Annual Report.
2021 - 2022

aurora energy

Tasmanians' energy experience reimagined

Contents.

Chair and CEO Review.

On behalf of the Board and Management of Aurora Energy, we present the 2021-22 Annual Report.

When we reflect on the challenging year that has been, we are extremely proud of the ongoing resilience of our people and their unwavering commitment to provide Tasmanians with the assurance that Aurora Energy is reliable, affordable and investing in the state's future.

The outcomes of the Price Determination in April 2022 formed part of this, where we were pleased to pass onto customers a decrease in real terms over the next three years for the retail component of customers' bills.

While this was good news for Tasmanians, a range of recent national and global events has placed significant upward strain on the wholesale energy market, which accounts for more than a third of the cost stack, driving up the price of electricity across the National Electricity Market.

On top of the ongoing impacts of COVID-19, this has contributed to unprecedented rising cost of living pressures. But as Tasmania's 100 per cent owned and operated energy retailer, we have remained true to who we are at our core – Tasmanians supporting Tasmanians.

We removed the aurora+ product service fee as at 1 July 2022 to encourage more Tasmanians to control and manage their energy usage. We know aurora+ can substantially reduce the impacts of bill shock and address energy affordability issues, and we would like as many Tasmanians to benefit from it as possible.

Acknowledging the financial stress the pandemic has had on the Tasmanian economy, we provided more than $400K in direct bill credits to assist over 850 local businesses affected by COVID through the Industry Support Payment.

To encourage customers to remain engaged with our nationally-recognised Your Energy Support (YES) hardship program, we extended our YES incentive program, which provides customers that are meeting their payment commitments at their quarterly review with a credit to the value of their next fortnightly instalment.

We focussed on helping our customers become more sustainable too, whether that's through being more energy efficient in the home or through greater access to low emissions transport.

We teamed up with Bank of us to offer Tasmanians low-rate personal loans for a range of energy efficient products. A Green Loan is another way Tasmanians can make cost-effective differences to their energy running costs.

New partnerships with carbar and Beam aim to act as a catalyst for the uptake and growth of sustainable transport in the state as well as help capitalise on Tasmania's renewable energy advantage as we push towards becoming a carbon-neutral economy; that's a win-win.

Critically, this has all taken place in the last year of our current strategic plan, which has placed other internal pressures on the business.

We finalised our internal operating model reset, which has provided challenges of its own but has seen the development of a new service delivery model capable of offering customers an end-to-end service and new career pathway options for our people.

We pushed on with carefully migrating our customers onto our new account management system. While there have been some teething issues along the way, the system will enable faster product development, deeper customer insights and improve our frontline service capabilities.

A key driver to delivering aurora+, we also continued to roll-out advanced meters to our residential and small business customers, which will help facilitate the development of other modern products that empower customers to better understand energy usage and ultimately reduce their energy costs.

In order to remain focused in the difficult environment, in 2021 we clarified and recaptured our purpose, the 'why' of our existence. "Energising Tasmania, our community, our future" captures our intent to make great things happen for our community and our commitment to make Tasmania's future even brighter.

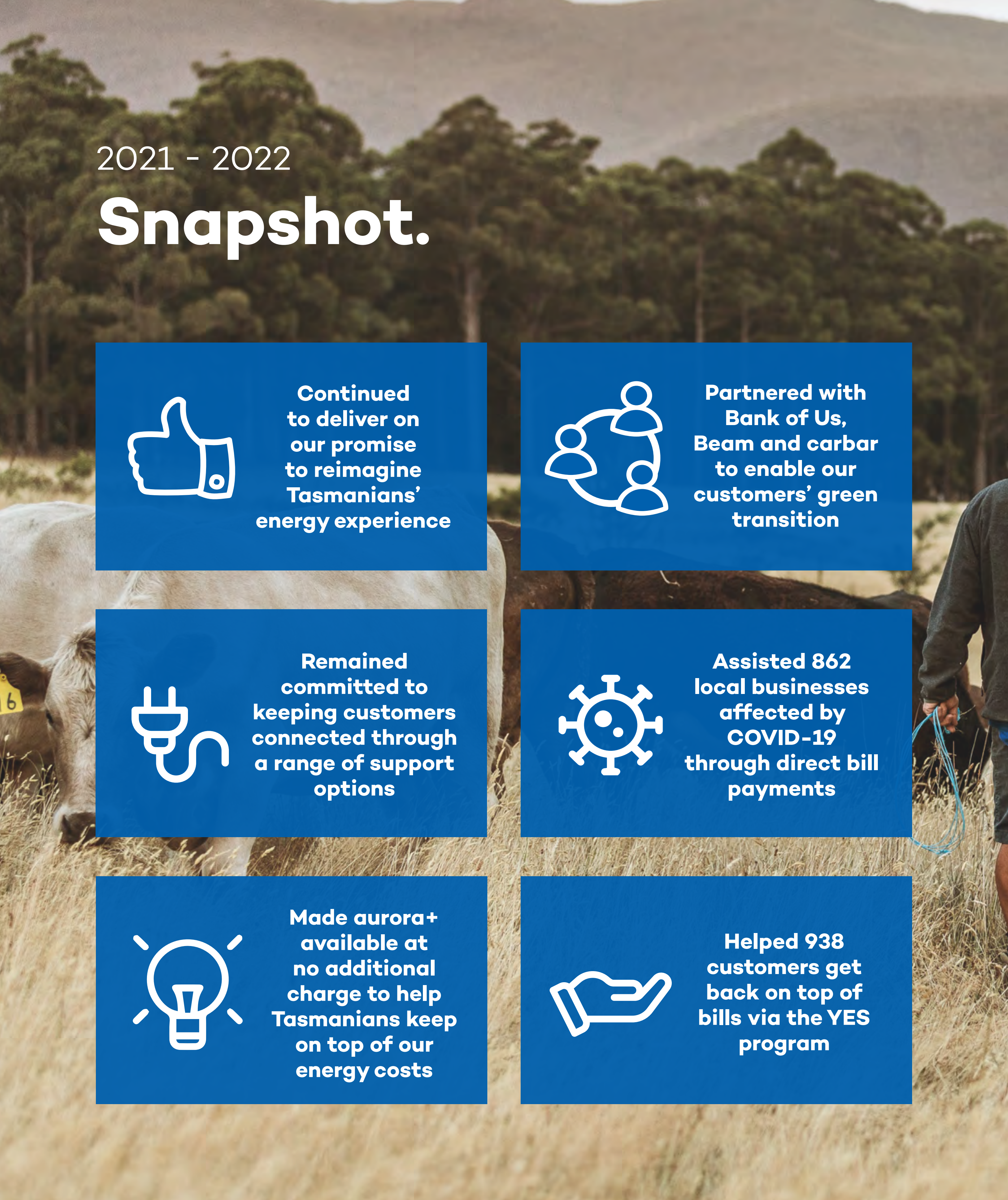
From a financial perspective, the volatility in the wholesale energy market had impacts on us as a retailer and meeting our commitment to shareholders. Aurora Energy recorded an underlying net loss before tax of $11.9M.

Our performance was below expectation and we still face a period of heightened risk as energy markets enter a period of increased competition and greater uncertainty. This is driven by a number of factors, including recent global instability and the increased pace of the transition to renewable energy generation nationally.

The outlook in the energy industry again appears uncertain and we recognise that there are still challenging times ahead. To remain relevant with our Tasmanian customer base and to be competitive in an increasingly competitive market, we know we must continue to reimagine Tasmanians' energy experience.

Mary O'Kane
Chair

Rebecca Kardos
Chief Executive Officer



2021 - 2022

Snapshot.

Continued to deliver on our promise to reimagine Tasmanians' energy experience

Partnered with Bank of Us, Beam and carbar to enable our customers' green transition

Remained committed to keeping customers connected through a range of support options

Assisted 862 local businesses affected by COVID-19 through direct bill payments

Made aurora+ available at no additional charge to help Tasmanians keep on top of our energy costs

Helped 938 customers get back on top of bills via the YES program

Supported around 3,500 YES customers by covering quarterly payments

Rolled out community grants designed to connect communities around Tasmania

Assisted 349 Tasmanians buy energy efficient appliances through the NILS Network

Further embedded our values, the Aurora Way, throughout the business

Co-designed TasCollab to empower communities to address the daily challenges they face

Became Gold Sponsor of The Mind Games to raise funds for research into workplace mental health

Provided $200K to top up the Tasmanian Government's energy hardship fund

Sponsored the Lifetime Achievement Award at the Tasmanian Volunteering Awards

Delivering better customer outcomes.

Be invested, make a difference.

Be open, learn, and improve.

Think big, be bold.

These are the values held by The Energy Charter, a world-first voluntary commitment by energy businesses to put the customer at the centre of their businesses and delivering better outcomes for them.

In 2021-22, we continued to embrace our commitment to the Energy Charter, working on a number of activities to deliver on the Energy Charter's five key Principles:

Put customers at the centre of our business and the energy system

Improve energy affordability for customers

Provide energy safely, sustainably and reliably

Improve the customer experience

Support customers facing vulnerable circumstances

Our commitment has been heightened through the appointment of Aurora CEO Rebecca Kardos as Chair of the Energy Charter CEO Council for 2022.

"The Energy Charter represents a genuine collaboration across the energy sector to put customers at the front and centre. In committing to the five principles of the Energy Charter, businesses across retail, distribution, transmission and generation work together to deliver tangible customer benefits through #BetterTogether initiatives. I am thrilled to be chairing the Energy Charter CEO Council in its fourth year of operation."

You can read our full Disclosure Statement at **theenergycharterpanel.com.au**

The Energy Charter SIGNATORY | auroraenergy


Avona
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Tailoring Tasmanians' energy experience.

We put our customers at the heart of everything we do because we're local.


BEAR
— with me

Assisting customers impacted by the pandemic

We have been there for our customers since the start of the pandemic, providing support measures as well as adapting our approach to programs and processes in recognition of the impacts of COVID-19.

This includes establishing a $5M Customer Support Fund, specifically designed to help customers pay their energy bills.

It has been used to waive fees and charges, freeze debt and help customers manage their ongoing consumption through subsidised payment plans.

More recently from this fund, we supported our business customers and Tasmania's ongoing recovery from the pandemic by providing over $400K in direct bill payments to customers in impacted industries.

More than 850 eligible business customers in tourism, hospitality, arts, events, transport and seafood industries applied and received an Industry Support Payment of $500.

> "We all know the impact of living costs from both a residential and business point of view and especially in the business sector, things like power and heating costs can run up into thousands of dollars. We thank Aurora Energy for continuing to assist our sector as we navigate our way back to our vibrant best."
>
> **Tasmanian Hospitality Association CEO, Steve Old**

We also extended our YES incentive program, which offers customers that are meeting their payment commitments at their quarterly review, with a credit to the value of their next fortnightly instalment (up to $200).

In 2021-22, close to 3,500 customers (to the value of more than $700K) received an incentive payment for staying on track with their payment plan, bringing them closer to getting on top of their energy bills.

We also provided $200,000 to top up the Tasmanian Government's energy hardship fund, administered by The Salvation Army, to directly support customers experiencing financial vulnerability.

Aiding customers via the energy hardship fund

Helping those experiencing financial vulnerability

Our nationally-recognised Your Energy Support (YES) program is available to customers who need a little hand getting back on top of their energy bill.

Working closely with them, the YES team can work out an affordable payment plan to aid customers to take control of their usage and bill.

They also 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 program enabled 938 customers to successfully complete the program in 2021-22. The program has assisted over 13,800 customers since its creation in 2014.

> "Other businesses could learn a lot from Aurora and the YES team. I've never had a company assist or apply credit or help me the way they have. They really make a huge difference in people's lives."
>
> **Stephen, YES incentive program recipient**

Supporting those on low incomes to become energy efficient

The No Interest Loans (NILS) Energy Saver Loan and Subsidy program assists to bring practical and lasting benefits to those customers most in need.

In 2021-22, we provided additional funding of $240K to the program which offers concession customers the opportunity to apply for a 50 per cent subsidy to purchase new energy efficient heat pumps (min 2.5-star energy rating) and a no-interest loan for the balance of the purchase amount. In addition, new washing machines, fridges and freezers (min 3-star energy rating) have a subsidy of $300 taken off the purchase price.

Our contribution enabled 349 Tasmanians on a low income access to energy efficient products, including 116 heat pumps. NILS calculates we have helped saved these homes $1.3M in interest and fees if they'd gone to a rent to buy scheme as the alternative.

Since November 2015, we have provided more than $2.6M in funding to the program.

Evolving and growing the 'Aurora Way'.

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


aurora+
aurora+

Supporting our people through COVID

The past 12 months saw us enter a new phase of living with COVID, during which public health restrictions were gradually lifted and many of our people and their families were unwell with COVID for the first time.

Throughout this, our people and their safety remained our priority with our ongoing COVID management and leadership ensuring that our ways of working were adjusted to support people's individual circumstances and challenges as they arose.

This had impacts for our operations and as a result we inducted additional agents to ensure that we were resourced appropriately to service our customers and developed new ways of training that enabled us to upskill new employees while working remotely.

With the state of emergency lifted, our focus is now on supporting our employees to return to Aurora's usual flexible way of working moving forward.

Prioritising our people's wellbeing

Our people's wellbeing remained a strong focus over 2021-22, with COVID restrictions leading to periods of remote working for many and making valued in-person connection more difficult.

We supported our leaders to help their teams by providing training on leading teams remotely, and our Wellbeing program centred around providing various opportunities for in-person connection in safe environments, bolstered by physical and financial health initiatives.

In recognition of the importance of mental health to overall wellbeing, we were pleased to be the Gold Sponsor of The Mind Games 2022 – the event's major partner – to raise awareness and vital funds. This year $90K was raised, going towards research into workplace mental health at the Tasmanian-based Menzies Institute for Medical Research.

Developing our people

Our people are encouraged to lead through their role at Aurora Energy and how they work with others. We have developed a holistic leadership program for all levels of leadership and over the past 12 months have started to deliver this to our strategic and people leaders.

During this time we have also rolled out a dedicated training program for our agents to enable a new way of operating and working towards further development opportunities as they become multi-skilled.

Negotiating our Enterprise Agreement

With Aurora's Enterprise Agreement due to nominally expire on 30 June 2022, a bargaining process was conducted with employee and union representatives. Employees covered by the agreement voted to accept the proposed agreement, in place from 1 July 2022.

The successful process reflected Aurora's current engagement and culture.

Volunteering at Tassie Mums in Kingston

"I really value having Community Service Leave as part of our Enterprise Agreement. It allows me to get out of the office and try something new whilst giving back to my local community."

Emma, Aurora Energy employee

Accelerating uptake of digital products.

We provide innovative solutions because we want to empower our customers.


DECO
POWER PROOF

Making aurora+ available to more Tasmanians

aurora+ helps residential and small-to-medium business customers gain greater control over their energy usage and ultimately reduce their electricity costs.

The digital channel lets customers track their usage in dollars and kilowatt hours and conveniently manage it all from a smartphone, tablet or computer.

Because customers have visibility of daily consumption and are billed monthly, aurora+ can substantially reduce the impacts of bill shock and empowers them to make more informed energy choices and better manage their energy use.

Throughout 2021-22, a number of product enhancements were made in response to customer feedback, including the ability to auto top-up to maintain a positive account balance, establish set-and-forget payments by direct debit to automatically pay monthly bills, and the addition of a payment plan experience within the app to help customers get back on track with managing their account.

aurora+ became available at no additional cost from 1 July 2022 with the removal of the product service fee.

It is hoped the removal of the product service fee means more Tasmanians will be willing to try aurora+ so it can benefit a wider range of Tasmanians.

Checking power usage and costs on aurora+

Continuing to roll out advanced meters

In partnership with electricity metering service provider, TasMetering, we continued to roll out advanced meters to our residential and small business customers.

Advanced meters are the next generation of electricity meters and offer many more benefits to customers than older style basic meters, including remote reads to prevent estimated bills.

Importantly, advanced meters also facilitate the development of modern products that empower customers to better control their energy usage and lower their energy costs.

As at 30 June 2022, there were approximately 145,000 advanced meters installed around the state. The majority of residential and small business customers will have advanced meters installed by the end of 2024, which is in line with the Tasmanian Government's commitment that the rollout will be complete by the end of 2026.

> "An accelerated roll-out of advanced meters will drive the next wave of energy transformation in Tasmania. The delivery of meters to all of our Tasmanian customers will provide the foundation for Aurora Energy to utilise the meter data to tailor products and services. The meter data allows Aurora Energy to provide and present meaningful insights back to customers to shape the way they consume energy and allow them to make decisions within their home or business to reduce their energy bill."
>
> **Justin Poole, Metering Delivery Manager**

Migrating customers to new account management system

We've been carefully migrating all 280K customers onto our new retail energy platform, HubCX, since mid-2021 to ensure we continue to meet customer expectations.

HubCX is a fully supported and flexible customer care and billing system, benefiting customers by enabling faster product development, deeper customer insights and improved, more personalised frontline service capabilities.

The migration is being undertaken on a staged basis to minimise any impacts and is due to be complete in late 2022. As at 30 June 2022, roughly 190K customers had been moved to the new system.

Creating opportunities to thrive together.

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


OPEN.
NORTH
GCP
35 Litre
$195.00

Helping drive the Tasmanian EV evolution

In December 2021, we partnered with the mobility tech provider, carbar, to give Tasmanians access to a range of new and used electric vehicles (EVs).

The subscription-based service is an entirely new offering for EVs in the state, removing lock-in contracts and the need to buy outright, and allows Tasmanians to test the rapidly growing form of e-mobility.

The weekly subscription fee aims to cover all of the cost of owning, maintaining and running a car such as depreciation, interest, registration, insurance, routine maintenance, roadside assist, mechanic faults, faulty and worn tyres and batteries.

To help promote the partnership, we provided five custom-wrapped EVs to community partners to experience the benefits first hand, including Tassie Mums and Cancer Council Tasmania.

Supporting Tasmanian community organisations

"A great big thank you to Aurora Energy and carbar for helping Tassie Mums through the busy month of December by supporting us with this amazing vehicle. We love that this car is zero emissions and has a great big boot to help us collect all the generous donations, like this trolley load of Christmas toys - we are feeling a little bit like Santa's helpers."

Clair Harris, Tassie Mums founder

Teaming up to get cities scooting

To support Tasmania's path to a sustainable energy future, we teamed up with Beam to further back our customers' transition to e-mobility.

The collaboration will leverage our local knowledge and community focus, while helping to reduce emissions, reduce congestion and increase EV use.

We will also directly support the Beam Booster program, which supports local Tasmanian businesses.

Delivering energy efficient green loans

In October 2021, we joined forces with Bank of Us to offer Tasmanians low-rate personal loans for a range of energy efficient products for amounts up to $80K.

Eligible purchases for a Green Loan include solar panels, solar batteries, double glazing for windows, energy-efficient appliances, rainwater tanks, home insulation as well as electric vehicles.

Fostering the next wave of innovative businesses

We contributed $245K to Enterprize in September 2021 to operate and tailor a number of entrepreneurial, startup and micro business support programs in Tasmania for three years.

The programs promote Tasmanian entrepreneurs and businesses solving problems relevant to the state, including ways to take advantage of the competitive advantage in renewable energy.

Launched in 2016, Enterprize has quickly established itself as the state's leading organisation for supporting Tasmanian startups and the startup community.

"We've brought world's best practice in lean startup education and support to the local Tasmanian ecosystem, but it has always been critical to have corporate partners willing to work with early-stage startups. Kicking that off with Aurora Energy is the stuff of dreams for a Tassie startup."

Casey Farrell, Enterprize general manager

Keeping community groups connected

More than $40K was provided across 6 projects in 2021-2022 as part of our community grants program.

Our round in May 2022 focussed on supporting Tasmanian community organisations and their efforts to build a more inclusive and connected Tasmania.

The successful applicants were Mosaic Support Services, Geeveston Community Centre, Rosebery Neighbourhood House, Housing Choices, St Helens Neighbourhood House and Men's Resources Tasmania.

The grants will assist the organisations with projects that will help encourage connections, address social isolation through digital literacy and drive sustainability through education.

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 in fully competitive markets to more than 270,000 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 2021-22 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.

Key Performance Measures

Key Performance Indicator	Performance Measure	2021-22 Target	2021-22 Actual	Outcome
Customer	Customer Value Index	>18	25	🟢
	Total Advanced Meter Installations	134,281	140,602	🟢
People	Medically-Treated Injuries	0	1	🔴
	Employee engagement score	>70%	73%	🟢
Profitability	Profit after tax target	$13.0M	$3.0M	🔴
	Return on equity	52.4%	2.3%	🔴
	Returns to Government (Accrual)	$16.3M	$14.4M	🔴
Compliance	Maximum Type 1 Non Compliance events related to NECF	0	3	🔴

Performance Commentary

Aurora Energy met or exceeded a total of three out of eight key performance indicators for 2021-22. The strong Customer Value Index (CVI) for 2021-22 continues to demonstrate Aurora Energy's ongoing commitment to supporting customers in Tasmania. CVI is a widely used measure of a customer's perception of value from its service provider, and is a leading indicator of a customer's propensity to switch provider. The score of 25 at June 2022 exceeded the target of 18 or higher.

During 2021-22, Aurora Energy's employee engagement score decreased from the prior year's quarterly result of 80 per cent and increased on the annual average score of 66 per cent, finishing above the annual target of 70 per cent. This has been attributed to the emphasis on connection and wellbeing activities to strengthen culture, supported by flexible working practices. Medically treated injuries exceeded the target of zero for 2021-22. The sole reportable injury was an isolated incident with no trends identified.

Aurora Energy's profitability measures finished the 2021-22 financial year below the targets. This unfavourable result was primarily driven by unfavourable wholesale electricity outcomes resulting from the extreme spot prices and market volatility experienced from April 2022 to June 2022. The unprecedented wholesale costs were the result of high commodity prices, impacted by the war in Ukraine, as well as coal-fired power station outages and a cold east coast winter.

There were three non-compliance events reported during the 2021-22 financial year. Aurora Energy self-identified and immediately took action to address the issues following thorough investigation. Aurora Energy takes its compliance obligations extremely seriously and has a strong historical compliance record since it commenced its participation in the National Energy Consumer Framework in July 2012.

Corporate Governance Statement

Aurora Energy is a proprietary limited company established under the Electricity Companies Act 1997 (Tas) and incorporated under Corporations Law. As a state-owned corporation, its Shareholders are the Minster for Energy and Renewables 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 (4th 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 and Committee Attendance 2021-22

Board Member	Board[1]		REM Committee		BARCC		Board Strategy Day[2]	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mary O'Kane	13	13	3	3	5	5	2	2
Rebecca Kardos	13	10[3]					2	2
Yvonne Rundle	13	13	3	3	5	5	2	2
Trevor James	13	13	3	3	5	5	2	2
Keryn Nylander	13	13	3	3	5	5	2	2

[1] Includes one circulating resolution
[2] Attended in role of CEO
[3] Includes two approved leave of absences

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
Independent Director
Member – Appointments and Remuneration Committee and Audit, Risk and Compliance Committee

Mary was appointed Chair in November 2018. She is a member of Aurora Energy’s Board Appointments and Remuneration Committee and Board Audit, Risk and Compliance Committee.

Appointed November 2018

Current term: Three year term appointed until 2024 AGM

Mrs Yvonne Rundle

B.Bus, FCA, GAICD
Independent Director
Chair – Audit, Risk and Compliance Committee
Member – Appointments and Remuneration Committee

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

Appointed January 2015

Current term: Three year term appointed until 2023 AGM

Mr Trevor James

B.Bus, MAICD, FCPA
Independent Director
Chair – Appointments and Remuneration Committee
Member – Audit, Risk and Compliance Committee

Trevor was appointed a Director April 2016. He is Chair of Aurora Energy’s Board Appointments and Remuneration Committee and a member of the Board Audit, Risk & Compliance Committee

Appointed April 2016

Current term: One year term appointed until 2022 AGM.

Mrs Keryn Nylander

BA, FAICD
Independent Director
Member – Appointments and Remuneration Committee and Audit, Risk and Compliance Committee

Keryn was appointed a Director in August 2018, and Deputy Board Chair on 26 March 2020. She is a member of Aurora Energy's Board Appointments and Remuneration Committee and the Board Audit, Risk and Compliance Committee.

Appointed November 2018
Current term: Three year term appointed until 2024 AGM

Mrs Rebecca Kardos

B.CompSc, MBA, MAICD
Chief Executive Officer/Managing Director

Rebecca was appointed a Director in November 2014 following joining Aurora Energy in February 2014 as CEO-Designate preceding its commencement as a stand-alone retail business on 1 July 2014.

Mr Oliver Cousland

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

Oliver was appointed Company Secretary in January 2016. He joined Aurora Energy in 2014 and his responsibilities include management of legal services, procurement, risk, compliance, internal audit, government and stakeholder relations, board secretariat and corporate governance.

Leadership Team

From left to right

Mr Andrew Crozier, **Ba (Hons), GAICD. Chief Product and Customer Officer**

Mr James Chisholm, **CPA, MBA. General Manager People and Commercial Services**

Mrs Rebecca Kardos, **B.CompSc, MBA, MAICD. Chief Executive Officer/Managing Director**

Mr Kane Ingham, **B.Com, CA, GradDipACG, GAICD. Chief Operating Officer**

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

Corporate Governance Principles

Principle 1: Lay solid foundations for management and oversight

Aurora Energy complies with Principle 1.

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.

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 be effective and add value

Aurora Energy complies with Principle 2.

In accordance with the Constitution, the Shareholders appointed Director O'Kane Chair at the 2021 Annual General Meeting. As required under the Constitution the Chair of the Board is appointed by the Shareholders annually at the AGM.

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: Instil a culture of acting lawfully, ethically and responsibly

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 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), including through active disclosure of information without the need for formal right to information requests. In accordance with the *RTI Act*, the following formal assessed disclosures were provided for 2021-22.

Right to Information Act statistics 2021-22	
Number of applications received for assessed disclosures	1
Number of applications where information was disclosed in full	Nil
Number of applications refused and the Section	Nil
Number of applications relating to exempt information and the relevant sections	1 – Section 27
Number of applications for internal review and the outcomes.	Nil

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 were provided for 2021-22.

Public Interest Disclosure Act statistics 2021-22	
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. 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 People and 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 Assistant Auditor-General attended the 2021 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.

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 www.auroraenergy.com.au.

Principle 8: Remunerate fairly and responsibly

Aurora Energy complies with Principle 8.

On behalf of the Board, the Board Appointments and Remuneration Committee oversees Aurora Energy's remuneration framework, including executive remuneration policy, company-wide remuneration strategies, enterprise agreement renegotiations and related matters. Aurora Energy has a Board approved Executive Remuneration Policy which complies with the Shareholder's Guideline for Director and Executive Remuneration. 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 2021-22 Financial Statements detail 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 and Guidelines

In 2021-22 Aurora Energy received one formal direction to undertake non-commercial activities in accordance with the requirements of Section 4.4 of the *Members' Statement of Expectations*.

Exclusion of regulatory allowance for aurora+ from 2022-23 tariff proposal

On 25 May 2022 Aurora Energy was directed by its Shareholders not to seek recovery of costs associated with aurora+ for the regulated cost to serve in 2022-23. The cost of undertaking this activity in 2022-23 was estimated to be $2.6M.

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 2021-22 financial year are provided in the table below.

Purchases from Tasmanian Business	
% of purchases from Tasmanian businesses	94.0%
Value of purchases from Tasmanian businesses	$1,038,409,058.68

Consultancies valued at more than $50,000 (ex GST)				
Name of consultant	**Location**	**Description**	**Period of engagement**	**Amount**
Deloitte Risk Advisory Pty Ltd	Hobart	Internal Audit Services	1/07/2021 - 30/06/2022	$115,820
Minter Ellison	Mel-bourne	Legal Services	1/07/2021 - 30/06/2022	$162,541
Frontier Economics	Mel-bourne	Advice for 2022 Price Determi-nation	1/7/2021 - 9/09/2021	$59,091
4 consultants were engaged for $50,000 or less totalling:				**$43,742**
Total payments to consultants				**$381,194**

Payment of Accounts

Payment Measure	
Creditor Days	79.6
Number of accounts due for payment	3752.0
Number of accounts paid on time	3323.0
Amount due for payment	$1,480,820,589.39
Amount paid on time	$1,473,848,654.27
Number of payments for interest on overdue accounts	0
Interest paid on overdue accounts	$0

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

Overseas Travel

No Aurora Energy employees undertook overseas travel for the company during 2021-22.

Superannuation

Aurora Energy complied with its obligations under the Superannuation Guarantee (Administration) Act 1992 (Cth) in respect of employees of Aurora Energy who are members of complying superannuation schemes.

Remuneration Report

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines, dated June 2021. Under these Guidelines, remuneration bands for Chief Executive Officers (CEO) are determined by the Treasurer and reflect the principles outlined in the Guidelines broadly and align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's salary.

The CEO is appointed by the Board. The Board consults with the Treasurer when determining the CEO's remuneration package.

The employment terms and conditions of senior executives are contained in individual employment contracts 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.

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

A temporary approved exemption to the Guidelines for Tasmanian Government Businesses - Director and Executive Remuneration (the Guidelines) was in place up until 31 December 2021. The Company is now compliant with the requirements of the Guidelines.

For details of payments made to senior executives, refer to note D4 of the Financial Statements. 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.

Financial Report.

Aurora Energy Pty Ltd Financial Report for year ended 30 June 2022

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 2022.

Directors and Company Secretary

The Directors of the company in office between 1 July 2021 and the date of this report were Professor M. O'Kane, Mrs R. Kardos, Mrs Y. Rundle, Mr T. James and Ms K. Nylander.

Mr O. Cousland was the Company Secretary from 1 July 2021 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.

Financial Results

The following table outlines key financial information for the company:

Indicator ($M)	2021-22	2020-21	Var.
Operating Revenue	866.8	898.0	(31.2)
Profit Before Tax	4.3	27.0	(22.7)
Total Comprehensive Income	150.9	43.3	107.6
Underlying Profit/(Loss) Before Tax[1]	(11.9)	20.9	(32.8)
Net assets	200.0	62.2	137.8
Cash on Hand	30.8	33.2	(2.4)
Shareholder Returns[2]	16.6	6.3	10.3

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

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

Aurora Energy reported a Profit Before Tax of $4.3M for 2021-22. The 2021-22 result represents a reduced performance from the prior year Profit Before Tax of $27.0M, impacted by significant increases in wholesale market related costs experienced in the last quarter of 2021-22 and the under recovery of renewable energy certificate costs. The volatility and significant increase in wholesale market related costs not only significantly impacted Aurora Energy's Profit Before Tax, but also resulted in a significant net cash flow hedge gain of $147.7M being included in both the cash flow hedge reserve in Equity and Total Comprehensive Income at 30 June 2022. This material movement is due to the mark-to-market valuation of Aurora Energy's derivatives.

Also impacted by the significant movements in the wholesale market was Aurora Energy's net asset position which at 30 June 2022 was $200M, an increase of $137.8M from the previous year. Aurora Energy revalued its electricity derivatives at 30 June 2022 with this revaluation reflecting the significant rise in forward contract prices. Aurora Energy's cash position was lower as at 30 June 2022, with $30.8M cash on hand.

As a result of Aurora Energy's Underlying Loss Before Tax for the 2021-22 year, no dividend was recommended to the Shareholder on 11 August 2022.

Likely Future Developments

As the economy recovers from the impacts of the COVID-19 pandemic, further economic challenges have emerged. The National Electricity Market (NEM) is in a significant state of transition which in recent times has resulted in extreme volatility and elevated wholesale prices. It is anticipated that these challenges in the NEM may persist for the foreseeable future. The effects of this transition may result in increased electricity costs for all retail customers, adding further to the broader cost of living pressures that are emerging in the economy. Aurora Energy remains focused on managing risk in the business and has financing facilities in place to manage a range of downside scenarios. Aurora Energy will continue to support its customers to manage their electricity bills through a cost of living focused Customer Support fund and the Your Energy Support (YES) program.

Further to this, customer needs and expectations are continuing to evolve and Aurora Energy anticipates increasing competition in the Tasmanian retail electricity market. Aurora Energy is focused on providing an exceptional energy experience and developing products and services that our customers value and that empower them to control their energy usage. To enable this vision, Aurora Energy is implementing a new retail energy platform and accelerating its rollout of smart meters. Aurora Energy anticipates all customers will be transitioned onto the new retail energy platform before 30 June 2023.

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. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

During or since the end of the financial year the company has not indemnified or made a relevant agreement to indemnify the auditor of the company against a liability incurred as the auditor. In addition, the company has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by the auditor.

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 on the following page.

Rounding of Amounts

The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Directors' Report and the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors:

Professor M. O'Kane
Chair
11 August 2022

Mrs Y. Rundle
Director
11 August 2022

Tasmanian Audit Office

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

11 August 2022

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 2022, 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

Rod Whitehead
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 2022 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
11 August 2022

Mrs Y. Rundle

Director
11 August 2022

Statement of comprehensive income for the financial year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Revenue			
Sales revenue from contracts with customers	B1(a)	862,571	893,007
Interest revenue	B1(b)	628	844
Other revenue	B1(c)	3,555	4,117
Total revenue		866,754	897,968
Expenses			
Energy and network purchases		(789,726)	(799,934)
Electricity derivative fair value movements	B1(d)	61	124
Functional expenses	B1(e)	(58,783)	(53,873)
Finance expenses	B1(f)	(1,617)	(2,000)
Depreciation and amortisation expense	B1(g)	(10,360)	(7,731)
Other expenses from operating activities	B1(h)	(1,988)	(7,540)
Total expenses		(862,413)	(870,954)
Profit/(Loss) before income tax equivalent expense		4,341	27,014
Income tax equivalent (expense)/benefit	B2(a)	(1,309)	(8,107)
Profit/(Loss) for the year from continuing operations		3,032	18,907
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial superannuation re-measurement (losses)/gains	D(i)	263	637
Income tax equivalent relating to items that will not be reclassified subsequently	B2(b)	(79)	(191)
		184	446
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges:			
Gain/(loss) taken to equity	F3(b),E1(h)	202,351	45,613
Transferred to profit for the year	F3(b),E1(h)	8,649	(11,396)
Income tax equivalent relating to items that may be reclassified subsequently	B2(b),F3(b)	(63,300)	(10,265)
		147,700	23,952
Other comprehensive income for the year net of income tax equivalent		147,884	24,398
Total comprehensive income for the period		150,916	43,305

Notes to and forming part of the accounts are included on pages 49 to 84

Statement of financial position as at 30 June 2022

	Note	2022 $'000	2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	B3(a)	30,838	33,235
Trade and other receivables	C1	157,820	148,642
Inventories	C2	3,291	17,740
Current tax asset	B2(c)	4,126	2,027
Financial assets	C3	410,931	31,700
Other current assets	C4	5,845	3,487
Total current assets		612,851	236,830
Non-current assets			
Property, plant and equipment	C5	4,679	5,577
Right-of-use assets	C12(a)	5,698	6,500
Deferred tax assets	B2(d)	45,040	24,568
Intangible assets	C6	8,164	14,133
Financial assets	C7	84,923	17,813
Total non-current assets		148,504	68,591
Total assets		761,355	305,421
LIABILITIES			
Current liabilities			
Trade and other payables	C8	296,301	126,310
Provisions	C9	7,288	8,429
Lease liabilities	C12(b)	642	696
Contract liabilities	C10	37,432	32,081
Financial liabilities	C11	72,736	17,801
Total current liabilities		414,399	185,317
Non-current liabilities			
Deferred tax liabilities	B2(d)	100,300	15,139
Provisions	C9	5,107	20,642
Lease liabilities	C12(b)	6,386	7,028
Financial liabilities	C11	35,174	15,075
Total non-current liabilities		146,967	57,884
Total liabilities		561,366	243,201
Net assets		199,989	62,220
EQUITY			
Issued capital	F1	50,212	50,212
Reserves	F3	155,669	7,969
Retained earnings	F2	(5,892)	4,039
Total Equity		199,989	62,220

Notes to and forming part of the accounts are included on pages 49 to 84

Statement of changes in equity for the financial year ended 30 June 2022

	Note	Share Capital $'000	Cash flow hedge reserve $'000	Retained earnings $'000	Total equity $'000
Balance 30 June 2020		50,212	(15,983)	(15,314)	18,915
Profit for the period		-	-	18,907	18,907
Other comprehensive income		-	23,952	446	24,398
Total comprehensive income for the period		-	23,952	19,353	43,305
Transactions with owners in their capacity as owners:					
Dividends paid	B4	-	-	-	-
Balance 30 June 2021		50,212	7,969	4,039	62,220
Profit for the period		-	-	3,032	3,032
Other comprehensive income		-	147,700	184	147,884
Total comprehensive income for the period		-	147,700	3,216	150,916
Transactions with owners in their capacity as owners:					
Dividend paid	B4	-	-	(13,147)	(13,147)
Balance 30 June 2022		50,212	155,669	(5,892)	199,989

Notes to and forming part of the accounts are included on pages 49 to 84

Statement of cash flows for the financial year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Receipts from customers		946,624	994,585
Interest received		629	846
Payments to suppliers and employees		(930,409)	(979,397)
Interest and other finance costs paid		(611)	(408)
Income tax equivalents paid		(2,099)	(5,057)
Net cash provided by operating activities	B3(b)	14,134	10,569
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		-	21
Payment for property, plant and equipment		(94)	(3,128)
Payment for intangible assets		(2,594)	(4,769)
Net cash used in investing activities		(2,688)	(7,876)
Cash flows from financing activities			
Proceeds from borrowings		60,000	15,000
Repayment of borrowings		(60,000)	(15,000)
Repayment of lease liabilities		(696)	(526)
Dividend paid	B4	(13,147)	-
Net cash used by financing activities	**B3(c)**	(13,843)	(526)
Net (decrease)/increase in cash and cash equivalents		(2,397)	2,167
Cash and cash equivalents at the beginning of financial year		33,235	31,068
Cash and cash equivalents at the end of financial year	B3	30,838	33,235

Notes to and forming part of the accounts are included on pages 49 to 84

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 4, 50 Elizabeth St HOBART TAS 7000

Principal place of business: Level 4, 50 Elizabeth St 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 11 August 2022.

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 has been prepared on a going concern basis and presented in Australian dollars. The company is a company of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016. In accordance with that Corporations Instrument, amounts in the Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

A3 Statement of compliance

The financial report is prepared in accordance with:

- *Corporations Act 2001* as amended;
- *Electricity Companies Act 1997* and Treasurer's Instructions issued under the *Government Business Enterprises Act 1995*; and
- Australian Accounting Standards (AASBs), and complies with other requirements of the law.

Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). Consequently, this financial report has been prepared in accordance with and complies with IFRS as issued by the IASB.

In the current year, the company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), and considered the effect of International Accounting Standards not yet issued by the AASB, that are relevant to its operations and effective for the current annual reporting period.

A4 New and revised standards

The adoption of the following new and revised Standards have no material impact on the financial statements of the company.

- AASB 2020-3 – *Narrow Scope Amendments & Improvements to Australian Accounting Standards*
- AASB 2020-7– *Covid-19- Related Rent Concessions: Tier 2 Disclosures*
- AASB 2020-5 – *Insurance Contracts*

- AASB 2020-2 and AASB 1060 – *removal of special purpose financial reports*
- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*

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

- AASB 2020-1 and AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of liabilities as current or non-current* for annual reporting periods on or after 1 January 2023.
- AASB 2020-3 *Narrow Scope Amendments & Improvements to Australian Accounting Standards – AASB 116, AASB 13, AASB 3, AASB 1, AASB 9, AASB 16 &AASB141* for annual reporting periods on or after 1 January 2022.
- AASB 17 *Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts* for annual reporting periods on or after 1 January 2023.
- AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* for annual reporting periods on or after 1 January 2023.

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

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.

A5 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.

A6 Comparisons with previous year

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

Section B: Detailed information on financial performance

B1 Operating Profit

Accounting Policy

Revenue recognition and unbilled electricity sales

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

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.

The revenue recognition policy has been changed to move from the gross disclosure of revenue to the net disclosure of revenue in relation to concessions and waivers, which were previously recognised as other expenses. Concession discounts and waivers represent variable consideration under AASB 15 Revenue from contracts with customers, which requires electricity revenue to be disclosed on a net basis. This change has no impact on profit.

Interest and other revenue

Interest revenue relates to interest earned on cash investments and overdue customer electricity debt.

Other revenue includes rental income from sub-lease arrangement, connection and service order fees, and concession administration fees.

		2022 $'000	2021 $'000
B1(a)	**Sales Revenue from contracts with customers**		
	Sales to Residential Electricity Customers	448,030	481,452
	Sales to Business Electricity Customers	404,232	397,799
	Sales to Residential Gas Customers	5,179	5,400
	Sales to Business Gas Customers	5,130	8,357
		862,571	893,007
B1(b)	**Interest revenue**		
	Money market investments	21	58
	Bank investments	105	51
	Trade receivables	502	735
		628	844

B1 Operating Profit (continued)

		2022 $'000	2021 $'000
B1(c)	**Other revenue***		
	Connection & services order fees	3,065	3,876
	Other	490	241
		3,555	4,117

* Prior period Other revenue has been restated downwards by $44.4M to reflect the net disclosure of revenue in relation to concessions and waivers. This change has no impact on profit as concession and waiver expenses of an equal amount are no longer shown in prior period Other expenses.

		2022 $'000	2021 $'000
B1(d)	**Electricity derivative fair value movements**		
	Gain/(loss) on derivatives in a fair value hedge accounting relationship (note E1(h))	67,560	(9,227)
	(Loss)/gain on adjustment to hedged item in a fair value hedge accounting relationship (note E1(h))	(67,499)	9,351
		61	124

		2022 $'000	2021 $'000
B1(e)	**Functional expenses**		
	Labour	(31,095)	(27,702)
	Short term lease expense (note C12(c))	-	(241)
	IT, communication and other service fees and charges	(27,688)	(25,930)
		(58,783)	(53,873)

		2022 $'000	2021 $'000
B1(f)	**Finance expenses**		
	Interest expense on leasing arrangements (note C12(c))	(296)	(265)
	Unwinding of Discount on Onerous Contracts (note C9)	(1,321)	(1,735)
		(1,617)	(2,000)

		2022 $'000	2021 $'000
B1(g)	**Depreciation and amortisation**		
	Property, plant and equipment depreciation (note C5)	(995)	(819)
	Intangibles amortisation (note C6)	(8,563)	(6,264)
	Right-of-use assets (note C12(c))	(802)	(648)
		(10,360)	(7,731)

		2022 $'000	2021 $'000
B1(h)	**Other expenses**		
	Credit losses on trade receivables (note C1(a))	(1,988)	(7,360)
	Small Business Waiver	-	(180)
		(1,988)	(7,540)

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.

		2022 $'000	2021 $'000
B2(a)	**Income tax recognised in profit**		
	Income tax recognised in profit		
	Tax expense comprises:		
	Current tax expense	1,309	7,201
	Deferred tax expense relating to the origination and reversal of temporary differences	-	906
	Total tax expense from continuing operations	1,309	8,107
	Profit/(loss) before income tax equivalent expense	4,341	27,014
	Income tax equivalent expense calculated at 30%	1,302	8,104
	Non-deductible expenses	7	3
	Income tax equivalent expense	1,309	8,107

B2 Income Tax (continued)

		2022 $'000	2021 $'000
B2(b)	**Income tax recognised directly in equity**		
	The following current and deferred amounts were charged directly to equity during the period:		
	Deferred tax:		
	Financial instruments	(63,300)	(10,265)
	Provisions	(79)	(191)
		(63,379)	(10,456)
B2(c)	**Current tax assets and liabilities**		
	Income tax (receivable)/payable:	(4,126)	(2,027)
B2(d)	**Deferred tax balances**		
	Deferred tax assets comprise:		
	Temporary differences	45,040	24,568
	Deferred tax liabilities comprise:		
	Temporary differences	(100,300)	(15,139)
	Net deferred liability	(55,260)	9,429

Taxable and deductible temporary differences arise from the following:

2022	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
Gross deferred tax liabilities:				
Property, plant and equipment	1,860	(765)	-	1,096
Financial instruments & other	13,279	22,625	63,300	99,204
	15,139	21,860	63,300	100,300
Gross deferred tax assets:				
Provisions	14,065	(5,289)	(79)	8,697
Tax losses - revenue	-	2,790	-	2,790
Financial instruments & other	9,888	22,652	-	32,539
Property, plant and equipment	615	399	-	1,014
	24,568	20,552	(79)	45,040
Net deferred tax liability	9,429	(1,308)	(63,379)	(55,260)

B2 Income Tax (continued)

2021	Opening balance $'000	Charged to income $'000	Charged to equity $'000	Closing Balance $'000
Gross deferred tax liabilities:				
Property, plant and equipment	1,540	320	-	1,860
Financial instruments & other	12,880	(9,866)	10,265	13,279
	14,420	(9,546)	10,265	15,139
Gross deferred tax assets:				
Provisions	14,287	(31)	(191)	14,065
Tax losses - revenue	1,132	(1,132)	-	-
Financial instruments & other	19,792	(9,904)	-	9,888
Property, plant and equipment	-	615	-	615
	35,211	(10,452)	(191)	24,568
Net deferred tax asset	20,791	(906)	(10,456)	9,429

B3 Cash and short term deposits

Accounting Policy

Cash and cash equivalents 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.

	2022 $'000	2021 $'000
Bank balances	16,735	946
Money market investments	16,500	30,122
Cash and cash equivalents	33,235	31,068

B3 Cash and short term deposits (continued)

B3(a) Financing facilities

The Company has access to finance facilities at 30 June 2021 as indicated below:

2022	Facility Limit $'000	Facility Used $'000	Balance $'000
Borrowing Facilities	147,000	-	147,000
Bank Guarantee Facilities	280,000	280,000	-
	427,000	280,000	147,000

2021	Facility Limit $'000	Facility Used $'000	Balance $'000
Borrowing Facilities	287,000	-	287,000
Bank Guarantee Facilities	140,000	82,700	57,300
	427,000	82,700	344,300

As at 30 June 2022, the Treasurer's letter of guarantee to the Tasmanian Public Finance Corporation regarding Aurora Energy's obligations remains in place.

	2022 $'000	2021 $'000
B3(b) Reconciliation of profit for the period to net cash provided by operating activities		
Operating (loss)/profit after income tax equivalents	3,032	18,907
Depreciation & amortisation costs	10,360	7,732
Fair value through (profit) or loss of financial instruments	(61)	(124)
(Decrease)/increase in onerous contract provision	(16,128)	(6,017)
(Increase)/decrease in accrued interest/market traded receivables	(160,245)	(5,102)
(Increase)/decrease in other assets	(2,361)	(348)
Decrease/(increase) in inventories	14,449	(6,544)
(Increase)/decrease in trade and other receivables	(9,172)	13,342
(Increase)/decrease in deferred and current taxes	(789)	3,050
Increase/(decrease) in trade and other payables	169,992	(16,880)
(Decrease)/increase in employee provisions	(285)	472
Increase/(decrease) in contract liabilities	5,342	2,081
Net cash provided by operating activities	14,134	10,569

B3 Cash and short term deposits (continued)

B3(c) Reconciliation of changes in liabilities arising from financing activities

	2021	Cash Flows	Non-cash changes	2022
	$'000	$'000	$'000	$'000
Lease liabilities	7,724	(696)	-	7,028
Total changes in liabilities arising from financing activities	7,724	(696)	-	7,028

B4 Dividends

	2022	2021
	$'000	$'000
Declared and paid, dividends on ordinary shares	13,147	-

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.

Trade receivables	64,800	61,867
Accrued income	31,781	24,978
Unbilled energy sales	77,835	79,485
Provision for expected credit losses	(16,596)	(17,688)
	157,820	148,642

Of the total $64.8M (2021: $61.9M) of trade receivables, $33.7M (2021: $30.4M) are current with an average of 13.5 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.

C1 Current trade and other receivables (continued)

		2022 $'000	2021 $'000
C1(a)	**Movement in the allowance for expected credit losses of debts:**		
	Balance at the beginning of the year	17,688	12,376
	Credit losses recognised on receivables	1,988	7,360
	Amounts written off as uncollectable	(4,117)	(3,068)
	Amounts recovered during the year	1,037	1,020
	Balance at the end of the year	16,596	17,688

C1(b) Credit risk exposure of trade receivables and contract assets

2022	Trade receivables							
			Days past due					
	Accrued Income & Unbilled Energy $'000	Current $'000	<30 days $'000	30-60 days $'000	61-180 days $'000	>180 days $'000	Total Receiv-ables $'000	Total $'000
Expected credit loss rate	1.45%	2.40%	7.14%	26.78%	50.02%	79.41%		
Gross carrying amount	109,616	33,974	9,086	3,462	6,472	11,807	64,800	174,416
Expected credit loss	1,591	816	649	927	3,237	9,376	15,005	16,596

2021	Trade receivables							
			Days past due					
	Accrued Income & Unbilled Energy $'000	Current $'000	<30 days $'000	30-60 days $'000	61-180 days $'000	>180 days $'000	Total Receiv-ables	Total $'000
Expected credit loss rate	2.84%	2.84%	8.97%	25.56%	50.63%	77.43%		
Gross carrying amount	104,463	30,464	9,363	3,947	7,476	10,617	61,867	166,330
Expected credit loss	2,967	866	840	1,009	3,785	8,221	14,721	17,688

C1 Current trade and other receivables (continued)

The Company holds no collateral over these balances.

C1(c) Of the total receivables, $10.5M (2021: $8.0M) 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 $5.3M (2021: $3.3M) has been recorded.

C2 Inventories

Accounting Policy

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

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.

	2022 $'000	2021 $'000
Renewable energy certificates (valued at cost or net realisable value)	3,291	17,740
	3,291	17,740

Renewable energy certificates recognised as an expense for the year ended 30 June 2022 totalled $75.2M (2021: $74.7M).

C3 Current financial assets

Interest accrued	148	149
Market traded receivables[1]	165,351	5,104
Derivative contracts (at fair value) (note E1)	245,432	26,447
Total current financial assets	410,931	31,700

[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

	2022 $'000	2021 $'000
Prepayments	2,026	65
Customer services obligation recoveries[2]	3,777	3,409
Payroll prepaid	42	13
	5,845	3,487

[2] Customer services obligation recoveries relate to accrued customer concession recoveries not yet billed to the State Government.

C5 Property, plant and equipment

Accounting Policy

(i) Valuation

The value of property, plant and equipment is recorded at depreciated cost adjusted for any accumulated impairment losses.

(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 consistent with prior year and listed below:

Class of non-current asset	Depreciation Rate
Computer equipment	33.3%
Computer equipment	10% - 67%
Other	10% - 33.3%

	2022	2021
Opening gross carrying amount	9,139	3,433
Additions	86	5,743
Disposals	-	(37)
Closing gross carrying amount	9,225	9,139
Opening accumulated depreciation	(3,566)	(2,770)
Disposals	-	23
Depreciation expense (i)	(995)	(819)
Closing accumulated depreciation	(4,561)	(3,566)
Net book value - at recoverable amount	4,664	5,573
Capital works in progress – at cost	15	4
Total property, plant and equipment	4,679	5,577

(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.

C6 Intangible assets

Accounting Policy

An intangible asset shall be recognised if, and only if it is probable that future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

The customer care and billing system has reached the end of its useful life and at 30 June 2022 is fully depreciated. Aurora Energy is currently in the process of migrating its customer base to a new Software-as-a-Service (SaaS) based billing platform.

SaaS arrangements are service contracts providing the company with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate.

	2022	2021
	$'000	$'000
Opening gross carrying amount	71,170	66,582
Additions	5,172	4,588
Disposals	-	-
Closing gross carrying amount	76,342	71,170
Opening accumulated depreciation	(60,475)	(54,210)
Amortisation expense (i)	(8,563)	(6,265)
Closing accumulated depreciation	(69,038)	(60,475)
Net book value - at recoverable amount	7,304	10,695
Software works in progress – at cost	860	3,438
Total intangible assets	8,164	14,133

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

C7 Non-current financial assets

	2022 $'000	2021 $'000
Derivative contracts (at fair value) (note E1)	84,923	17,813
	84,923	17,813

C8 Current trade and other payables

Accounting Policy

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

Trade payables	273,065	103,928
Accrued expenses	93	226
Accrued REC expenses	23,143	22,156
	296,301	126,310

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)

	2022 $'000	2021 $'000
Current employee provisions (note D1)	3,426	3,386
Current onerous contract provision*	3,862	5,043
	7,288	8,429
Non-current employee provisions (note D2)	2,180	2,769
Non-current onerous contract provision*	2,927	17,873
	5,107	20,642
Provision for onerous contract*		
Opening balance	22,917	28,934
Provision reassessment	(13,136)	(2,392)
Utilised	(4,313)	(5,360)
Unwinding of discount	1,321	1,735
Closing balance	6,789	22,917

* Aurora Energy has a long-term contract for the purchase of an energy related product that was assessed as onerous in 2018-19 due to the forward market prices and the economic value that Aurora Energy could obtain from the product being less than the total cost of the contract at the time. Increases in the forward market prices has led to favourable reassessments of the provision, which are included in the line item energy and network purchases on the statement of comprehensive income.

C10 Contract liabilities

Accounting Policy

Aurora Energy receives income from customers in advance of retail electricity bills being issued to customers. Income in advance is recognised as revenue by Aurora Energy at the point retail electricity bills are issued to customers and debt is incurred on customer accounts. Electricity bills are typically issued on a quarterly basis.

	2022	2021
Income received in advance	37,432	32,081
	37,432	32,081

C10(a) Movement in the income received in advance:		
Balance at the beginning of the year	32,081	29,999
Transferred to revenue during the year	(28,764)	(28,238)
Advance customer payments received during the year	34,115	30,320
Balance at the end of the year	37,432	32,081

C11 Financial liabilities

	2022 $'000	2021 $'000
Current financial liabilities (note E1):		
Derivative contracts (at fair value)	24,692	11,983
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	48,044	5,818
Total current financial liabilities	72,736	17,801
Non-current financial liabilities (note E1):		
Derivatives contracts (at fair value)	4,807	9,982
Fair value adjustment to hedged item designated in a fair value hedge accounting relationship	30,367	5,093
Total non-current financial liabilities	35,174	15,075

C12 Lease commitments

Accounting Policy

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in for consideration.

The company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the company's incremental borrowing rate. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

Both the right-of-use assets and lease liabilities have been presented as separate line items in the statement of financial position.

At 30 June 2022, Aurora Energy has two lease commitments relating to two office buildings in Hobart and Launceston.

	2022	2021
C12(a) Rights-of-use assets		
Opening balance	6,500	-
Additions	-	7,148
Disposals	-	-
Depreciation	(802)	(648)
Closing balance	5,698	6,500

C12 Lease commitments (continued)

		2022 $'000	2021 $'000
C12(b)	**Lease liabilities**		
	Non-cancellable lease payments		
	Less than one year	642	696
	One to five years	4,085	3,783
	Longer than five years	2,301	3,245
	Total discounted lease liabilities	7,028	7,724
	Current	642	696
	Non-current	6,386	7,028
	Lease liabilities in statement of financial position	7,028	7,724
C12(c)	**Amounts recognised in profit and loss**		
	Depreciation expense on right-of-use assets	802	648
	Interest expense on lease liabilities	296	265
	Expense relating to short-term leases	-	241
	Income from sub-leasing right-of-use assets	(256)	-
		842	**1,154**

The Elizabeth Street (Office) lease contains an extension option exercisable by the company before the end of the lease period. The extension option is only exercisable by the company and not the lessor. The company has assessed that it is not reasonably certain to exercise the extension option at the commencement of the lease and therefore has not recognised the extension as part of its leases.

The company has estimated that the potential future lease payments, should it exercise the extension, would result in an increase in lease liability of $4.0m

Section D: Employee benefits

Accounting Policy

(i) 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.

(ii) Other employee entitlement provisions

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

D1 Current employee provisions

	2022	2021
	$'000	$'000
Employee entitlements:		
Annual leave	1,830	1,828
Long service leave	1,060	1,036
Superannuation	289	279
Retirements Benefits Fund (note D(i))	53	51
	3,232	3,194
Other current provisions:		
Payroll tax	194	192
	194	192
Total current provisions	3,426	3,386

D2 Non-current employee provisions

	2022 $'000	2021 $'000
Employee entitlements:		
Long service leave	960	1,229
Superannuation	96	123
Retirements Benefits Fund (note D(i))	1,060	1,333
	2,116	2,685
Other non-current provisions:		
Payroll tax	64	83
Total non-current provisions	2,180	2,768

D3 Net transfer (to)/from employee provisions:

Employee entitlements	533	190
Payroll tax	16	(25)
	549	165

D4 Key management personnel compensation

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

Professor M. O'Kane (Chair, non-executive director)

Mrs Y. Rundle (non-executive director)

Mr T. James (non-executive director)

Mrs K. Nylander (non-executive director)

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

Mr K. Ingham (Chief Operating Officer)

Mr O. Cousland (Company Secretary/General Counsel)

Mr A. Crozier (Chief Product and Customer Officer)

Ms K. Gillies (General Manager People and Commercial Services (1/07/21 - 16/11/21)

Mr J. Chisholm (General Manager People and Commercial Services (commenced 21/02/22)

D4 Key management personnel compensation (continued)

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

	2022 $	2021 $
Short-term employee benefits	1,535,126	1,528,291
Post-employment benefits	139,969	135,408
Other long-term benefits	17,801	52,003
Termination benefits	6,257	-
	1,699,153	1,715,702

There were no short-term incentive payments in 2022 or 2021.

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:

2022

Director	Directors' Fees $	Committee Fees $	Super-annuation[1] $	Other[2] $	Total 2022 $
Prof M. O'Kane – Chair	61,455	5,549	6,700	1,200	74,904
Mrs Y. Rundle	41,359	8,363	4,979	1,200	55,901
Mr T. James	41,359	8,363	4,979	1,200	55,901
Mrs. K. Nylander	41,359	5,575	4,700	1,200	52,834
Total	**185,532**	**27,850**	**21,358**	**4,800**	**239,540**

2021

Director	Directors' Fees $	Committee Fees $	Super-annuation[1] $	Other[2] $	Total 2021 $
Prof M. O'Kane – Chair	57,289	5,172	5,934	1,200	69,595
Mrs Y. Rundle	38,563	7,796	4,404	1,200	51,963
Mr T. James	38,563	7,796	4,404	1,200	51,963
Mrs. K. Nylander	38,563	5,198	4,157	1,200	49,118
Total	**172,978**	**25,962**	**18,899**	**4,800**	**222,639**

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

2 Other includes travel and other expenses.

D4 Key management personnel compensation (continued)

Executive remuneration

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

2022

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 2022 $
R Kardos	358,864	-	25,415	-	384,279	-	6,546	390,825
K Ingham	257,659	-	25,838	-	283,497	-	7,086	290,583
A Crozier	279,841	-	27,625	-	307,465	-	18,380	325,845
O Cousland	217,351	-	21,796	-	239,147	-	6,451	245,598
K Gillies – Resigned 12/11/21	90,015	-	8,422	-	98,438	6,257	(26,871)	77,824
J Chisholm - commenced 21/02/22	95,044	-	9,515	18,170[7]	122,729	-	6,209	128,938
Total	**1,298,774**	**-**	**118,611**	**18,170**	**1,435,555**	**6,257**	**17,801**	**1,459,613**

2021

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 2021 $
Mrs R. Kardos	354,170	-	25,096	-	379,266	-	12,500	391,766
Mr K. Ingham	247,245	-	23,501	-	270,746	-	7,254	278,000
Mr H. Moore 16/09/20 to 13/11/20	32,835	-	2,625	-	35,460	-	1,966	37,426
Mr G. Russell – to 15/09/20	67,026	-	6,057	-	73,084	-	846	73,930
Mr O. Cousland	209,716	-	19,705	-	229,421	-	10,802	240,223
Mr A. Crozier	280,777	-	26,688	-	307,465	-	14,843	322,308
Ms K. Gillies - from 16/11/20	132,782	-	12,837	-	145,619	-	3,792	149,411
Total	**1,324,551**	**-**	**116,509**	**-**	**1,441,061**	**-**	**52,003**	**1,493,064**

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, 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.

7 Relates to the reimbursement of relocation expenses.

D4 Key management personnel compensation (continued)

Remuneration Principles

Non-Executive Directors

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

Executive remuneration

Remuneration levels for key management personnel are set in accordance with the Director and Executive Remuneration Guidelines, dated June 2021. Under these Guidelines, remuneration bands for Chief Executive Officers (CEO) are determined by the Treasurer and reflect the principles outlined in the Guidelines broadly and align with State Service Heads of Agency. Positioning within the bands depends on the complexity and size of the business and the environment in which the business operates. Remuneration for other senior executives is set with reference to the CEO's salary.

The CEO is appointed by the Board. The Board consults with the Treasurer when determining the CEO's remuneration package.

The employment terms and conditions of senior executives are contained in individual employment contracts 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.

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.

Section E: Risk and fair value

E1 Financial instruments

Accounting Policy

Derivative Financial Instruments

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

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

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

Hedging

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

Fair value hedges

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

Cash flow hedges

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

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

E1 Financial instruments (continued)

E1(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.

In late 2019-20, in response to concerns regarding the potential financial impact of the COVID-19 pandemic on Aurora Energy, the Shareholder provided a letter of guarantee to Tasmanian Public Finance Corporation (TASCORP) for Aurora Energy's obligations. However, as the impact of COVID-19 on the Tasmanian economy and Aurora Energy's customers was not as severe as initially forecast, Aurora Energy holds no debt as at 30 June 2022. As at 30 June 2022, this guarantee remains in place.

E1(b) Categories of financial instruments

	2022 $'000 Carrying amount	2021 $'000 Carrying amount
Financial assets		
Amortised cost		
- Cash and cash equivalents	30,838	33,235
- Trade and other receivables	64,800	61,867
- Market traded receivables	165,351	5,104
Financial liabilities		
Amortised cost		
- Trade and other payables	273,065	103,928
Derivative instruments		
Fair value through other comprehensive income	11,383	(22,958)
- Electricity swaps – note E1(f)	222,445	11,383

E1(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 and cap options to hedge the energy consumption and price risk arising on purchases and sales of electricity to customers.

E1 Financial instruments (continued)

E1(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 for bank deposits. There is no material concentration risk in retail customers.

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

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

E1(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. Aurora Energy's facilities are reviewed periodically to ensure it retains access to appropriate financing facilities to fund a range of downside scenarios.

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

E1 Financial instruments (continued)

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

2022	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	0.45	30,838	-	-	-
Trade and other receivables	-	64,800	-	-	-
Market traded receivables	-	165,351	-	-	-
Electricity derivatives	-	247,321	64,333	25,657	-
		508,310	64,333	25,657	-
Financial liabilities					
Trade and other payables	-	273,065	-	-	-
Electricity derivatives	-	73,571	27,066	10,217	-
		346,636	27,066	10,217	-

2021	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	0.35	33,235	-	-	-
Trade and other receivables	-	61,867	-	-	-
Market traded receivables	-	5,104	-	-	-
Electricity derivatives	-	26,458	13,945	4,155	-
		126,664	13,945	4,155	-
Financial liabilities					
Trade and other payables	-	103,928	-	-	-
Electricity derivatives	-	17,809	11,801	3,546	-
		121,737	11,801	3,546	-

E1 Financial instruments (continued)

E1(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.

2022	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	197,396	39,617	14,871	-	251,884
Derivatives designated in a fair value hedge relationship	48,036	21,874	8,561	-	78,471
	245,432	61,491	23,432	-	330,355
Liabilities					
Derivatives designated hedge in a cash flow relationship	(24,692)	(3,951)	(857)	-	(29,500)
Derivatives designated in a fair value hedge relationship	(48,044)	(21,819)	(8,547)	-	(78,411)
	(72,736)	(25,770)	(9,404)	-	(107,910)
Total asset/(liability)	172,697	35,720	14,028	-	222,445

2021	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	20,630	11,100	1,798	-	33,528
Derivatives designated in a fair value hedge relationship	5,817	2,797	2,296	-	10,910
	26,447	13,897	4,094	-	44,438
Liabilities					
Derivatives designated hedge in a cash flow relationship	(11,983)	(8,958)	(1,203)	-	(22,144)
Derivatives designated in a fair value hedge relationship	(5,818)	(2,797)	(2,296)	-	(10,911)
	(17,801)	(11,755)	(3,499)	-	(33,055)
Total asset/(liability)	8,646	2,142	595	-	11,383

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 twenty dollar per megawatt hour rate variation (2021: $10), up and down, has been used in the analysis for 30 June 2022. 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)
2021		
Electricity forward price	22/(22)	61,572/(61,460)
2020		
Electricity forward price	0/(0)	34,626/(34,626)

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 were no ineffective cash flow hedges as at 30 June 2022. 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.

E1(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.

Electricity Derivative Contracts

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

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

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

E1 Financial instruments (continued)

30 June 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative instruments				
- Electricity swaps – note E1(f)	-	222,445	-	222,445

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

30 June 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Derivative instruments				
- Electricity swaps – note E1(f)	-	11,383	-	11,383

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.

E1(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 2022	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	48,036	Current financial assets	67,560
		30,435	Non-current financial assets	-
		78,471		67,560

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

30 June 2022	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	(48,044)	(48,044)	Other current liabilities.	(67,499)
	(30,367)	(30,367)	Other non-current liabilities	-
	(78,411)	(78,411)		(67,499)

E1 Financial instruments (continued)

The ineffectiveness recognised in the statement of comprehensive income was $0.61M 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 2021	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	5,817	Current financial assets	(9,227)
		5,093	Non-current financial assets	-
Closing balance	54	10,910		(9,227)

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

30 June 2021	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	(5,818)	(5,818)	Other current liabilities.	9,351
	(5,093)	(5,093)	Other non-current liabilities	-
	(10,911)	(10,911)		9,351

The ineffectiveness recognised in the statement of comprehensive income was $0.12 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.

Cash flow hedges

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

30 June 2022	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	202,351	-	Electricity derivative fair value movements	8,649	Energy and network purchases
30 June 2021					
Electricity price swaps	45,613	-	Electricity derivative fair value movements	(11,396)	Energy and network purchases

E1 Financial instruments (continued)

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

	30 June 2022		30 June 2021	
	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	202,351	155,669	45,613	7,969

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 2022:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable Inputs (Level 2)	Significant unobservable Inputs (Level 3)
Assets measured at fair value		$'000	$'000	$'000	$'000
Derivative financial assets					
Electricity derivatives	30 June 22	330,355		330,355	
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 22	29,499		29,499	
Fair value adjustment to hedged items in fair value hedges	30 June 22	78,411		78,411	
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 2021:

	Date of valuation	Total	Quoted prices in active markets (Level 1)	Significant observable Inputs (Level 2)	Significant unobservable Inputs (Level 3)
Assets measured at fair value		$'000	$'000	$'000	$'000
Derivative financial assets					
Electricity derivatives	30 June 21	44,260	-	44,260	-
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 21	21,965	-	21,965	-
Fair value adjustment to hedged items in fair value hedges	30 June 21	10,911	-	10,911	-
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 F7(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;
- 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 and tax losses (on revenue account) as Aurora Energy considers that it is probable that future taxable profits will be available to utilise those temporary differences and tax losses.

(vi) Provision for an onerous contact

Aurora Energy has a 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 was raised for the difference between the contract purchase cost and the expected economic value of the purchases to Aurora Energy. The provision has been revised at 30 June 2022 using the weighted average of probable future market prices and the remaining purchases contracted, discounted to present value using Aurora Energy's internal pre-tax cost of capital. The increase in the weighted average of the probable future market prices and the remaining purchases contracted has resulted in a decrease in the provision as at 30 June 2022.

E3 Critical accounting estimates and judgements (continued)

(i) Customer care and billing system

The estimated useful life of Aurora Energy's customer care and billing system is 12 years, ending 30 June 2022. Aurora Energy is currently in the process of migrating its customer base to a new replacement billing system, which is expected to be completed by late 2022. Aurora Energy's customer care and billing system will be utilised until this time, however no change has been made to its useful life for accounting purposes.

(ii) Expected Credit Loss of Trade Receivables

The expected credit losses reflect potential loss from the non-payment of trade receivables. The key sources of estimation uncertainty in the expected credit loss calculation is the extent to which the effects of the COVID-19 pandemic on customer payment behaviour continues through the 2022-23 financial year. The provision rates for the allowance for expected credit losses reflect the experience of credit losses in the months leading up to 30 June 2022.

Section F: Other information

F1 Share capital

Accounting Policy

Ordinary shares are classified as equity.

	2022 $'000	2021 $'000
Issued and paid-up capital		
112,700,004 ordinary shares, fully paid	50,212	50,212

	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

	2022	2021
Balance at beginning of year	4,039	(15,314)
Net profit attributable to members of the entity	3,032	18,907
Dividend provided/paid (note B4)	(13,147)	-
Actuarial gain on RBF defined benefit plan net of tax (note D(i))	184	446
Balance at end of year	(5,892)	4,039

F3 Reserves

		2022 $'000	2021 $'000
F3(a)	**Reserves comprise**		
	Cash flow hedge reserve	155,669	7,969
		155,669	7,969
F3(b)	**Movements in reserves**		
	Cash flow hedge reserve		
	Balance at beginning of year	7,969	(15,983)
	Gain recognised		
	Electricity price swaps	202,351	45,613
	Transferred to profit		
	Electricity price swaps	8,649	(11,396)
	Deferred tax arising on hedges	(63,300)	(10,265)
	Balance at end of year	155,669	7,969

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

F4(a) Equity interests in related parties

Equity interests in subsidiaries

F4(b) Key management personnel compensation

Details of key management personnel compensation are disclosed in note D4 to the financial statements.

F4(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.

F4 Related party disclosures (continued)

F4(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

	2022 $	2021 $
Amounts received, due and receivable, by the Auditor-General from the company for:		
Auditing the accounts of the company	124,650	120,200
Auditing Financial Services Licence	6,430	6,180
	131,080	126,380

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 Other accounting policies

F7(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.

F7 Other accounting policies (continued)

F7(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. As per AASB136 Impairment of Assets, the company undertakes impairment tests of any intangible assets with an indefinite useful life and those not yet available for use (i.e. Work in Progress).

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.

F8 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 the Aurora Energy Pty Ltd (the Company), which comprises the statement of financial position as at 30 June 2022 and 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 2022 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 (including Independence Standards)* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Company on 11 August 2022 and included in the Directors' Report, would be in the same terms if provided to the directors at the time of this auditor'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.

<table>
<tr><th>Why this matter is considered to be one of the most significant matters in the audit</th><th>Audit procedures to address the matter included</th></tr>
<tr><td colspan="2">Financial instruments valuation and hedge accounting
Refer to notes B1(d), C3, C7, C11, E1, E2 and E3(ii)</td></tr>
<tr><td>The Company enters 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, some of which use complex valuation models.

As at 30 June 2022, derivative financial assets totalled $330.36 million, derivative financial liabilities totalled $107.91 million.

The models involved significant judgements for the key inputs used to calculate the fair value of derivative financial instruments, which included future electricity prices, discount rates, credit risk factors and option volatility.

Valuation and accounting for these financial instruments is complex.</td><td>• Engaging a derivative valuation 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.

• Evaluating the adequacy of the derivative valuation expert’s work to ensure the:
- assumptions and methods used are relevant and reasonable
- source data used is relevant, complete and accurate.
- conclusions are consistent with other audit evidence.</td></tr>
</table>

Why this matter is considered to be one of the most significant matters in the audit	Audit procedures to address the matter included
Unbilled energy sales ***Refer to notes B1, C1 and E3(iii)***	
The Company's electricity sales included an estimate of unbilled energy supplied to customers between the date of the last meter reading and the year end. At 30 June 2022, unbilled energy sales were estimated at $77.84 million. 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.	• Evaluating of the methodology for estimating unbilled energy sales. • Assessing the effectiveness of the Company's controls governing energy purchased, energy sold and the customer pricing process. • Reviewing of management's assumptions and estimates to assess that they are appropriate, adequately supported, and based on accurate and relevant data. • Testing the unbilled revenue calculation by: - comparing inputs used in the calculation to supporting data such as historical energy loan purchased - reviewing the comparison of tariffs applied to customer consumption with historical data - evaluating the trend analysis of the accrual by comparing the unbilled energy amount to final billing data - evaluating the historical trend analysis of unbilled energy at year end as a percentage of annual sales - testing the mathematical accuracy of elements of the unbilled revenue accrual. • Evaluating the adequacy of the related disclosures in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report for the year ended 30 June 2022, 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.

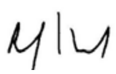
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- 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, actions taken to eliminate threats or safeguards applied.

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



Rod Whitehead
Auditor-General
Tasmanian Audit Office

16 August 2022
Hobart

Tasmanians' energy experience reimagined

Good things happen here.