue	613	1,951
Greater than 180 days overdue	580	737
	8,421	10,183

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, $4.965M (2017: $3.820M) are renegotiated receivables and Aurora Energy has assessed on the basis of historical experience that not all will be recoverable and an impairment of $1.295M (2017: $0.971M) has been recorded.

(e) An amount of $4.418M (2017: $4.925M) is considered impaired and has been provided for. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past rendering of services, determined by reference to past default experience.

C2 INVENTORIES

Accounting Policy

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

Stores items are valued at purchase cost on an average purchased cost basis. The cost of purchase comprises the purchase price, import duties and other taxes (other than those subsequently recoverable from the taxing authorities), transport, handling and other costs directly attributable to the acquisition of the stores.

Renewable Energy Target measures are contained in the Federal renewable energy legislation that commenced on 1 April 2001. The aims of the measures are to increase the proportion of energy from renewable generators. Renewable energy generators are able to issue RECs (Renewable Energy Certificates), where 1 REC is 1MWh of electricity based on the amount of renewable energy generated from a defined renewable source. From 1 January 2011, the scheme was split into two parts, the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES). Retailers are required to purchase sufficient large-scale generation certificates (LGCs) and small-scale technology certificates (STCs) (based on a percentage of the retailers' energy acquisitions) to meet their obligations under the Act for each calendar year. STCs are submitted to the Regulator on a quarterly basis and LGCs in February of each year. The price of RECs (LGCs and STCs) varies, so the company has implemented a purchasing target to mitigate market risk. Aurora Energy, 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 network purchases, on a continuous basis as electricity is purchased.

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

	2018 $'000	**2017 $'000**
Stores (valued at cost)	119	205
Renewable energy certificates (valued at cost)	23,442	22,941
	23,561	23,146

Stores and renewable energy certificates recognised as an expense for the year ended 30 June 2018 totalled $66.462M (2017: $45.226M).

C3 CURRENT FINANCIAL ASSETS

Interest accrued	157	157
Market traded receivables[1]	3,964	27,488
Derivative contracts (at fair value) (note E1)	88,033	52,823
Total current financial assets	92,154	80,468

[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

Prepayments	174	131
Customer services obligation recoveries (note B1(b))	2,831	3,144
Payroll prepaid	7	9
	3,012	3,284

C5 PROPERTY, PLANT AND EQUIPMENT

Accounting Policy

(i) Valuation

The Pay As You Go Payguard assets were revalued at 30 June 2018 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	50.0%*
Motor vehicles	16.0%
Computer equipment	33.3%
Other	10% - 33.3%

* Rate increased to fully depreciate Payguards by 30 June 2019, the estimate of the end of their economic life.

	Payguards at fair value $'000	Other at cost $'000	Total $'000
Gross carrying amount			
Balance as at 30 June 2016	4,918	2,643	7,561
Additions	-	131	131
Disposals	(210)	(121)	(331)
Net revaluation increments	46	-	46
Balance as at 30 June 2017	**4,754**	**2,653**	**7,407**
Additions	-	104	104
Disposals	(31)	(1)	(32)
Net revaluation (decrement) increments	58	-	58
Balance as at 30 June 2018	**4,781**	**2,756**	**7,537**
Accumulated depreciation and impairment losses			
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)**
Disposals	-	1	1
Net adj. revaluation increments (decrements)	(33)	-	(33)
Depreciation expense (i)	(607)	(219)	(826)
Balance as at 30 June 2018	**(4,204)**	**(2,222)**	**(6,426)**
Net book value – at recoverable amount			
As at 30 June 2017	1,190	649	1,839
As at 30 June 2018	577	534	1,111
Capital works in progress – at cost			
As at 30 June 2016	-	-	-
As at 30 June 2017	-	84	84
Total property, plant and equipment			
As at 30 June 2017	1,190	649	1,839
As at 30 June 2018	577	618	1,195

(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 Pay Guard 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 2018 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:

	2018 $'000	2017 $'000
Payguard Assets	419	884

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, ending 30 June 2021. The remaining useful life was reassessed as part of the 2018-19 Corporate Plan. The useful life has been extended by 1 year to 30 June 2022.

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 2016	53,732
Additions	2,370
Balance as at 30 June 2017	**56,102**
Additions	3,018
Balance as at 30 June 2018	**59,120**
Accumulated amortisation and impairment losses	
Balance as at 30 June 2016	(39,077)
Amortisation expense (i)	(4,914)
Balance as at 30 June 2017	**(43,991)**
Amortisation expense (i)	(3,298)
Balance as at 30 June 2018	**(47,289)**
Net book value	
As at 30 June 2017	12,111
As at 30 June 2018	11,831
Software works in progress – at cost	
As at 30 June 2017	985
As at 30 June 2018	5,848
Total intangible assets	
As at 30 June 2017	13,096
As at 30 June 2018	17,679

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

	2018 $'000	2017 $'000

C7 NON-CURRENT FINANCIAL ASSETS

	2018 $'000	2017 $'000
Derivative contracts (at fair value) (note E1)	71,550	132,630
	71,550	132,630

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.

	2018 $'000	2017 $'000
Trade payables	111,552	143,102
Accrued expenses	787	588
Accrued REC expenses	18,328	19,665
	130,667	163,355

All trade payables and accrued expenses are unsecured

C9 OTHER CURRENT LIABILITIES

	2018 $'000	2017 $'000
Income received in advance	26,613	24,698
Derivative contracts (at fair value)	4,535	7,293
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	20,809	24,057
Other	112	98
	52,069	56,146

C10 OTHER NON-CURRENT LIABILITIES

	2018 $'000	2017 $'000
Derivatives contracts (at fair value)	6,211	2,050
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	58,007	108,307
	64,218	110,357

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.

	2018 $'000	2017 $'000

D1 CURRENT EMPLOYEE PROVISIONS

	2018 $'000	2017 $'000
Employee entitlements:		
Annual leave	1,316	1,112
Long service leave	901	564
Superannuation	259	201
Retirements Benefits Fund (note D(ii))	50	41
	2,526	1,918
Other current provisions:		
Payroll tax	151	114
Provision for restructuring	-	-
	151	114
Total current provisions	2,677	2,032

D2 NON-CURRENT EMPLOYEE PROVISIONS

	2018 $'000	2017 $'000
Employee entitlements:		
Long service leave	723	774
Superannuation	68	72
Retirements Benefits Fund (note D(ii))	2,224	2,291
	3,015	3,137
Other non-current provisions:		
Payroll tax	48	52
Total non-current provisions	3,063	3,189

D3 NET TRANSFER (TO)/FROM EMPLOYEE PROVISIONS:

	2018 $'000	2017 $'000
Employee entitlements	(486)	(41)
Payroll tax	(33)	(31)
Provision for restructuring	-	-
	(519)	(72)
Provision for restructuring		
Opening balance	-	-
Additional provision	-	86
Utilised	-	(86)
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)(resigned 22/02/18)
Mrs R. Kardos (Chief Executive Officer/managing director)
Ms M. Brooks (General Manager People and Performance)
Mr K. Ingham (General Manager Commercial Services)
Mr G. Russell (Chief Operating Officer)
Mr O. Cousland (Company Secretary)
Ms M. Percival (General Manager Marketing and Product)(commenced 21/08/17)
Mr P. Lane (Chief Information Officer)(resigned 14/12/17)
Mr S. Weber (Acting Chief Information Officer)(8/11/17 to 25/02/18)
Mr S. Weber (Chief Information Officer)(commenced 26/02/18)

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

	2018 $	2017 $
Short-term employee benefits	1,741,229	1,453,974
Post-employment benefits	167,349	141,836
Other long-term benefits	78,793	40,656
Termination benefits	8,357	39,206
	1,995,728	1,675,672

There were no short-term incentive payments in 2017 or 2018.

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:

2018

Director	Directors' Fees $	Committee Fees $	Super-annuation[1] $	Other[2] $	Total 2018 $
Ms C. Demarte PSM – Chair	56,881	5,058	5,998	1,200	69,137
Mrs Y. Rundle	38,021	7,586	4,447	1,200	51,254
Mr T. James	38,021	7,586	4,447	1,200	51,254
Mr C. O'Reilly – resigned 22/02/18	24,507	3,299	2,746	1,100	31,652
Total	**157,430**	**23,529**	**17,638**	**4,700**	**203,297**

2017

Director	Directors' Fees $	Committee Fees $	Super-annuation[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**

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

D4 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Executive remuneration

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

2018

Executive Remuneration	Salary[1] $	Short term incentive payments[2] $	Super-annuation[3] $	Other benefits[4] $	Total Remun-eration Package $	Termination benefits[5] $	Other long term benefits[6] $	Total 2018 $
Mrs R. Kardos	341,895	0	23,626	0	365,521	0	15,754	381,275
Ms M. Brooks	184,213	0	17,509	0	201,722	0	9,104	210,826
Mr K. Ingham	216,618	0	20,589	0	237,207	0	7,939	245,146
Mr G. Russell	272,646	0	19,906	0	292,552	0	4,753	297,305
Mr O. Cousland	174,292	0	16,566	0	190,858	0	15,465	206,323
Ms M. Percival – commenced 21/08/17	158,849	0	31,877	0	190,726	0	17,201	207,927
Mr P. Lane – resigned 14/12/17	90,544	0	8,607	0	99,151	8,357	-3,267	104,241
Mr S. Weber – commenced 8/11/17	116,513	0	11,031	0	127,544	0	11,844	139,388
Total	**1,555,570**	**0**	**149,711**	**0**	**1,705,281**	**8,357**	**78,793**	**1,792,431**

2017

Executive Remuneration	Salary[1] $	Short term incentive payments[2] $	Super-annuation[3] $	Other benefits[4] $	Total Remun-eration Package $	Termination benefits[5] $	Other long term benefits[6] $	Total 2017 $
Mrs R. Kardos	330,420	0	31,408	0	361,828	0	16,476	378,304
Ms M. Brooks	180,470	0	17,155	0	197,625	0	1,169	198,794
Mr K. Ingham	212,676	0	20,215	0	232,891	0	2,905	235,796
Mr G. Russell	263,780	0	25,074	0	288,854	0	7,758	296,612
Mr O. Cousland	157,987	0	15,016	0	173,003	0	9,961	182,964
Mr G. Taylor – 01/07/16 to 01/11/16	64,409	0	9,849	0	74,258	39,206	-880	112,584
Mr P. Lane – commenced 03/04/17	52,680	0	5,007	0	57,687	0	3,267	60,954
Total	**1,262,422**	**0**	**123,724**	**0**	**1,386,146**	**39,206**	**40,656**	**1,466,008**

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

[4] 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.

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

[6] Other long term benefits include annual and long service leave movements.

D4 KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Remuneration Principles

Non-Executive Directors

Non-executive directors are appointed by the Treasurer and Portfolio Minister. Each instrument of appointment is for a maximum period of three years and prescribes the relevant remuneration provisions. Directors can be reappointed. The level of fees paid to the non-executive directors is administered by the Department of Premier and Cabinet, as is additional fees paid in respect of their work on Board committees.

Executive remuneration

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines, dated May 2018. 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 May 2018, 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 P. Lane who resigned, effective 14 December 2017 and was paid $8,357 representing the balance of his accrued annual leave.

Section E

Risk and fair value

E1 FINANCIAL INSTRUMENTS

Accounting Policy

Derivative Financial Instruments

The Company enters into various financial instruments in the form of electricity swaps in order to manage financial exposures faced by the Company from its operations. In accordance with its Treasury and Energy Risk Policies, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss on the statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss on the statement of comprehensive income depends on the nature of the hedge relationship. On the date the contract is entered, each contract is recorded in Aurora Energy's hedge accounting system where the relevant effectiveness tests and documentation is created at inception and all further designation and valuation data is recorded. The fair value of a hedging instrument is presented as current or non-current based on the timing of the contractual cash flows, with cash flows expected to be realised or settled after 12 months classified as non-current and cash flows expected to be realised or settled within 12 months classified as current. Other derivatives are presented as current assets or current liabilities.

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

Hedging

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

Fair value hedges

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or losses relating to ineffective portions are recognised immediately in profit or loss on the statement of comprehensive income. Amounts deferred in equity are recycled in profit or loss on the statement of comprehensive income in the periods when the hedged item is recognised in profit or loss on the statement of comprehensive income. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

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

E1 FINANCIAL INSTRUMENTS (CONTINUED)

(a) Capital risk management

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

The Shareholders have determined that Aurora Energy as a standalone retailer of electricity should have no debt.

(b) Categories of financial instruments

	2018 $'000 Carrying amount	2017 $'000 Carrying amount
Financial assets		
Loans and receivables		
- Cash and cash equivalents	32,118	46,309
- Trade and other receivables	46,398	55,364
- Market traded receivables	3,964	27,488
Financial liabilities		
Amortised cost		
- Trade and other payables and bank overdraft	111,552	143,102
Derivative instruments		
- Electricity swaps, futures and options – note E1(f)	148,837	176,110

(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.

E1 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

(e) Liquidity risk management

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

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

E1 FINANCIAL INSTRUMENTS (CONTINUED)

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

2018	Weighted average effective interest rate %	1 year or less $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000
Financial assets					
Cash and short term deposits	1.71	32,118	-	-	-
Trade and other receivables	-	46,398	-	-	-
Market traded receivables	-	3,964	-	-	-
Electricity derivatives	-	88,919	28,860	33,130	15,661
		171,399	28,860	33,130	15,661
Financial liabilities					
Trade and other payables	-	111,552	-	-	-
Electricity derivatives	-	4,577	5,680	858	-
		116,129	5,680	858	-

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	-	53,277	50,005	53,876	40,518
		182,438	50,005	53,876	40,518
Financial liabilities					
Trade and other payables	-	143,102	-	-	-
Electricity derivatives	-	7,420	2,072	262	-
		150,522	2,072	262	-

E1 FINANCIAL INSTRUMENTS (CONTINUED)

(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.

2018	**1 year or less $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**Over 5 years $'000**	**Total**
Assets					
Derivatives designated hedge in a cash flow relationship	66,840	13,820	119	-	80,779
Derivatives designated in a fair value hedge relationship	20,814	14,256	30,215	13,225	78,510
Derivatives not in designated hedge relationship	379	-	-	-	379
	88,033	28,076	30,334	13,225	159,668
Liabilities					
Derivatives designated hedge in a cash flow relationship	(4,534)	(5,482)	(815)	-	(10,831)
Derivatives designated in a fair value hedge relationship	-	-	-	-	-
Derivatives not in designated hedge relationship	-	-	-	-	-
	(4,534)	(5,482)	(815)	-	(10,831)
Total asset/(liability)	83,499	22,594	29,519	13,225	148,837

2017	**1 year or less $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**Over 5 years $'000**	**Total**
Assets					
Derivatives designated hedge in a cash flow relationship	28,761	24,242	865	-	53,868
Derivatives designated in a fair value hedge relationship	24,062	24,517	49,052	34,173	131,804
Derivatives not in designated hedge relationship	-	-	-	-	-
	52,823	48,759	49,917	34,173	185,672
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)	45,530	46,737	49,670	34,173	176,110

E1 FINANCIAL INSTRUMENTS (CONTINUED)

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 (2017: $10), up and down, has been used in the analysis for 30 June 2018. 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)
2018		
Electricity forward price	37/(37)	30,459/(30,459)
2017		
Electricity forward price	119/(119)	28,139/(28,139)

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 or differences in the discount rates applied in valuing fair value hedges and their underlying hedged asset or liability that is attributable to the hedged risk. There were no ineffective cash flow hedges as at 30 June 2017 and one in 2018. Equity would increase/(decrease) as a result of electricity derivatives which do qualify for cash flow hedge accounting under AASB 139 and any profit or losses arising from fair value hedges or ineffective cash flow hedges.

(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.

E1 FINANCIAL INSTRUMENTS (CONTINUED)

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 data (unobservable inputs).

30 June 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative instruments				
- Electricity swap, futures and options – note E1(f)	-	148,837	-	148,837

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

30 June 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative instruments				
- Electricity swap, futures and options – note E1(f)	-	176,110	-	176,110

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 2018:

	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
Assets measured at fair value					
Derivative financial assets					
Electricity derivatives	30 June 18	159,668	-	159,668	-
Revalued property, plant and equipment					
PayGuard devices	30 June 18	577	-	-	577

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

	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
Liabilities measured at fair value					
Derivative financial liabilities					
Electricity derivatives	30 June 18	10,831	-	10,831	-

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 2017:

	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
Assets measured at fair value					
Derivative financial assets					
Electricity derivatives	30 June 17	185,453	-	185,453	-
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

	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
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

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, ending 30 June 2021. The remaining useful life was reassessed as part of the 2018-19 Corporate Plan. The useful life has been extended by 1 year to 30 June 2022.

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.

	2018 $'000	2017 $'000
Issued and paid-up capital		
112,700,004 ordinary shares, fully paid	50,212	50,212

	2018 No.	2018 $'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

	2018 $'000	2017 $'000
Balance at beginning of year	26,267	33,435
Net profit attributable to members of the entity	13,248	19,423
Dividend provided/paid (note B4)	(17,606)	(27,000)
Actuarial gain/(loss) on RBF defined benefit plan net of tax (note D(ii))	(1)	409
Balance at end of year	21,908	26,267

F3 RESERVES

	2018 $'000	2017 $'000
(a) Reserves comprise		
Asset revaluation reserve	136	118
Cash flow hedge reserve	48,964	31,014
	49,100	31,132
(b) Movements in reserves		
Asset revaluation reserve		
Balance at beginning of year	118	103
Revaluation of assets in the year	25	21
Deferred tax liability arising on revaluation	(7)	(6)
Balance at end of year	136	118
Cash flow hedge reserve		
Balance at beginning of year	31,014	24,602
Gain/(loss) recognised		
Electricity price swaps	47,220	49,240
Transferred to (profit) or loss		
Electricity price swaps	(21,577)	(40,080)
Deferred tax arising on hedges	(7,693)	(2,748)
Balance at end of year	48,964	31,014

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

	2018 $	2017 $
Amounts received, due and receivable, by the Auditor-General from the Company for:		
Auditing the accounts of the Company	109,000	109,400
Auditing Financial Services Licence	6,000	12,000
	115,000	121,400

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.

	2018 $'000	2017 $'000
Operating leases		
Non-cancellable operating lease payments		
Not longer than 1 year	1,030	722
Longer than 1 year and up to 5 years	794	1,134
Longer than 5 years	–	–
	1,824	1,856

Note F7 relates to property leases.

The Company leases property with the major operating lease expiring in 1.75 years. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on movements in the Consumer Price Index.

All commitments are listed net of GST.

F8 OTHER ACCOUNTING POLICIES

(a) Goods and services tax

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

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

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

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

(b) Impairment of assets

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

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

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

F9 SUBSEQUENT EVENTS

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

Independent Auditor's Report

To the Members of Aurora Energy Pty Ltd

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 2018, 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 2018 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 of the Company 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 $79.91m. 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 E2*	
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 2018, derivative financial assets totalled $159.60m and derivative financial liabilities totalled $10.75m. 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 2018. • 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 2018, 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.

S. Morrison

Stephen Morrison
Assistant Auditor-Financial Audit Services
Delegate of the Auditor-General

Tasmanian Audit Office

9 August 2018
Hobart

aurora energy