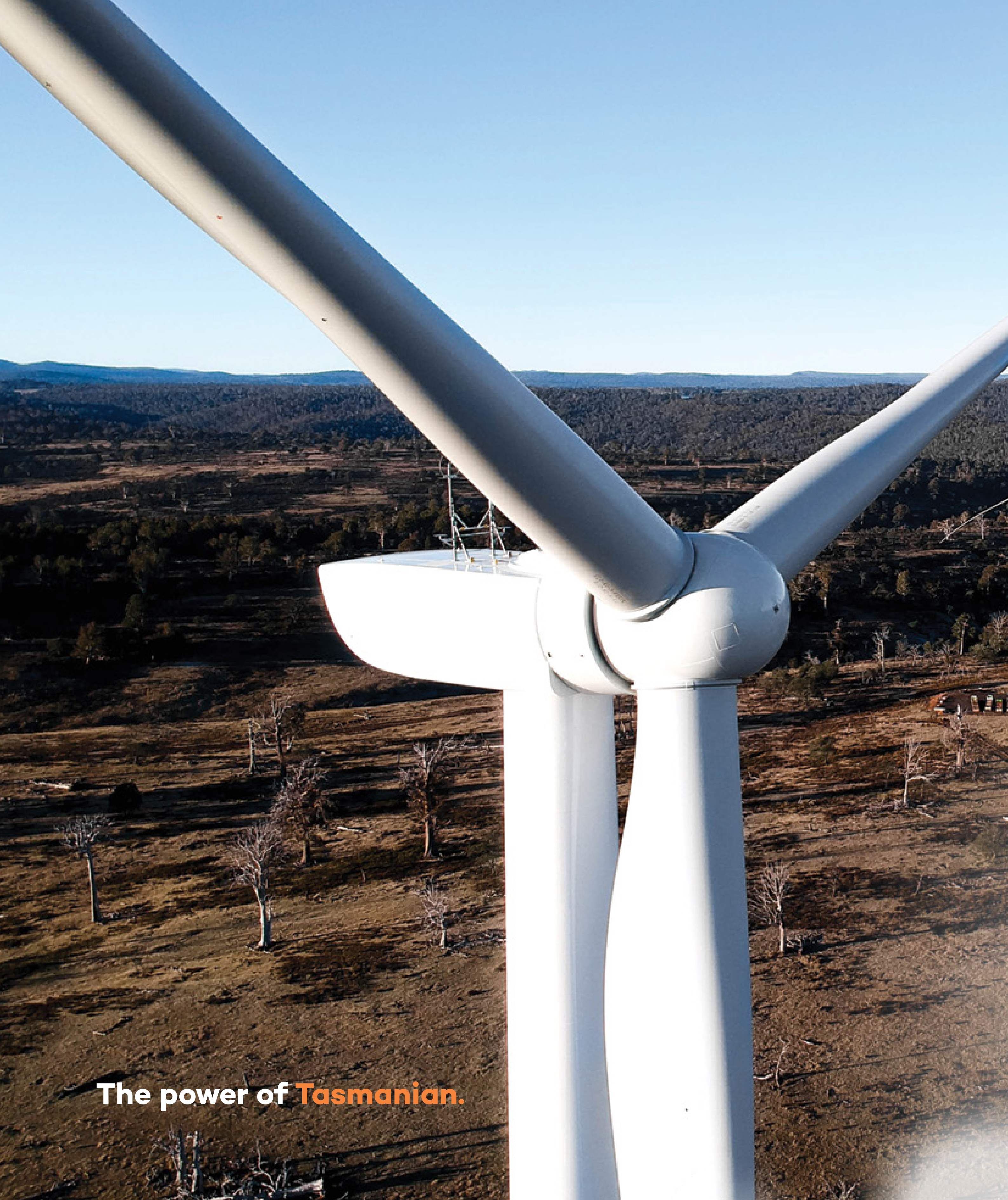
Annual Report.
2018 - 2019

aurora energy


The power of Tasmanian.

Contents.

2018 – 2019

The year at a glance.

Launched new digital APAYG product

Won the Volunteering Tasmania Corporate and Civic Volunteering Award

8,935 people applied for the Tasmanian Energy Efficiency Loan Scheme

Improved customer experience including the launch of new website

Assisted a further 190 Tasmanians to access the NILS Energy Saver Loan and Subsidy program

Helped 1,146 customers get back on top of their bills through the YES program

- Zero major retailer regulatory breaches / non-compliances occurred
- Continued focus on vulnerable customers
- Returned $14.8M to the Tasmanian Government which remains in the state
- Provided support to more than 80 not-for-profit community organisations and activities
- Claimed an Australian Information Industry Association's iAward
- Became a founding signatory of the Energy Charter

Greetings from the Chair

It's an exciting time to join Aurora Energy as the business embarks on a customer-led journey guided by its new strategy. I look forward to being a part of it and embracing the next phase of Aurora Energy. The role builds on the long association I've enjoyed with Tasmania, including in my current position as chair of Institute of Marine and Antarctic Studies at University of Tasmania.

- Mary O'Kane

Chair and CEO Review.

It is with pleasure that we present the 2018-19 Annual Report on behalf of the Board and management of Aurora Energy.

Reimagining Tasmanians' energy experience was at the forefront of our focus and performance this year. Despite ongoing developments and challenges in the external environment, we remained focused on improving our customers' experience. This was achieved through delivering initiatives aimed at helping them to make the most of energy in a way that gives them choice, convenience and control.

Performance

We delivered strong results to our Shareholders and the broader Tasmanian community across a range of customer, operational and financial performance targets in 2018-19.

Aurora Energy's financial performance remained sound with an underlying profit before tax of $44.5M. This again allowed us to meet our commitment to Shareholders, enabling the business to return $14.8M to the Tasmanian Government. Operating costs amounted to $44.7M, representing a continued focus on cost control, whilst ensuring appropriate investment to deliver what our customers value and expect.

The customer loyalty score of +48 showed strong year-on-year improvement and demonstrated our commitment to supporting customers in Tasmania. This continued focus on treating customers with care and respect resulted in us remaining compliant within the National Energy Customer Framework for a second consecutive year.

Our employee engagement score declined this year, with employees reporting a culture that is unpredictable and at times conflicting. While these results are disappointing, they have validated our areas of focus as we strive to improve the experience of our people and position ourselves for the future.

Making a difference

Creating and delivering value for our customers and the community continued to be a key focus for the financial year.

The roll-out of Aurora Pay As You Go Plus demonstrated this commitment, by delivering an innovative new way for Tasmanians to manage their energy. Our focus was to develop a digital product offering to enable customers to better understand their energy costs and conveniently be able to manage them. It is an example of how we continue to listen to our customers, and we're excited about designing more innovative products and services to meet their needs.

In the community where we work and live, we continued to support Tasmanians via a range of investments and partnerships. In 2018-19, our backing of the nation's transition to renewable generation hit a milestone, with the first of 48 wind turbines being erected at the Cattle Hill Wind Farm, located in the Central Highlands. Aurora Energy is the only Tasmanian energy retailer partnering in large scale renewable energy projects in the state, and through it, we are supporting economic growth together with the Tasmanian Government's goal of being 100 per cent renewable by 2022.

Through our Community Program we delivered our second round of community grants. The grants assist to deliver projects or programs that make a difference in the lives of vulnerable Tasmanians. In all, we supported more than 80 not-for-profit organisations and activities both state-wide and in regional communities across Tasmania.

We were also proud to become a founding signatory of the Energy Charter and the only Tasmanian organisation to do so. The Energy Charter is focused on delivering energy in line with community expectations and the Board is committed to the principles of the Charter, designed to put the customer at the centre of our business.

Empowering people

We acknowledge our passionate and hard-working people for their unwavering effort, maintaining a high level of performance throughout the past 12 months amid an uncertain and disruptive environment. We remain committed to the ongoing development of our people to enable us to continue to deliver effectively to our customers in a changing landscape.

We encourage our people to be active participants in the community. Since launching our corporate volunteering program in December 2018, over 40 per cent of employees have participated in a volunteering activity and created meaningful connections with their local community.

In 2019-20, the outlook in the energy industry again appears uncertain, however we welcome the opportunities that will arise from further change, as the business continues to harness the skills and capabilities to thrive in this environment. As always our strong commitment to Tasmania and focus on the community will remain.

Mary O'Kane
Chair

Rebecca Kardos
Chief Executive Officer


mmm...
mmm...
mmm...
taste
relax
T2
NEVER
AGAIN

The Power of Innovation.

We provide innovative solutions because we listen to what our customers want.

Once operational, Cattle Hill Wind Farm will produce enough clean energy to power approximately 63,500 Tasmanian homes.

Providing greater control and convenience

Aurora Pay As You Go Plus (PAYG+) was launched in early 2019 to provide customers with greater control and visibility of their energy use.

Aurora PAYG+ is among the first product of its kind in Australia utilising advanced meters to give customers visibility of their daily energy usage in dollar terms, helping them understand how they are using energy and to take action to control their energy costs.

Other key features for our customers include being able to conveniently recharge at any time from their phone or computer and receive messages on when to top up their balance to remain in credit.

Aurora PAYG+ is being rolled out to Pay As You Go customers by region across Tasmania throughout 2019.

> "Having been a user of the previous Pay As You Go service for several years, I find Aurora PAYG+ to be easy to use and full of useful information on my energy usage, plus there's the obvious bonus of being able to manage it all from the app on my phone."
>
> **Felix Shepherdson,**
> **Aurora PAYG+ customer**

Aurora PAYG+ customer Felix Shepherdson

Improving energy efficiency in Tasmanian homes and businesses

The Tasmanian Energy Efficiency Loan Scheme (TEELS) closure in April 2019 marked the end of the successful joint initiative between Aurora Energy, the Tasmanian Government and Westpac.

The response to TEELS since being launched in May 2017 was overwhelming, with almost 9,000 customers at the closure of the scheme applying to take the first step to making practical changes within their homes and small businesses to help improve their energy efficiency.

The scheme has assisted Tasmanians to purchase energy efficient products such as solar panels and heat pumps via no-interest finance of up to $10,000.

> "Solar panels weren't really an affordable option. We had just built a house so cash flow was non-existent and TEELS enabled us to get solar panels on straight away after finalising the build."
>
> **Emma Bailey,**
> **TEELS customer**

Strengthening Tasmania's energy security and reaching renewable future

The first of 48 wind turbines was erected at the Cattle Hill Wind Farm, located in the Central Highlands, in May 2019.

The construction of the 148.5MW wind farm enhances Tasmania's renewable energy credentials, while also providing a major boost to our local economy.

A major tower supply contract was awarded to Crisp Bros. & Haywards, which will see 20 per cent of the tower components required for the turbines manufactured in the state by the Haywards team in Launceston.

Our long-term partnership with Goldwind will assist us to meet our obligations under national renewable energy legislation through the purchase of Tasmanian-generated renewable energy certificates produced by the wind farm.

The construction of the $300M project is anticipated to be fully operational in late 2019.

The Power of Community.

We care about the Tasmanian community because it's our community too.


700 Art and Play
CARS
Room 1
5/6 Lennard

Making a difference in the lives of vulnerable Tasmanians

We offer multiple grants of up to $5,000 to support projects or programs that help disadvantaged Tasmanians. In 2018-19, we delivered another successful round of our program.

Giant Steps Tasmania purchased brand new iPads and specialised Proloquo2go apps, a symbol-based communication app that gives a voice to those who have difficulty communicating.

> "Some of our students are non-verbal which means that they talk very little, if at all. We find that students who are able to use their iPads to communicate their thoughts and feelings, giving them an actual voice – sometimes for the first time in their life – have fewer incidents of behaviours that can disrupt their learning."
>
> **Tim Chugg,**
> **Giant Steps Tasmania Principal**

Producing practical and long-term benefits for our community

We are passionate about partnering with non-profit organisations to help break the cycle of disadvantage.

Alannah & Madeline Foundation

Our partnership with The Alannah and Madeline Foundation enables 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 internet gives us great opportunities to learn and connect, but we need to ensure our students have the skills to be are safe and confident. This partnership is very important to all Tasmanian families."
>
> **Lesley Podesta,**
> **Alannah & Madeline Foundation CEO**

Neighbourhood Houses Tasmania

We identified Neighbourhood Houses Tasmania as a key partner in 2018 to expand the reach of the Your Energy Support (YES) program across its state-wide network of 35 houses, with the aim that each House becomes an active advocate of YES and assists to increase referrals at the grass-roots level.

SPEAK UP! Stay ChatTY

We entered into an agreement with SPEAK UP! Stay ChatTY in 2018 to assist the team to carry out their valuable work to raise awareness about mental health and suicide in Tasmania.

Tasmanian Men's Shed Association

Our ongoing partnership helps promote the work of 55 member sheds throughout Tasmania to achieve a cohesive network of sheds. In 2018, we expanded our support to include the delivery of a new micro-grants initiative that directs $1,500 across three projects conducted by individual member sheds.

The Smith Family

Our relationship aims to inspire 50 students (25 primary school and 25 high school) in the north-west of the state to value education by providing financial support for education-related expenses and linking families to vital out-of-school learning programs and educational opportunities through the Learning for Life program.

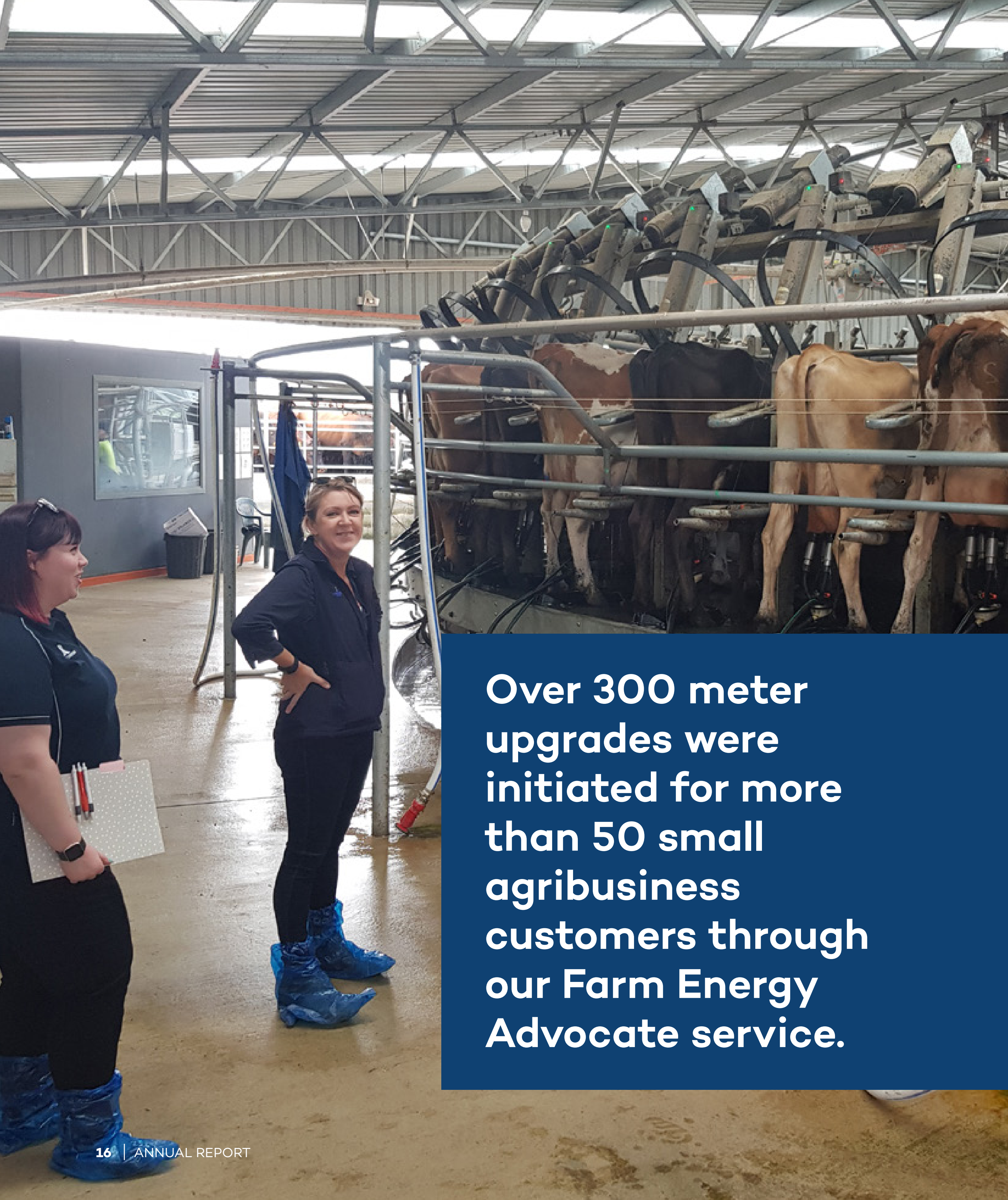
The Association for Children with Disability

We continue 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.


COPPO
2000

The Power of Customers.

We understand the unique energy needs of Tasmanians because we’re local.



Over 300 meter upgrades were initiated for more than 50 small agribusiness customers through our Farm Energy Advocate service.

Helping customers to get back on top of bills

Aurora Energy fully supports customer choice and the ability for Tasmanians to choose their electricity retailer, and we will continue to assist all of our customers to meet their own energy needs.

Our Your Energy Support (YES) program is available to customers who are having trouble keeping up with paying their energy bill.

Working with our customers, the YES team can work out an affordable payment plan to help customers take control of their energy usage and bill.

They give customers energy saving tips and advice to help them understand how they are using their energy and ways to reduce electricity costs.

A continued focus on expanding the reach and impact of the YES program has enabled 1,146 customers to successfully complete the program in 2018-19. The program also reached 1,965 new customers during the year and has assisted over 9,600 customers since its creation in 2014.

Through YES, we also provided home energy audit visits, phone support and financial literacy advice for our customers in partnership with Anglicare Tasmania.

> "I have been a customer of Aurora Energy for over 3 years since living in Tasmania. I managed to get a little behind in my gas and electricity accounts and [entered] the YES program, to allow myself to pay my bills in instalments while still maintaining my connections. As a low income earner this has been really helpful. Every quarter I discuss my accounts with very friendly staff who are prepared to go the extra mile to help keep my bills down. I grew up in New South Wales and several other energy companies I have been through have never offered this form of assistance.
>
> Every time I have had an account issue, I've always been greeted with exceptionally friendly and respectful service. I honestly can't complain about anything... Thank you to the girls in the YES team for respecting my position at times when money is tight. You're respectfulness couldn't be more appreciated. Keep up the great work. I have no intentions of going anywhere else."
>
> **YES program customer**

Supporting low-income Tasmanians

The No Interest Loans (NILS) Energy Saver Loan and Subsidy program assists in making practical and sustainable changes to those customers most in need.

In 2018-19, we provided $215,000 additional funding to the program which offers 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 program saw a substantial uptake, with more than 190 applications processed by NILS for the purchase of energy efficient products for low-income households. Since November 2015, Aurora Energy has provided over $1.8M in funding to the program.

> "I used to have gas heating and found it very expensive to run. I would usually spend $60 a week in winter but that's been reduced to $10 a week now – it's a huge saving."
>
> "On top of that I've got efficient cool air now coming through on a hot summer day. It's such a brilliant initiative and you'd be mad if you didn't look into it."
>
> **Ray Turner,**
> **NILS Energy Saver Loan and Subsidy program recipient**

Reaching our rural customers

Dairy farmers in the far North West reaches of the state are among a number of farm business customers who have benefited from our Farm Energy Advocate service since its launch in 2018.

The service offers specialist advice and information to help farmers better manage energy usage and costs, including reviewing account set ups and tariff assessments, as well as referrals to other tailored support services.

Following attending Dairy Tasmania's 'All About Energy' field days, we have initiated over 300 meter upgrades for more than 50 small agribusiness customers, including the North West Legendairy Ladies group, with many found to benefit from a change in their tariff or contract arrangements.

We will continue to work closely alongside farm business customers to ensure rural members of our community are well supported.

The Power of People.

We invest in our people because we believe in supporting Tasmanians.


The Smith Family
everyone's family
#sharechristmas
likes
It's only Christmas when we share it. #sharechristmas

Developing our people

We are committed to the ongoing development of our people to provide growth opportunities which enable us to continue to deliver effectively to our customers in an increasingly challenging environment.

In 2018, the Lead to Achieve program was launched, designed to enhance our leaders' ability to adapt and lead the business in the face of ongoing external developments and increased complexity.

We also supported employees to complete a nationally recognised qualification (Certificate III and IV in Business, and a Diploma in Leadership and Management) in 2018-19, with the content of both courses customised to support our operational deliverables. This brings the total number of employees to have obtained such a qualification to more than a third of the business.

We also piloted a coaching program focussed on proactive customer engagement skills to enhance needs diagnosis and customer experience.

Giving back to the community

We encourage our employees to be active participants in the community to help make a difference.

In December 2018, we launched our corporate volunteering program, giving employees the opportunity to create meaningful connections with their local community.

Since its inception, more than 40 per cent of Aurora Energy employees have participated in a volunteering activity, including manual warehouse support, assisting charities with Christmas giving programs, packing food hampers and donating blood.

> "The general sense across the room for all of us is that it was a really big realisation of how lucky we are, and it was an experience that was quite humbling and made you look at things from a different perspective."
>
> **Danijela,**
> **Aurora Energy Recruitment Advisor**

Recognising our peers

We actively encourage employees to recognise the achievements of others who exemplify the Values and Behaviours of the business through our reward and recognition program.

> "It's nice to have the opportunity to highlight the great work your colleagues do and be recognised in return."
>
> **Kristelle,**
> **2018 Perpetual Spark winner**

Aurora winning the 2019 Volunteering Tasmania Corporate and Civic Volunteering Award

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
- 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 2018-19 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 strategic vision, ***'Tasmanians' energy experience reimagined'*** reflects that the energy experience it provides its Tasmanian customers is paramount to its success as a stand-alone energy retail business. In delivering this vision, Aurora Energy will engage closely with Tasmanians and leverage customer insights to provide its customers with the experience, products and services, value and choice they expect.

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 Experience*: providing an exceptional holistic experience that aligns with the expectations and values of our customers;
- *Innovative:* investing in our people and partners to enable innovation, ensuring our people experience drives our customer experience;
- *Adaptive:* taking an adaptive mindset to our operating model, systems and processes to support the transformation of our customer experience; and
- *New Value:* identifying and realising new growth areas to create a balanced and sustainable portfolio beyond the traditional model of energy consumption.

Key Performance Measures

Strategic Theme	Key Performance Indicator	Performance Measure	2018-19 Target	2018-19 Actual	Outcome
CUSTOMER EXPERIENCE Providing an exceptional holistic experience that aligns with the expectations and values of our customers.	Customer Loyalty	Customer satisfaction and loyalty score	+36	+48	●
CUSTOMER EXPERIENCE Providing an exceptional holistic experience that aligns with the expectations and values of our customers.	Customer Retention	Total share of Tasmanian grid consumption within forecast	Within Forecast	Within Forecast	●
CUSTOMER EXPERIENCE Providing an exceptional holistic experience that aligns with the expectations and values of our customers.	Brand Health	Brand Health indicator score	32%	32%	●
ADAPTIVE Taking an adaptive mindset to our operating model, systems and processes to support the transformation of our customer experience.	Financial: Profitability	Annual profit after tax target (PAT)	$18.2M	$7.7M	●
ADAPTIVE Taking an adaptive mindset to our operating model, systems and processes to support the transformation of our customer experience.	Financial: Profitability	Return on equity	19.9%	6.4%	●
ADAPTIVE Taking an adaptive mindset to our operating model, systems and processes to support the transformation of our customer experience.	Financial: Profitability	Annual returns to Government ($M per year – Accruals)	$24.3M	$14.8M	●
ADAPTIVE Taking an adaptive mindset to our operating model, systems and processes to support the transformation of our customer experience.	Financial: Operating Cost Efficiency	Regulated Cost to Serve per Customer	Within Allowance	Within Allowance	●
ADAPTIVE Taking an adaptive mindset to our operating model, systems and processes to support the transformation of our customer experience.	Strategic Delivery: Major Project	Major Project (>$2M) Performance	80%	94%	●
ADAPTIVE Taking an adaptive mindset to our operating model, systems and processes to support the transformation of our customer experience.	Compliance	Maximum Quarterly Report Non Compliance events related to NECF	0	0	●
INNOVATION Investing in our people and partners to enable innovation, ensuring our people experience drives our customer experience.	Employee Safety	Medically-Treated Injury Frequency Rate	0	1	●
INNOVATION Investing in our people and partners to enable innovation, ensuring our people experience drives our customer experience.	Employee Engagement	Employee engagement score	65%	41.9%	●

Performance Commentary

Aurora Energy's underlying financial performance was strong in 2018-19 and on track to exceed the financial targets for the year. However, the financial performance reflects the recognition of a provision for an onerous contract, relating to the forward purchase agreement of energy related products to 2030. This resulted in Aurora Energy meeting or exceeding a total of six out of 11 key performance indicators for 2018-19.

The customer loyalty score for 2018-19 demonstrated Aurora Energy's commitment to supporting customers in Tasmania. The customer loyalty score again showed strong year-on-year improvement. It was well above the target for the financial year at an average of +48, with a significant achievement of +54 occurring in May 2019 being the highest Aurora Energy has recorded for the key performance indicator.

There were no Quarterly Report (formerly Type 1) compliance breaches during the financial year, bringing Aurora Energy to two years without a breach of this kind and demonstrating its ability to operate effectively within the National Energy Customer Framework.

One medical incident was reported for Aurora Energy during 2018-19, resulting in a lost-time injury with consideration being given to improving incident management across the business. Following assistance on the day and a short-term recovery period, the employee was able to return to work.

Aurora Energy's employee engagement score decreased for a second consecutive year to 41.9 per cent from 50 per cent in the prior year. Over the next 12 months Aurora Energy is resetting its operating model and a strong focus of this reset will be on driving improvements in engagement.

Corporate Govenance 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 has early adopted the ASX Corporate Governance Council's Corporate Governance Principles & Recommendations (4^{th} edition). If a contradiction arises between the two, Aurora Energy complies with the Tasmanian Government Principles to reflect their design specifically for government-owned enterprises. Aurora Energy's Shareholders have issued a series of other Guidelines designed to support and complement their Corporate Governance Principles.

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

Board Composition

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

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

Professor Mary O'Kane AC,

(Chair)

Mary was appointed Chair of Aurora Energy on 29 November 2018. Mary is a member of Aurora Energy's Board Appointments and Remuneration Committee and Board Audit, Risk and Compliance Committee. The Board recognises Mary as an independent Director.

Mrs Yvonne Rundle,

B.Bus, FCA, FAICD

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.

Mr Trevor James,

B.Bus, MAICD, FCPA

Trevor became a non-executive Director of Aurora Energy on 25 April 2016 and is Chair of the Board Appointments & Remuneration Committee and a member of its Board Audit, Risk & Compliance Committee. The Board recognises Trevor as an independent Director.

Mrs Keryn Nylander,

BA, FAICD

Keryn was appointed a director of Aurora Energy on 14 August 2018. Keryn is a member of Aurora Energy's Board Appointments and Remuneration Committee and the Board Audit, Risk and Compliance Committee. The Board recognises Keryn as an independent Director.

Mrs Rebecca Kardos,

B.CompSc, MBA, MAICD

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 to the Aurora Energy Board in November 2014. The Board recognises Rebecca is not an independent Director.

Company Secretary/ General Counsel: Mr Oliver Cousland,

LLB, B.Com, GAICD, GIA (Cert)

Oliver was appointed Company Secretary from 1 January 2016. 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 2018-19

Board Member • Formal continuing professional development undertaken this year		Board [1]		REM Committee		BARCC		Board Strategy Day	
		Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mary O'Kane	o Director since November 2018 o Chair since November 2018	6	6	1	1	3	3	1	1
Rebecca Kardos • AICD Essential Director Update	o Director since November 2014	11	11	-	-	-	-	1	1 [2]
Yvonne Rundle • Governance Institute of Australia – Tasmanian Governance Forum 2018 • Kaplan – Insurance and Risk Protection • Kaplan – Accountants SMSF • Tax Institute of Australia – 2018 Tasmanian State Convention	o Director since January 2015 o BARCC Chair from January 2015	11	11	3	3	5	5	1	1
Trevor James • AICD Essential Director Update	o Director since April 2016 o REM Chair from May 2016	11	11	3	3	5	5	1	1
Keryn Nylander • AEMO NEM Overview	o Director since August 2018	9	9	2	2	4	4	1	1

[1] Includes two circulating resolutions

[2] Attended in role of CEO

Leadership Team

From left to right

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

Ms Mel Percival, General Manager Marketing and Product

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

Mrs Michelle Brooks, B.Com, MAHRI, GAICD. General Manager People Experience

Mrs Rebecca Kardos, B.CompSc, MBA, MAICD. Chief Executive Officer

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

Mr Shaun Weber, Chief Information Officer

Corporate Governance Principles

Principle 1: Lay solid foundations for management and oversight

Aurora Energy complies with Principle 1.

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

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

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

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

The Board Charter includes the requirement to evaluate the performance of the Board annually. An evaluation review was conducted by the Board in March 2019. A list of agreed actions was developed with the Company Secretary overseeing their implementation. 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 www.auroraenergy.com.au.

Principle 2: Structure the Board to add value

Aurora Energy complies with Principle 2.

In accordance with the Constitution, the Shareholders appointed Director O'Kane as a Director for a term of three years at the 2018 Annual General Meeting (AGM). Director O'Kane was also appointed Chair at the 2018 AGM. As required under the Constitution the Chair of the Board is appointed by the Shareholders annually at the AGM. Director Nylander was appointed for a term of three years on 14 August 2018. Director James was reappointed for a further three year term on 25 April 2019.

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

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 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.

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

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

Principle 3: Promote ethical and responsible decision making

Aurora Energy complies with Principle 3.

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

The 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 Conflict of Interest, Gifts and Benefits Procedure.

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

Right to information disclosures

Aurora Energy complies with the Right to Information Act (Tas) (RTI Act). In accordance with the RTI Act, the following disclosures are provided for 2018-19.

Right to Information Act statistics 2018-19	
Number of applications received for assessed disclosures	1
Number of applications where information was disclosed in full	0
Number of applications refused and the Section.	0
Number of applications relating to exempt information and the relevant sections.	1 – Section 35 (1)
Number of applications for internal review and the outcomes.	0

Public interest disclosures

Aurora Energy is subject to the Public Interest Disclosures Act 2002 (Tas) (PID Act). In accordance with the PID Act, the following disclosures are provided for 2018-19.

Public Interest Disclosure Act statistics 2018-19	
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

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

Principle 4: Safeguard integrity in financial reporting

Aurora Energy complies with Principle 4.

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

Membership of the Committee, and meeting attendances for 2018-19, are provided earlier in this section. It is chaired by an independent director who is not the Board Chair.

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 2018 AGM.

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

Principle 5: Make timely and balanced disclosure

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

The Board approved Shareholder Communications Policy addresses the principles for timely, factual, complete and balanced information. Established processes are in place to recognise and communicate material matters routinely as well as those requiring continuous disclosure. The Chair and CEO met with Shareholders (or their representatives) frequently throughout the year.

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

Principle 6: Respect the rights of shareholders

Aurora Energy complies with Principle 6.

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

The Constitution 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.

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

Principle 7: Recognise and manage risk

Aurora Energy complies with Principle 7.

As stated under Principle 4, the Board Audit, Risk and Compliance Committee oversees the system of risk management and internal control, amongst other things. Membership of the Committee, and meeting attendances for 2018-19, are provided earlier in this section.

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 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. Membership of the Committee, and meeting attendances, are provided earlier in this section. Aurora Energy has a Board approved Executive Remuneration Policy which complies with the Shareholder's Guideline for Director and Executive Remuneration. Directors are paid remuneration as is resolved by the Shareholders from time to time. That remuneration is based on the Government Board and Committee Remuneration Framework administered by the Department of Premier and Cabinet.

The 2018-19 Financial Statements details the remuneration of directors and key management personnel, and its composition.

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

Shareholder Directions & Guidelines

In accordance with the requirements of Section 4.4 of the Members' Statement of Expectations, Aurora Energy received one Direction to undertake non-commercial activities, details of these are set out below.

Adminstration of transitional feed-in tariff

Following the Feed-in Tariff review conducted in 2018, Aurora Energy was directed to pay customers 5c per kilowatt hour loading to all transitional feed in tariff customers and that this would be reimbursed by TasNetworks for the quantity of electricity supplied to the distribution network between 1 January 2019 and 31 December 2019.

There was no material cost to undertaking this activity in 2018-19.

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 2018-19 financial year are provided in the table below.

Purchases from Tasmanian Business	
% of purchases from Tasmanian businesses	95.6%
Value of purchases from Tasmanian businesses	$985,168,252.74

Consultancies valued at more than $50,000 (ex GST)				
Name of consultant	**Location**	**Description**	**Period of engagement**	**Amount**
Fromhereon Pty Ltd	Sydney	IT strategy	05/09/18 to 30/11/18	$253,475
One Small Step Collective	Melbourne	Brand strategy	01/07/18 to 30/06/19	$185,372
Analytics 8 Pty Ltd	Melbourne	Customer insights and action strategy	28/08/18 to 30/06/19	$175,806
Deloitte	Hobart	Internal audit	01/07/18 to 30/06/19	$145,566
Strativity Group	Sydney	Customer experience strategy	01/07/18 to 30/06/19	$92,099
MinterEllison	Melbourne	Legal advice	01/07/18 to 30/06/19	$71,720
21 other consultants were engaged for $50,000 or less totalling:				**$337,421**
Total payments to consultants				**$1,261,461**

Payment of Accounts

Payment Measure	
Creditor Days	42.7
Number of accounts due for payment	3,674
Number of accounts paid on time	3,656
Amount due for payment	$1,159,210,414.83
Amount paid on time	$1,158,945,151.54
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

Two Aurora Energy employees undertook overseas travel for the Company during 2018-19. The total cost of overseas travel undertaken by the business for the period was $6,835.00.

Financial Report.

Aurora Energy Pty Ltd Financial Report for year ended 30 June 2019
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 2019.

Directors and Company Secretary

The Directors of the Company in office between 1 July 2018 and the date of this report were Mrs R. Kardos, Mrs Y. Rundle and Mr T. James.

Ms C. Demarte PSM was a Director from 1 July 2018 until her term ended on 29 November 2018.

Mrs K. Nylander joined the Board on 14 August 2018 and Professor M. O'Kane joined the Board on 29 November 2018 and both remained as Directors at the time of this report.

Mr O. Cousland was the Company Secretary from 1 July 2018 to the date of this report.

Principal Activities

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

Review and Results of Operations and State of Affairs

The following table outlines key financial information for the Company:

Indicator ($M)	2018-19	2017-18	Var.
Operating Revenue	1,008.7	982.4	26.3
Profit Before Tax	11.0	18.9	(7.9)
Total Comprehensive Income	10.4	31.2	(20.8)
Underlying Profit Before Tax[1]	44.5	18.3	26.2
Net assets	120.0	121.2	(1.2)
Cash on Hand	62.4	32.1	30.3
Shareholder Returns[2]	22.4	26.3	(3.9)

[1] Underlying Profit Before Tax is Profit Before Tax excluding unrealised derivative fair value movements and onerous contract provision movements.

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

Aurora Energy reported a Profit Before Tax of $11.0M for 2018-19 representing a decline from the prior year figure of $18.9M. This decline in earnings is largely attributable to the recognition of a provision for an onerous contract to the value $32.8M, relating to the forward purchase agreement of energy related products to 2030. Excluding this one-off adjustment, Aurora Energy has produced strong financial results for 2018-19, reporting an Underlying Profit Before Tax of $44.5M, an increase of $26.2M from 2017-18.

Aurora Energy's net asset position as at 30 June 2019 was $120.0M, a decrease of $1.2M from the previous year. This movement has predominately been due to Aurora Energy's reduced Profit before Tax for 2018-19. Aurora Energy's cash position continues to remain strong with $62.4M cash on hand as at 30 June 2019, a $30.3M increase from the previous year. The increased cash position is largely due to the strong underlying financial performance of Aurora Energy, which is unaffected by unrealised movements or provisions.

A dividend of $28.1M was recommended to the Shareholders on 8 August 2019 in relation to the earnings of the 2018-19 year.

Likely Future Developments

There remains 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. 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 through the regulatory and policy reform occurring in all aspects of the energy supply chain.

Additionally, the Tasmanian electricity market continues to change with competition entering into the small customer segment, customers continuing to install solar PV systems, and the take-up of home energy storage solutions expected to accelerate. The changing operating environment will require Aurora Energy to continue its shift in strategic focus to meet these challenges, and as such, Aurora Energy will reset its operating model over the next twelve months, further embedding a customer-first approach to the way it does business.

The lease on Aurora Energy's accommodation in Hobart expires in March 2020 and cannot be renewed. A lease for new premises is expected to be agreed within the next month.

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 III of the Financial Report.

Rounding of Amounts

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

Signed in accordance with a resolution of the Directors:

Professor M. O'Kane
Chair
8 August 2019

Mrs Y. Rundle
Director
8 August 2019

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
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Web: www.audit.tas.gov.au

8 August 2019

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 2019, 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 2019 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

Professor M. O'Kane
Chair
8 August 2019

Mrs Y. Rundle
Director
8 August 2019

Statement of comprehensive income for the financial year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue			
Sales revenue from contracts with customers		955,224	923,623
Interest revenue	B1(a)	1,521	1,470
Other revenue	B1(b)	51,916	57,350
Total revenue		1,008,661	982,443
Other (losses)/gains	**B1(c)**	**(353)**	**(10,886)**
Expenses			
Energy and network purchases		(894,119)	(854,109)
Electricity derivative fair value movements	B1(d)	97	632
Functional expenses	B1(e)	(47,311)	(41,114)
Finance costs	B1(f)	(98)	(101)
Depreciation and amortisation expense	B1(g)	(5,784)	(4,124)
Other expenses from operating activities	B1(h)	(50,089)	(53,810)
Total expenses		(997,304)	(952,626)
Profit before income tax equivalent expense		**11,004**	**18,931**
Income tax equivalent expense	B2	(3,305)	(5,683)
Profit for the year		**7,699**	**13,248**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Gain on revaluation of assets	C5,F3	10	25
Actuarial superannuation re-measurement (losses)/gains	D(ii)	(426)	(2)
Income tax equivalent relating to items that will not be reclassified subsequently	B2(b),F3	125	(6)
		(291)	17
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Gain taken to equity	F3(b),E1(h)	67,117	47,220
Transferred to profit for the year	F3(b),E1(h)	(62,910)	(21,577)
Income tax equivalent relating to item that may be reclassified subsequently	B2(b),F3(b)	(1,262)	(7,693)
		2,945	17,950
Other comprehensive income for the year net of income tax equivalent		2,654	17,967
Total comprehensive income for the period		**10,353**	**31,215**

Notes to and forming part of the accounts are included on pages 45 to 82

Statement of financial position as at 30 June 2019

	Note	2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and short term deposits	B3	62,351	32,118
Trade and other receivables	C1	166,389	152,434
Inventories	C2	9,258	23,561
Current tax asset	B2(c)	-	518
Financial assets	C3	105,587	92,154
Other current assets	C4	2,752	3,012
Total current assets		**346,337**	**303,797**
Non-current assets			
Property, plant and equipment	C5	670	1,195
Deferred tax assets	B2(d)	44,594	29,935
Intangible assets	C6	17,245	17,679
Financial assets	C7	91,178	71,550
Total non-current assets		**153,687**	**120,359**
Total assets		**500,024**	**424,156**
LIABILITIES			
Current liabilities			
Trade and other payables	C8	148,988	130,667
Current tax payable	B2(c)	4,199	-
Provisions	C9,D1	7,090	2,677
Other current liabilities	C10	59,451	52,069
Total current liabilities		**219,728**	**185,413**
Non-current liabilities			
Deferred tax liabilities	B2(d)	55,116	50,242
Provisions	C9,D2	32,629	3,063
Other non-current liabilities	C11	72,503	64,218
Total non-current liabilities		**160,248**	**117,523**
Total liabilities		**379,976**	**302,936**
Net assets		**120,048**	**121,220**
EQUITY			
Issued capital	F1	50,212	50,212
Reserves	F3	51,942	49,100
Retained earnings	F2	17,894	21,908
Total Equity		**120,048**	**121,220**

Notes to and forming part of the accounts are included on pages 45 to 82

Statement of changes in equity for the financial year ended 30 June 2019

	Note	Share Capital $'000	Asset revaluation reserve $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total equity $'000
Balance 30 June 2017		**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:						
Dividends paid	B4	-	-	-	(17,606)	(17,606)
Balance 30 June 2018		**50,212**	**136**	**48,964**	**21,908**	**121,220**
Profit for the period		-	-	-	7,699	7,699
Disposal of assets - revalued amount		-	(109)	-	109	-
Other comprehensive income		-	6	2,945	(297)	2,654
Total comprehensive income for the period		-	(103)	2,945	7,511	10,353
Transactions with owners in their capacity as owners:						
Dividend paid	B4	-	-	-	(11,525)	(11,525)
Balance 30 June 2019		**50,212**	**33**	**51,909**	**17,894**	**120,048**

Notes to and forming part of the accounts are included on pages 45 to 82

Statement of cash flows for the financial year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		1,043,913	1,043,632
Interest received		1,529	1,452
Payments to suppliers and employees		(989,359)	(1,025,793)
Interest and other finance costs paid		(2)	(1)
Income tax equivalents paid		(9,510)	(7,806)
Net cash provided by operating activities	**B3(b)**	**46,571**	**11,484**
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	-
Payment for property, plant and equipment		(421)	(188)
Payment for intangible assets		(4,392)	(7,881)
Net cash used in investing activities		**(4,813)**	**(8,069)**
Cash flows from financing activities			
Dividend paid	B4	(11,525)	(17,606)
Net cash used by financing activities		**(11,525)**	**(17,606)**
Net (decrease)/increase in cash and cash equivalents		**30,233**	**(14,191)**
Cash and cash equivalents at the beginning of financial year		**32,118**	**46,309**
Cash and cash equivalents at the end of financial year	**B3**	**62,351**	**32,118**

Notes to and forming part of the accounts are included on pages 45 to 82

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 8 August 2019.

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 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 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.

The adoption of AASB 2017-1 has no material financial impact on the financial statements of the Company.

AASB 9 *Financial Instruments* has the most relevance to Aurora Energy for hedge accounting. This standard changes the approach to hedge accounting and amended disclosures. The standard also requires changes to the impairment calculations to recognise a loss allowance for the lifetime expected credit losses on trade receivables and contract assets. An assessment of the Company's business model was made as at the date of initial application, 1 July 2018. The assessment was the classification and measurement requirements of AASB 9 did not have a material impact on the Company. The Company continued measuring at fair value all financial assets previously held at fair value under AASB 139. There are no changes in classification and measurement for the Company's financial liabilities. There was no restatement of the 2018 balances for the statement of comprehensive income or the statement of financial position. 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 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 determined that Aurora Energy's revenue recognition processes were consistent with the new standard and that there was no material impact from the introduction of AASB 15 from 1 July 2018. There was no restatement of the 2018 balances for the statement of comprehensive income or the statement of financial position.

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

- AASB 16 *Leases* new standard replacing AASB 117 for annual reporting periods on or after 1 January 2019.
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation* for annual reporting periods on or after 1 January 2019.
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement* for annual reporting periods on or after 1 January 2019.
- AASB Interpretation 23, and relevant amending standards – *Uncertainty over Income Tax Treatments* 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 16 Leases requires lessees to recognise assets and liabilities for all long term leases unless the underlying asset is of low value. While the introduction of AASB 16 will change the accounting for leases by Aurora Energy, the small number and value of leases within the business means that although there will be some additional disclosures required, the impact on the profit statement and balance sheet has been determined by the Company to be immaterial.

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

A4 Significant accounting judgements

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

A5 Comparisons with previous year

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

Section B: Detailed information on financial performance

B1 Operating Profit

Accounting Policy

Revenue recognition and unbilled electricity sales

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured.

Sales revenue from contracts with customers

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 (a contract asset). 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). Electricity and gas sales are recognised at a point in time when they pass through a meter and this is regarded as the satisfaction of performance obligations by Aurora Energy. No costs incurred in obtaining contracts with customers are recognised as contract assets.

As a practical expedient, the performance obligations remaining on contracts with customers are not disclosed as Aurora Energy has a right to consideration from customers in an amount that corresponds directly with the value to the customers of the performance obligations completed to date.

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.

		2019 $'000	2018 $'000
B1(a)	**Interest revenue**		
	Money market investments	928	779
	Bank investments	23	26
	Trade receivables	570	665
		1,521	1,470
B1(b)	**Other revenue**		
	Community service agreements[1]	40,318	40,131
	Tasmanian government energy rebates[2]	7,647	12,547
	Connection & services order fees	3,665	4,415
	Other	286	257
		51,916	57,350

[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.

		2019 $'000	2018 $'000
B1(c)	**Other gains/(losses)**		
	Losses on disposal of plant and equipment	-	(31)
	Tasmanian Energy Efficiency Loan Scheme expense[1]	(353)	(746)
	Special Energy Bonus[2]	-	(10,109)
		(353)	(10,886)

[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.

		2019 $'000	2018 $'000
B1(d)	**Electricity derivative fair value movements**		
	(Loss)/gain on derivatives in a fair value hedge accounting relationship (note E1(h))	19,337	(53,294)
	Gain/(loss) on adjustment to hedged item in a fair value hedge accounting relationship (note E1(h))	(19,656)	53,548
	Unrealised (loss)/gain on electricity derivatives at fair value through P&L (note E1(h))	(378)	378
	Realised (loss)/gain on derivatives at fair value through the P&L (note E1(c))	794	-
		97	632

		2019 $'000	2018 $'000
B1(e)	**Functional expenses**		
	Labour	(24,248)	(19,559)
	Operating lease rental expense (note F7)	(1,026)	(875)
	IT, communication and other service fees and charges	(22,037)	(20,680)
		(47,311)	(41,114)

		2019 $'000	2018 $'000
B1(f)	**Finance expenses**		
	Finance costs	(2)	(1)
	Net interest cost regarding RBF provision (note D(ii))	(96)	(100)
		(98)	(101)

		2019 $'000	2018 $'000
B1(g)	**Depreciation and amortisation**		
	Property, plant and equipment depreciation (note C5)	(958)	(826)
	Intangibles amortisation (note C6)	(4,826)	(3,298)
		(5,784)	(4,124)

		2019 $'000	2018 $'000
B1(h)	**Other expenses**		
	Credit losses on trade receivables (note C1)	(2,124)	(1,132)
	Community service agreements - discounts allowed (note B1(b))	(40,318)	(40,131)
	Tasmanian government energy rebates paid (note B1(b))	(7,647)	(12,547)
		(50,089)	(53,810)

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.

	2019 $'000	2018 $'000
(a) Income tax recognised in profit		
Tax expense comprises:		
Current tax expense	14,227	6,170
Deferred tax expense relating to the origination and reversal of temporary differences	(10,922)	(487)
Total tax expense from continuing operations	3,305	5,683
Profit before income tax equivalent expense	11,004	18,931
Income tax equivalent expense calculated at 30%	3,302	5,679
Non-deductible expenses	3	4
Income tax equivalent expense	3,305	5,683
Under/(over) provision of income tax in prior years	-	-
Income tax equivalent expense	3,305	5,683

B2 Income Tax (continued)

	2019 $'000	2018 $'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	(3)	(7)
Financial instruments & other	(1,262)	(7,693)
Provisions	128	1
	(1,137)	(7,699)
(c) Current tax assets and liabilities		
Income tax payable/(receivable):	4,199	(518)
(d) Deferred tax balances		
Deferred tax assets comprise:		
Temporary differences	44,594	29,935
Deferred tax liabilities comprise:		
Temporary differences	(55,116)	(50,242)
Net deferred liability	(10,522)	(20,307)

Taxable and deductible temporary differences arise from the following:

2019	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
Gross deferred tax liabilities:				
Property, plant and equipment	2,366	(502)	3	1,867
Financial instruments & other	47,876	4,111	1,262	53,249
	50,242	3,609	1,265	55,116
Gross deferred tax assets:				
Provisions	3,046	10,208	128	13,382
Financial instruments & other	26,889	4,323	-	31,212
	29,935	14,531	128	44,594
	(20,307)	10,922	(1,137)	(10,522)

2018	Opening balance	Charged to income	Charged to equity	Closing Balance
	$'000	$'000	$'000	$'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)

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.

	2019	2018
	$'000	$'000
Bank balances	1,380	1,004
Money market investments	60,971	31,114
Cash and short term deposits	62,351	32,118
Cash and cash equivalents	**62,351**	**32,118**

B3 Cash and short term deposits (continued)

(a) Financing facilities

The Company has access to finance facilities at 30 June 2019 as indicated below:

	2019 $'000	2018 $'000
Master Loan Facility Agreement		
Facility Limit (including guarantees)	364,000	364,000
Less drawn down	(120,000)	(120,000)
Balance	244,000	244,000
Committed Intra Day Credit Accommodation Facility		
Facility Limit	30,000	30,000
Bank overdraft		
Facility Limit	1,000	1,000
Bank guarantee		
Facility Limit	50,000	50,000
Less drawn down	-	-
Balance	50,000	50,000
Corporate Mastercard		
Facility Limit	1,000	1,000
Less drawn down	(55)	(48)
Balance	945	952

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

	2019 $'000	2018 $'000
Operating profit after income tax equivalents	7,699	13,248
Depreciation, amortisation & decommissioning costs	5,784	4,124
Loss on disposal of non-current assets	-	31
Fair value through profit or loss of financial instruments	698	(632)
Write down of onerous contract	32,844	-
(Increase)/decrease in accrued interest/market traded receivables	(15,153)	23,524
Decrease in other assets	260	272
Decrease/(increase) in inventories	14,303	(415)
(Increase)/decrease in trade and other receivables	(13,955)	3,695
Decrease in deferred and current taxes	(6,205)	(2,122)
(Decrease)/increase in trade and other payables	18,321	(32,688)
Increase in employee provisions	709	517
Increase/(decrease) in other liabilities	1,265	1,931
Other	1	(1)
Net cash provided by operating activities	46,571	11,484

B4 Dividends

Recognised amounts		
Declared and paid, dividends on ordinary shares	11,525	17,606
Unrecognised amounts	28,061	11,525

The dividend for the year ended 30 June 2019 has not been recognised in this financial report because the dividend was declared subsequent to 30 June 2019.

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 expected credit losses (ECLs). Due to their short term nature they are not discounted. Trade receivables are non-interest bearing and are generally on terms from 14 to 30 days. The balance of the allowance for ECLs is reviewed monthly using a provision matrix to measure credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

For the prior year the accounting policy was as follows:

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.

	2019 $'000	2018 $'000
Trade receivables	50,869	46,398
Accrued income	30,085	30,540
Unbilled energy sales	90,329	79,914
Provision for expected credit losses	(4,894)	(4,418)
	166,389	152,434

Of the total $50.869M (2018: $46.398M) of trade receivables, $35.330M (2018: $33.333M) are current with an average of 17.74 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.

		2019	2018
(a)	Movement in the allowance for expected credit losses of debts:		
	Balance at the beginning of the year	4,418	4,925
	Credit losses recognised on receivables	2,124	1,132
	Amounts written off as uncollectable	(3,254)	(3,788)
	Amounts recovered during the year	1,606	2,149
	Balance at the end of the year	4,894	4,418

(b) Included in the allowance for expected credit losses of debts are individually impaired trade receivables for which $0.036M (2018: $0.032M) 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 75 days overdue.

(c) Credit risk exposure of trade receivables and contract assets

2019		**Trade receivables**					
			Days past due				
	Contract assets	**Current**	**<30 days**	**30-60 days**	**61-180 days**	**>180 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Expected credit loss rate	0.43%	0.57%	3.88%	15.80%	33.81%	65.98%	
Gross carrying amount	120,414	35,533	5,929	2,114	3,730	3,563	50,869
Expected credit loss	516	202	230	334	1,261	2,351	4,378

2018		**Trade receivables**					
			Days past due				
	Contract assets	**Current**	**<30 days**	**30-60 days**	**61-180 days**	**>180 days**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Expected impairment rate	0.45%	1.88%	3.68%	15.90%	37.35%	69.13%	
Gross carrying amount	110,454	33,333	5,873	1,868	2,846	2,478	46,398
Allowance for impairment	501	628	216	297	1,063	1,713	3,917

The Company holds no collateral over these balances.

(d) Of the total receivables, $5.943M (2018: $4.965M) are renegotiated receivables and Aurora Energy has assessed on the basis of historical experience that not all will be recoverable and an allowance for credit loss of $1.415M (2018: $1.295M) has been recorded.

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.

	2019 $'000	2018 $'000
Stores (valued at cost)	113	119
Renewable energy certificates (valued at cost)	9,145	23,442
	9,258	23,561

Stores and renewable energy certificates recognised as an expense for the year ended 30 June 2019 totalled $65.424M (2018: $66.462M).

C3 Current financial assets

Interest accrued	149	157
Market traded receivables[1]	19,126	3,964
Derivative contracts (at fair value) (note E1)	86,312	88,033
Total current financial assets	105,587	92,154

[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	93	174
Customer services obligation recoveries (note B1(b))	2,655	2,831
Payroll prepaid	4	7
	2,752	3,012

C5 Property, plant and equipment

Accounting Policy

(i) Valuation

The Pay As You Go Payguard assets are carried at their written-down optimised replacement value and this equates with their fair value. The fair value measurement is categorised as Level 3.

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 end of their economic life.

C5 Property, plant and equipment (continued)

	Payguards at fair value $'000	Other at cost $'000	Total $'000
Gross carrying amount			
Balance as at 30 June 2017	4,754	2,653	7,407
Additions	-	104	104
Disposals	(31)	(1)	(32)
Net revaluation increments	58	-	58
Balance as at 30 June 2018	**4,781**	**2,756**	**7,537**
Additions	-	506	506
Disposals	(3,702)	(41)	(3,743)
Net revaluation (decrement) increments	28	-	28
Balance as at 30 June 2019	**1,107**	**3,221**	**4,328**
Accumulated depreciation and impairment losses			
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)**
Disposals	3,702	41	3,743
Net adj. revaluation increments (decrements)	(17)	-	(17)
Depreciation expense (i)	(588)	(370)	(958)
Balance as at 30 June 2019	**(1,107)**	**(2,551)**	**(3,658)**
Net book value – at recoverable amount			
As at 30 June 2018	577	534	1,111
As at 30 June 2019	-	670	670
Capital works in progress – at cost			
As at 30 June 2018	-	84	84
As at 30 June 2019	-	-	-
Total property, plant and equipment			
As at 30 June 2018	577	618	1,195
As at 30 June 2019	-	670	670

(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.

Payguards at fair value

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 an unsupported technology and from 1 December 2018 the Pay As You Go customers are being offered a new product Aurora PAYG+ that combines an advanced meter with online ability to manage their energy account or to revert to the standard residential customer contracts. The Payguard devices have been fully depreciated as at 30 June 2019.

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

	2019 $'000	2018 $'000
Payguard Assets	-	419

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 was 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 2017	52,637
Additions	3,018
Balance as at 30 June 2018	**55,655**
Additions	8,340
Balance as at 30 June 2019	**63,995**
Accumulated amortisation and impairment losses	
Balance as at 30 June 2017	(40,526)
Amortisation expense (i)	(3,298)
Balance as at 30 June 2018	**(43,824)**
Amortisation expense (i)	(4,826)
Balance as at 30 June 2019	**(48,650)**
Net book value	
As at 30 June 2018	11,831
As at 30 June 2019	15,345
Software works in progress – at cost	
As at 30 June 2018	5,848
As at 30 June 2019	1,900
Total intangible assets	
As at 30 June 2018	17,679
As at 30 June 2019	17,245

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

C7 Non-current financial assets

	2019 $'000	2018 $'000
Derivative contracts (at fair value) (note E1)	91,178	71,550
	91,178	71,550

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.

	2019 $'000	2018 $'000
Trade payables	125,507	111,552
Accrued expenses	883	787
Accrued REC expenses	22,598	18,328
	148,988	130,667

All trade payables and accrued expenses are unsecured

C9 Provisions

Accounting Policy

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.

If Aurora Energy has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision.

C9 Provisions (continued)

	2019 $'000	2018 $'000
Current employee provisions (note D1)	3,098	2,677
Current onerous contract provision*	3,992	-
	7,090	2,677
Non-current employee provisions (note D2)	3,778	3,063
Non-current onerous contract provision*	28,851	-
	32,629	3,063
Provision for onerous contract*		
Opening balance	-	-
Additional provision	32,844	-
Utilised	-	-
Unwinding of discount	-	-
Closing balance	32,844	-

* Aurora Energy has a contract for the purchase of an energy related product at a price materially higher than the forward market prices and the economic value that Aurora Energy can obtain from the product. The expense of creating the provision is included in the line item energy and network purchases on the statement of comprehensive income.

C10 Other current liabilities

Income received in advance	27,886	26,613
Derivative contracts (at fair value)	3,639	4,535
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	27,818	20,809
Other	108	112
	59,451	52,069

C11 Other non-current liabilities

Derivatives contracts (at fair value)	1,848	6,211
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	70,655	58,007
	72,503	64,218

Section D: Employee benefits

Accounting Policy

(i) Restructuring Provisions

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.

	2019 $'000	2018 $'000

D1 Current employee provisions

	2019 $'000	2018 $'000
Employee entitlements:		
Annual leave	1,492	1,316
Long service leave	1,081	901
Superannuation	301	259
Retirements Benefits Fund (note D(ii))	50	50
	2,924	2,526
Other current provisions:		
Workers compensation	(2)	-
Payroll tax	176	151
Provision for restructuring	-	-
	174	151
Total current provisions	3,098	2,677

D2 Non-current employee provisions

	2019 $'000	2018 $'000
Employee entitlements:		
Long service leave	895	723
Superannuation	84	68
Retirements Benefits Fund (note D(ii))	2,739	2,224
	3,718	3,015
Other non-current provisions:		
Payroll tax	60	48
Total non-current provisions	3,778	3,063

D3 Net transfer (to)/from employee provisions:

	2019 $'000	2018 $'000
Employee entitlements	(1,102)	(486)
Payroll tax	(36)	(33)
Provision for restructuring	-	-
	(1,136)	(519)
Provision for restructuring		
Opening balance	-	-
Additional provision	63	-
Utilised	(63)	-
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)(term ended 29/11/18)
Professor M. O'Kane (Chair, non-executive director)(commenced 29/11/18)
Mrs Y. Rundle (non-executive director)
Mr T. James (non-executive director)
Mrs K. Nylander (non-executive director)(commenced 14/08/18)
Mrs R. Kardos (Chief Executive Officer/managing director)
Ms M. Brooks (General Manager People Experience)
Mr K. Ingham (General Manager Commercial Services)(to 03/04/19, 03/06/19 – 30/06/19)
Mr H. Moore (Acting General Manager Commercial Services)(04/04/19 – 02/06/19)
Mr G. Russell (Chief Operating Officer)
Mr O. Cousland (Company Secretary)
Ms M. Percival (General Manager Marketing and Product)
Mr S. Weber (Chief Information Officer)

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

	2019 $	2018 $
Short-term employee benefits	1,814,988	1,741,229
Post-employment benefits	164,173	167,349
Other long-term benefits	56,594	78,793
Termination benefits	0	8,357
	2,035,755	1,995,728

There were no short-term incentive payments in 2018 or 2019.

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:

2019

Director	Directors' Fees $	Committee Fees $	Super-annuation[1] $	Other[2] $	Total 2019 $
Ms C. Demarte PSM – Chair – term ended 29/11/18	23,951	2,162	2,481	800	29,394
Prof M. O'Kane – Chair –commenced 29/11/18	33,824	3,054	3,503	409	40,790
Mrs Y. Rundle	38,269	7,737	4,370	1,200	51,576
Mr T. James	38,269	7,737	4,370	1,200	51,576
Mrs. K. Nylander – commenced 14/08/18	33,706	4,483	3,628	800	42,617
Total	**168,019**	**25,173**	**18,352**	**4,409**	**215,953**

D4 Key management personnel compensation (continued)

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**

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

[2]Other includes travel and other expenses.

Executive remuneration

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

2019

Executive Remuneration	Salary[1] $	Short term incentive payments[2] $	Super-annuation[3] $	Other monetary benefits[4] $	Total Remun-eration $	Termination benefits[5] $	Other long term benefits[6] $	Total 2019 $
Mrs R. Kardos	347,399	0	25,556	0	372,955	0	-619	372,336
Ms M. Brooks	188,347	0	17,903	0	206,250	0	3,052	209,302
Mr K. Ingham – to 03/04/19, 03/06/19 – 30/06/19	188,101	0	17,879	0	205,980	0	3,665	209,645
Mr H. Moore – 04/04/19 to 02/06/19	29,892	0	2,841	0	32,733	0	1,134	33,867
Mr G. Russell	276,747	0	20,990	0	297,737	0	15,600	313,337
Mr O. Cousland	192,609	0	18,308	0	210,917	0	5,363	216,280
Ms M. Percival	204,197	0	24,275	0	228,472	0	11,078	239,550
Mr S. Weber	190,095	0	18,069	0	208,164	0	17,321	225,485
Total	1,617,387	0	145,821	0	1,763,208	0	56,594	1,819,802

D4 Key management personnel compensation (continued)

2018

Executive Remuneration	Salary[1] $	Short term incentive payments[2] $	Super-annuation[3] $	Other monetary benefits[4] $	Total Remun-eration $	Termination benefits[5] $	Other long term benefits6 $	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

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 monetary 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.

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 July 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 July 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.

Acting Arrangements

Mr H. Moore was acting General Manager Commercial Services for the period 4 April to 2 June 2019 while Mr K. Ingham was seconded to a project.

Section E: Risk and fair value

E1 Financial instruments

Accounting Policy

Derivative Financial Instruments

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

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

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

Hedging

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

Fair value hedges

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

Cash flow hedges

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

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

(a) Capital risk management

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

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

E1 Financial instruments (continued)

(b) Categories of financial instruments

	2019 $'000 Carrying amount	2018 $'000 Carrying amount
Financial assets *		
Amortised cost		
- Cash and cash equivalents	62,351	32,118
- Trade and other receivables	50,869	46,398
- Market traded receivables	19,126	3,964
Financial liabilities		
Amortised cost		
- Trade and other payables	125,507	111,552
Derivative instruments		
- Electricity swaps, futures and options – note E1(f)	172,003	148,837

* The financial assets are measured at amortised cost in 2018 under AASB 139 and in 2019 under AASB 9. There has been no change in carrying amounts due to the initial application of the new AASB 9 standard. Refer to note C1 for the accounting policy for trade and other receivables for 2019 and the comparative year.

(c) Financial risk management

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

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

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

(d) Credit risk management

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

Credit risk associated with receivables is described in note C1.

A Board approved Counterparty Credit Risk Framework establishes credit limits for parties depending on their credit rating. The Company also uses ISDA agreements with derivative counterparties in order to limit exposure to credit risk through the netting of amounts receivable from and amounts payable to individual counterparties. The Framework is overseen by the Company's Energy Risk and Compliance Committee and Treasury Committee with delegations set by Board approved policies.

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

E1 Financial instruments (continued)

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

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

(e) Liquidity risk management

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

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

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

2019	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	1.57	62,351	-	-	-
Trade and other receivables	-	50,869	-	-	-
Market traded receivables	-	19,125	-	-	-
Electricity derivatives	-	86,815	39,877	47,376	7,590
		219,160	39,877	47,376	7,590
Financial liabilities	-				
Trade and other payables	-	125,507	-	-	-
Electricity derivatives	-	3,656	463	1,618	-
		129,163	463	1,618	-

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	-

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.

2019	**1 year or less $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Assets					
Derivatives designated hedge in a cash flow relationship	58,524	19,059	2,237	-	79,820
Derivatives designated in a fair value hedge relationship	27,789	20,179	42,942	6,937	97,847
Derivatives not in designated hedge relationship	-	-	-	-	-
	86,313	39,238	45,179	6,937	177,667
Liabilities					
Derivatives designated hedge in a cash flow relationship	(3,640)	(455)	(1,569)	-	(5,664)
Derivatives designated in a fair value hedge relationship	-	-	-	-	-
Derivatives not in designated hedge relationship	-	-	-	-	-
	(3,640)	(455)	(1,569)	-	(5,664)
Total asset/(liability)	82,673	38,783	43,610	6,937	172,003

2018	**1 year or less $'000**	**1 to 2 years $'000**	**2 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Assets					
Derivatives designated hedge in a cash flow relationship	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

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 (2018: $10), up and down, has been used in the analysis for 30 June 2019. Actual results may differ dependent on future market conditions. All variables other than the relevant primary risk variable identified are held constant in the analysis.

	Impact on post tax profit of the Company	**Post tax impact on equity of the Company**
	+/(-) ($'000)	+/(-) ($'000)
2019		
Electricity forward price	137/(137)	31,125/(31,125)
2018		
Electricity forward price	37/(37)	30,459/(30,459)

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 9 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 was one ineffective cash flow hedge as at 30 June 2018 and none in 2019. Equity would increase/(decrease) as a result of electricity derivatives which do qualify for cash flow hedge accounting under AASB 9 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 2019	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Derivative instruments				
- Electricity swap, futures and options – note E1(f)	-	172,003	-	172,003

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

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.

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.

(h) Impact of hedging on the statement of financial position and statement of comprehensive income

Fair value hedges
The impact of the hedging instruments on the statement of financial position

30 June 2019	**Nominal MWh**	**Carrying amount**	**Line item in statement of financial position**	**Change in fair value used for measuring ineffectiveness for the period**
		$'000		**$'000**
Electricity price swaps	54	27,789	Current financial assets	19,337
		70,058	Non-current financial assets	
	54	97,847		19,337

E1 Financial instruments (continued)

The impact of the hedged items on the statement of financial position

30 June 2019	Carrying amount $'000	Accumulated fair value adjustments $'000	Line item in statement of financial position	Change in fair value used for measuring ineffectiveness for the period $'000
Customer sales contracts	(27,818)	(27,818)	Other current liabilities.	(19,656)
	(70,655)	(70,655)	Other non-current liabilities	
	(98,473)	(98,473)		(19,656)

The ineffectiveness recognised in the statement of comprehensive income was ($0.319M) in the line electricity derivative fair value movements.

The hedge ineffectiveness arises from the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and the hedged items.

The impact of the hedging instruments on the statement of financial position

30 June 2018	Nominal MWh	Carrying amount $'000	Line item in statement of financial position	Change in fair value used for measuring ineffectiveness for the period $'000
Electricity price swaps	54	20,814	Current financial assets	(53,294)
		57,696	Non-current financial assets	
Closing balance	54	78,510		(53,294)

The impact of the hedged items on the statement of financial position

30 June 2018	Carrying amount $'000	Accumulated fair value adjustments $'000	Line item in statement of financial position	Change in fair value used for measuring ineffectiveness for the period $'000
Customer sales contracts	(20,809)	(20,809)	Other current liabilities.	53,548
	(58,007)	(58,007)	Other non-current liabilities	
	(78,816)	(78,816)		53,548

The ineffectiveness recognised in the statement of comprehensive income was $0.254M in the line electricity derivative fair value movements.

The hedge ineffectiveness arises from the counterparties' credit risk differently impacting the fair value movements of the hedging instruments and the hedged items.

E1 Financial instruments (continued)

Cash flow hedges

The impact of cash flow hedged items on the statement of comprehensive income

30 June 2019	Total hedging gain/(loss) recognised in OCI $'000	Ineffective-ness recognised in P&L $'000	Line item in P&L	Amount reclassified from OCI to P&L $'000	Line item in P&L
Electricity price swaps	67,117	416	Electricity derivative fair value movements	(62,910)	Energy and network purchases
30 June 2018					
Electricity price swaps	47,220	378	Electricity derivative fair value movements	(21,577)	Energy and network purchases

The impact of cash flow hedged items on the statement of financial position

	30 June 2019		30 June 2018	
	Change in fair value used for measuring ineffectiveness for the period	Cash flow hedge reserve	Change in fair value used for measuring ineffectiveness for the period	Cash flow hedge reserve
	$'000	$'000	$'000	$'000
Electricity price swaps	67,117	51,909	47,220	48,964

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 2019:

Assets measured at fair value	Date of valuation	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable Inputs (Level 2) $'000	Significant unobservable Inputs (Level 3) $'000
Derivative financial assets					
Electricity derivatives	30 June 19	177,667	-	177,667	-
Revalued property, plant and equipment					
PayGuard devices	30 June 19	-	-	-	-

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

Liabilities measured at fair value					
Derivative financial liabilities					
Electricity derivatives	30 June 19	5,664	-	5,664	-
Fair value adjustment to hedged items in fair value hedges	30 June 19	98,473	-	98,473	-

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 2018:

Assets measured at fair value	Date of valuation	Total $'000	Quoted prices in active markets (Level 1) $'000	Significant observable Inputs (Level 2) $'000	Significant unobservable Inputs (Level 3) $'000
Derivative financial assets					
Electricity derivatives	30 June 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

Liabilities measured at fair value					
Derivative financial liabilities					
Electricity derivatives	30 June 18	10,831	-	10,831	-
Fair value adjustment to hedged items in fair v alue hedges	30 June 19	78,816		78,816	

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).

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 price 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) Provision for an onerous contact

Aurora Energy has a ten year contract for the purchase of energy related products that was considered onerous at 30 June 2019 due to a reduction in forward market prices. A provision has been raised for the difference between the contract purchase cost and the expected economic value of the purchases to Aurora Energy. The provision has been estimated using the weighted average of probable future market prices and discounted to present value using Aurora Energy's internal pre-tax cost of capital.

E3 Critical accounting estimates and judgements (continued)

(vii) Customer care and billing system

A customer care and billing system was commissioned in February 2011 to replace an existing system which was no longer supported by the vendor and was unable to effectively support National Electricity Market requirements. At this time, the useful life of the asset was assessed to be 12 years. Aurora Energy receives an allowance per customer through the independent retail price regulation process. The book value of the customer care and billing system at 30 June 2013 was $17.226M. It was being depreciated over a useful remaining life of 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 was 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.

	2019 $'000	2018 $'000
Issued and paid-up capital		
112,700,004 ordinary shares, fully paid	50,212	50,212

	2019 No.	$'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

	2019 $'000	2018 $'000
Balance at beginning of year	21,908	26,267
Net profit attributable to members of the entity	7,699	13,248
Dividend provided/paid (note B4)	(11,525)	(17,606)
Actuarial gain/(loss) on RBF defined benefit plan net of tax (note D(ii))	(297)	(1)
Transfer from asset revaluation reserve	109	-
Balance at end of year	17,894	21,908

	2019 $'000	2018 $'000

F3 Reserves

(a) Reserves comprise

	2019 $'000	2018 $'000
Asset revaluation reserve	33	136
Cash flow hedge reserve	51,909	48,964
	51,942	49,100

(b) Movements in reserves

	2019 $'000	2018 $'000
Asset revaluation reserve		
Balance at beginning of year	136	118
Revaluation of assets in the year	10	25
Deferred tax liability arising on revaluation	(4)	(7)
Transferred to retained earnings	(109)	-
Balance at end of year	33	136
Cash flow hedge reserve		
Balance at beginning of year	48,964	31,014
Gain/(loss) recognised		
Electricity price swaps	67,117	47,220
Transferred to (profit) or loss		
Electricity price swaps	(62,910)	(21,577)
Deferred tax arising on hedges	(1,262)	(7,693)
Balance at end of year	51,909	48,964

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, and information technology 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

	2019	2018
	$	$
Amounts received, due and receivable, by the Auditor-General from the Company for:		
Auditing the accounts of the Company	116,690	109,000
Auditing Financial Services Licence	6,000	6,000
	122,690	115,000

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.

F7 Lease commitments (continued)

	2019 $'000	2018 $'000
Operating leases		
Non-cancellable operating lease payments		
Not longer than 1 year	798	1,030
Longer than 1 year and up to 5 years	-	794
Longer than 5 years	-	-
	798	1,824

Note F7 relates to property leases.

The Company leases property with the major operating lease expiring in 0.75 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.

Tasmanian Audit Office

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 2019, 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 2019 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
Financial instruments valuation and hedge accounting *Refer to notes B1(d), C3, C7, C10, C11, E1 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 2019, derivative financial assets totalled \$177.49m and derivative financial liabilities totalled \$5.49m. 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 2019. • 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. • Evaluating the adequacy of relevant disclosures within the financial report.
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 \$90.33m. 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.

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 2019, 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.

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

Tasmanian Audit Office

8 August 2019
Hobart

The power of Tasmanian.