2020

AURORA ENERGY
ANNUAL REPORT

CONTENTS

THE AURORA ENERGY STORY

POWERING OUR COMMUNITIES

OUR VISION IS TO BE...

A respected local partner recognised for providing essential electricity services to support the future growth and wellbeing of our communities.

OUR MISSION IS TO...

Deliver electricity to our communities when and where it's needed, safely, reliably and efficiently.

Aurora Energy is the local electricity distribution network supplying 91,000 homes, farms and businesses in Dunedin, Central Otago and Queenstown Lakes.

Our job is to deliver power from the national grid, through our network of poles and wires. We build, maintain and upgrade the poles, power lines, underground cables, substations and other equipment that delivers power.

We are a dedicated team of 149 people across Dunedin and Central Otago, partnering with three key service providers to build and maintain the network. We operate the network 24/7, providing an emergency response in the event of power outages.

Aurora Energy Limited is a subsidiary company of Dunedin City Holdings Limited owned by Dunedin City Council.

STATISTICS FOR YEAR UNDER REVIEW

91,577
CUSTOMER CONNECTIONS [R]

INVESTED IN RENEWING, MAINTAINING AND BUILDING OUR NETWORK
71.3m

54,000
POWER POLES ON OUR NETWORK

7,136
DISTRIBUTION TRANSFORMERS ON OUR NETWORK

$617.6m
TOTAL ASSETS

39
ZONE SUBSTATIONS ON OUR NETWORK

MEGAWATTS NETWORK MAXIMUM DEMAND [R]
283MW

186.72
AVERAGE MINUTES OF NETWORK OUTAGES PER CUSTOMER IN A YEAR [R]

GIGAWATT HOURS OF ELECTRICITY DISTRIBUTED ACROSS THE NETWORK[R]
1,431GWh

418,724
PAGE VIEWS ON OUR CORPORATE WEBSITE

2,709
SOCIAL MEDIA FOLLOWERS ACROSS FACEBOOK, LINKEDIN AND INSTAGRAM

149
PEOPLE EMPLOYED IN OUR DUNEDIN AND CROMWELL LOCATIONS

776
APPLICATIONS RECEIVED IN THE NEW CUSTOMER INITIATED WORKS PORTAL FROM FEBRUARY TO 30 JUNE

8,107
CUSTOMER CALLS DURING BUSINESS HOURS

CUSTOMER COMPLAINTS RECEIVED BY THE INDEPENDENT DISPUTE RESOLUTION SERVICE
8

Figures denoted [R] relate to the regulatory year ended 31 March 2020.

CHAIR & CHIEF EXECUTIVE'S REPORT

AURORA ENERGY MAINTAINED ITS FOCUS ON ASSET MANAGEMENT IMPROVEMENTS, NETWORK INVESTMENT PROGRAMMES AND THE PREPARATION OF ITS CPP APPLICATION DURING THE YEAR, NOTWITHSTANDING THAT THE COVID-19 PANDEMIC CAUSED SIGNIFICANT DISRUPTIONS IN THE LATTER PART OF THE REPORTING PERIOD. OUR THOUGHTS HAVE BEEN WITH THOSE IMPACTED MOST NEGATIVELY BY THIS GLOBAL EVENT.

COVID-19 PANDEMIC RESPONSE

Along with the rest of New Zealand, we have watched the world change as countries have endeavoured to adapt to the new normal driven by a global pandemic.

As a lifeline utility, our team took its responsibility to keep the electricity flowing to homes and businesses, very seriously. Throughout the lockdown period we restricted planned power outages to only essential safety work and fault responses.

Our people showed exceptional resilience and more than a dozen staff were seconded to our emergency response team. This team readied the organisation for an emergency response following the initial outbreak, managed communications and the wellbeing of staff

during the lockdown period, and ultimately prepared the business for its return to the office. During the lockdown, more than 90 per cent of our staff worked from home, whilst our network controllers continued to work from the office to ensure the safe operation of the network.

We have recently undertaken an initial review of our forecast investment programme in light of an expected reduction in the rate of new customer connections arising from the Covid-19 pandemic. We will continue to assess the ongoing impact of Covid-19 on future electricity demand particularly in our Central Otago and Queenstown regions.

As a community, we were reminded that electricity is vital to everyday life, from the home-schooling of children, to ensuring our frontline health workers can deliver the critical services that we need.

We would like to thank our customers for the support and understanding our team received, especially the support our contractors received when they were out in the field working on our network assets.

AURORA ENERGY CUSTOMISED PRICE-QUALITY PATH APPLICATION

Throughout 2019 and 2020, we have been focused on preparing a customised price-quality path (CPP) application, which was submitted to the Commerce Commission on 12 June. The CPP proposal seeks regulatory approval for a $383 million, three-year programme of investment to undertake essential maintenance and upgrades needed to keep the network safe, resilient and able to meet expected electricity demand.

The Commerce Commission can set a customised price-quality path to better suit the needs of a regulated electricity business and its customers. As part of the regulatory process, the Commission will review our application and consult further with interested parties before making its final decisions on Aurora Energy's annual revenue allowance and reliability limits by March 2021.

The purpose of our CPP proposal is to:

- deliver a safe network and address renewal backlogs
- keep pace with emerging risks of an ageing network
- improve the health and condition of critical network assets
- stabilise reliability at current levels
- continue to support the level of expected growth in demand
- prepare the network in readiness for future technology uptake.

In November last year, we consulted widely with our customers on our proposed investment plan, explaining the reasons for the investment and the long-term benefits that would result from the proposed work. As a result of the feedback we received from customers, recommendations arising from the Commerce Commission's independent verification process, and our initial assessment of the expected impacts of the Covid-19 pandemic, we revised downwards our proposed CPP investment in several areas. These revised CPP investment proposals also resulted in a downwards movement in proposed future price increases under a CPP.

Getting the right balance between costs and the urgent need to improve the condition of network assets is very challenging. Customers have told us very clearly they want essential work to be done, but that significant price increases are a real concern. Safety and affordability outcomes were therefore at the forefront of our thinking when finalising our CPP proposal. Our investment focus over the next three years is on what we believe is necessary to keep the network safe and to deliver electricity to customers when they need it.

We thank the many stakeholders and community organisations for their feedback and the time they took to contribute their views on our future investment plans. Your feedback shaped our final proposal and gave us a better insight into what our customers value and the level of service they expect from their electricity supplier.

ON THE RIGHT TRACK FOR A SAFE AND RELIABLE NETWORK

During the reporting period, we continued to face a high level of external scrutiny from the Commerce Commission, the media, our communities, Councils and stakeholders. We accept that ongoing external scrutiny is an inevitable part of life at Aurora Energy until we fully address the impact of a prolonged period of historic underinvestment. We are making good progress. All three recent independent assessments of the business have continued to show that our current team has an effective plan for the network and is committed to powering the communities we serve. The author of a wide-ranging independent review of Aurora Energy, commissioned in late 2019 by the Dunedin City Council, concluded that the Council could have confidence that the business is working to reduce critical risks and is developing the culture required to deliver a safe and reliable network.

RESOLUTION OF QUALITY BREACH

Our past breaches of regulated reliability limits were resolved on conclusion of the Commerce Commission's enforcement action, which commenced in September 2018. The penalty imposed by the High Court was paid in May and was within the $5 million provision made in last year's financial statements. Our CPP application proposes new reliability limits from 2021 that would allow us to carry out preventative work without penalty, as we continue to invest in keeping the network safe and in stabilising the level of unplanned outages.

MANAGING SAFETY AND RISK

As a lifeline utility, it is critical that our network equipment is both physically safe and operated safely. The work we are carrying out across our networks is aimed at keeping both the public and our service providers safe at all times.

In August, we launched a suite of new health and safety requirements which apply to any service provider contracted to carry out work on the Aurora Energy network. The new standard is a significant step forward on our safety journey. Its launch was attended by all contractors approved to work on the Aurora Energy network in both Dunedin and Central Otago.

We have continued to improve our health and safety management to meet our obligations under the Health and Safety at Work Act. To date, we have implemented governance standards that improve our approach to incident management, contractor management, asbestos management, and health and wellbeing. In addition, our public safety management system was reviewed and audited to ensure it complies with New Zealand standards and to identify opportunities to enhance our approach to managing public safety risks.

OUR PEOPLE

At the close of this financial year we are pleased to report that our organisation is nearing a full complement of team members. We note that attracting new talent to the region with the specialised skill sets we require can often make recruiting staff very challenging. Our team of professionals is committed to the unique challenge that lies ahead for the organisation and we are working on several improvement initiatives inside the business to improve reporting, customer experience, data and overall management of the network.

OUR WORKS PROGRAMME

This year the Aurora Energy team continued to deliver a large works programme focused on upgrading the network and preparing for the future. As well as the ambitious works programme, the team also delivered a customised price-quality path application in June.

We would like to acknowledge the superb efforts of management and governance in what was achieved during the period under review.

FUTURE PROJECTS

In the coming year Aurora Energy will continue to deliver against an ambitious network renewal plan. Amongst several safety upgrades across the network, there are some larger projects planned which will be visible to the community.

- Waipori lines upgrade
- Cromwell zone substation upgrade
- Dunedin harbour crossing upgrade
- Clyde reinforcement
- Smith Street cable commissioning
- Arrowtown ring upgrade
- Andersons Bay substation upgrade
- Ettrick substation renewal.

FINANCIALS AT A GLANCE

FINANCIAL PERFORMANCE MEASURES COMPARED FAVOURABLY WITH FORECASTS FOR THE YEAR, AIDED BY STRONG USE OF SYSTEM REVENUES AND NEW CUSTOMER CONTRIBUTIONS.

The Company continued to invest strongly in its network at levels that exceed the expenditure allowances for which it is currently compensated by the Commerce Commission's default price-quality path regime. Capital expenditure of $53.6 million (financial year 2019: $62.0 million) was directed to new network assets in the Dunedin, Central Otago and Queenstown Lakes areas during the year. This year's capital expenditure programme was impacted by the deferral of third party projects, including a large connection enquiry with the potential to change the scope of other planned works, and the Covid-19 lockdown period.

Network maintenance expenditure increased by $1.5 million to $17.7 million (FY19: $16.2 million). The company recorded a net loss after tax of $4.2 million (FY19: loss $10.9 million) compared with a forecast loss of $18.2 million. As signalled in our Statement of Intent, Aurora Energy paid no dividends during FY20. The view of the Board and our shareholder is that the long-term interests of our shareholder and customers are best served by forgoing dividends during the current period of infrastructure renewal.

POWERING OUR PERFORMANCE

IN THE YEAR ENDED 30 JUNE 2020, WE MADE FURTHER PROGRESS ON NETWORK RENEWAL AND MAINTENANCE, IMPLEMENTED BETTER SYSTEMS TO IMPROVE OPERATIONAL PERFORMANCE AND FOCUSED ON ENHANCING OUR CUSTOMER EXPERIENCES.

PROGRESS ON RENEWAL AND REDUCING NETWORK RISK

In recent years we have significantly lifted investments in asset renewals and maintenance in response to the risks posed by ageing infrastructure. As part of our CPP application, we prepared an updated ten-year investment plan; our 2020 Asset Management Plan. The plan outlines Aurora Energy's intended approach to managing its electricity distribution assets during the period from 2020 to 2030, and the investments we plan to make to ensure we provide a safe and reliable power supply to our customers.

IMPROVING PLANNED OUTAGES FOR CUSTOMERS

In 2020, we focused on improving our internal process for planning work, so we can have better and earlier visibility of outages that impact customers. The new process will enable us to plan more effectively, look for opportunities to minimise the impact or combine outages to deliver better outcomes for our customers. We know we still have work to do in this space and we are looking at ways to engage with our communities to better communicate with them and identify how we can best reduce the impact of both planned and unplanned outages. We are continuing to refine our approach and we are currently consulting with contractors on a full implementation of the new process.

NEW CONTRACTOR DEPOT IN CROMWELL

Connetics is one of our key field service providers in Central Otago. The company opened a new depot in Cromwell in February, a demonstration of Connetics' long term commitment to its partnership with Aurora Energy and the region.

BETTER SYSTEMS TO IMPROVE PERFORMANCE

We have implemented several business and financial system changes necessary for Aurora Energy to operate as a standalone company and to improve our asset management performance and operational efficiency.

In October, the company's accounting and finance functions were fully separated from Delta Utility Services Ltd (Delta). The separation coincided with the launch of a new automated accounts payable system which has been successfully rolled out across the business. The separation of technology and information systems from Delta is underway and is scheduled for completion by June 2021. In April, we went to market for a new asset management system that, together with further enhancements to underlying asset and performance data, is integral to achieving the asset management maturity improvements we seek.

We are now managing and monitoring all projects using a new enterprise portfolio programme management tool.

NEW CONNECTIONS PROCESS AUTOMATED

Customers have told us that improving the new connections process is a priority. We have taken this feedback on board and in February we launched a new modern online portal to streamline the application process for simple connections. This is the first phase in improving our customer connection process and we are currently developing a new online portal for standard and strategic connections to make it easier to connect to our network.

MAJOR EVENT RESPONSE

We activated our emergency response team twice during the year, in response to major weather events in Dunedin and Queenstown Lakes. The emergency response team worked in collaboration with local Councils and Otago Civil Defence and Emergency Management to respond to the events, communicate with customers and restore power. To further strengthen our emergency preparedness, 58 employees completed training in the Coordinated Incident Management System; New Zealand's official, and widely used, framework for emergency management.

STAKEHOLDER ENGAGEMENT

We have continued to maintain our focus on stakeholder and customer engagement throughout the year. Our customer voice panels and customer advisory panel were particularly valuable advisory and feedback forums which we will look to integrate into our business-as-usual processes. We have also focused on undertaking regular engagement with the key Councils in our region to keep them up-to-date with our investment plans.

POWERING OUR PEOPLE

AT AURORA ENERGY, OUR PEOPLE ARE OUR MOST VALUABLE ASSET.

We see our people as the key ingredient to our success and support them to help them achieve their goals and career aspirations.

We also pride ourselves on having a diverse and inclusive workforce. We believe we have a fantastic team and that it is our diversity that makes us even more effective.

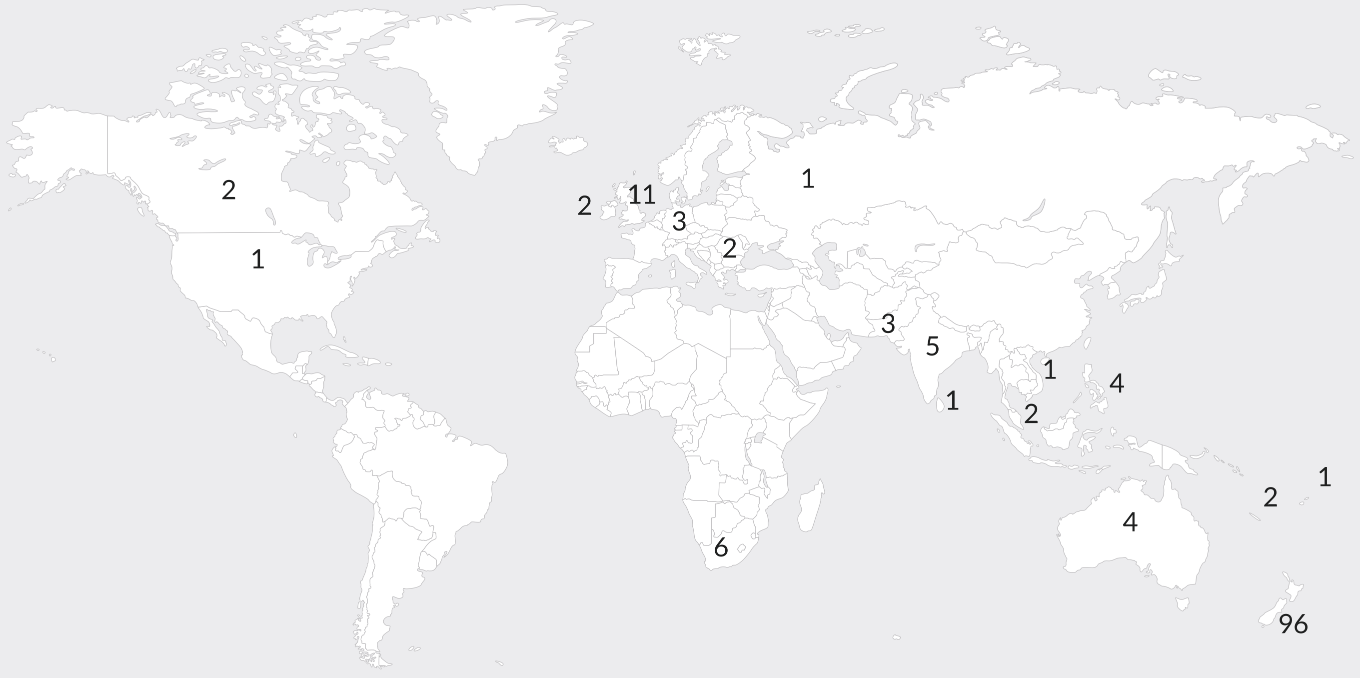
This year we have placed a particular emphasis on our personal development processes and leadership behaviours, with a view to equipping our teams with the skills to feel confident and effective in their roles. Given the fast-changing landscape of the energy sector, we have also completed comprehensive resilience training across the organisation, to help our people manage the pace and dynamic of change as we plan for an evolving energy future.

During the year, 33 employees completed Prince2 project management training; building new capability and a consistency of approach across our works planning, delivery and design teams.

We recruited successfully to fill each of the new leadership roles in our asset management and planning team, an important milestone for Aurora Energy as a stand-alone asset manager.

We were pleased to appoint Tracey Saunders to the role of General Manager Digital Transformation. Tracey brings the strong leadership skills and experience necessary to drive our digital transformation journey.

EMPLOYEES BY COUNTRY OF BIRTH



AGE RANGE

20-29 | **15**

30-39 | **48**

40-49 | **42**

50-59 | **38**

60+ | **6**

AURORA ENERGY EMPLOYEES BY GENDER

	Male	Female
Directors	2 (50%)	2 (50%)
Executive Team	6 (75%)	2 (25%)
Senior Management Team	20 (69%)	9 (31%)
Aurora Energy Total	**97 (65%)**	**52 (35%)**

POWERING OUR COMMUNITIES

AT AURORA ENERGY, WE POWER YOUR HOME, YOUR STUDY, YOUR BUSINESS, YOUR FARMS AND YOUR TRANSPORT.

We are committed to powering our communities.

Our aim is to make a positive difference in the lives of the communities we serve, and to keep the power on when our communities need it the most.

We work directly with our communities to better understand their needs, how we can support communities while undertaking work and to get their input to how we can incorporate service improvements into our future plans.

In developing our CPP proposal, we worked with customer focus groups in Dunedin, Cromwell and Queenstown and established a customer advisory panel, so we could hear directly from our customers on what they expect from Aurora Energy.

Our desire to foster younger generations' interest in electricity and science remained an intrinsic part of our community focus, with our continued sponsorship of the Otago Science & Technology Fair.

In 2021 and beyond, we expect to continue to power our communities through several community-based initiatives including our sponsorship programme, a school-based education programme, and corporate volunteering opportunities.

POWERING OUR FUTURE

BUSINESS PLAN

Our new business plan sets out the future direction of Aurora Energy. The plan continues our focus on targeted investments that ensure the network and supporting operations efficiently deliver electricity to customers, that is safe and fit for purpose.

We have listened to customers and their feedback on the services we deliver which is why the plan includes a number of specific objectives aimed at enhancing the experience customers receive when interacting with Aurora Energy.

We expect the plan to become a crtical tool in supporting the delivery of our CPP programme, progressing our overall operational performance, and positioning the business to deliver for customers both now and in the future in a sustainable and responsive way.

In addition to the outcomes that will be delivered through team tactical plans, the leadership team has identified several cross-business areas in which, through collaboration, we will seek to make visible step change improvements:

- We will ensure that all staff have a clear vision for the future direction of the business.
- We will target enhancing customer experience particularly in the way we plan our work to minimise supply disruptions, and more generally how we communicate and respond to customers.
- We will streamline end-to-end work delivery processes and will seek to move away from piecemeal work on the network by moving towards larger integrated work packages.

Measuring and reporting on our business performance will also be a leadership focus this year, as well as health and safety leadership and maintaining the wellbeing of our staff.

As an essential services provider, we are committed to delivering our CPP programme from 1 April 2021 onwards and improving our data, supporting systems and business processes. Having access to good quality information to inform decision making and to allow performance measurement is critical if we are to achieve our aims of being operationally excellent and delivering value for our customers.

ROADMAP FOR TECHNOLOGY UPTAKE

Our network is at the interface of increasing customer uptake of distributed energy resources such as rooftop solar, electric vehicles and battery storage. In preparation for changing patterns of electricity use, we have developed a network evolution plan to support the network's transition to a low-carbon future and customer choice in adopting new technologies. Over the coming years, the plan anticipates research, development and testing of new and innovative network and non-network solutions.

A glimpse into this future is provided by our plan to defer a large growth investment in the Upper Clutha region by using a distributed energy resource solution to address a capacity constraint without compromising service delivery. By partnering with a third party to install a mix of distributed generation, battery storage and/or demand response, we can defer the costly construction of new subtransmission lines to meet increased electricity demand.

THANKS, FROM OUR LEADERSHIP TEAM

THE BOARD AND EXECUTIVE TEAM WOULD LIKE TO THANK ALL STAFF FOR THEIR CONTINUED EFFORT THROUGHOUT ANOTHER BUSY YEAR FOR AURORA ENERGY.

WE ALSO EXTEND OUR THANKS TO THE MANY STAKEHOLDERS WHO HAVE BEEN INVOLVED IN OUR CPP CONSULTATION PROGRAMME AND WHO HAVE HELPED SHAPE OUR DRAFT PROPOSAL TO THE COMMERCE COMMISSION.

Steve Thompson
Chair, Aurora Energy Board

Richard Fletcher
Chief Executive, Aurora Energy

BOARD OF DIRECTORS

Steve Thompson
(Non-executive Chair)

Steve joined the Aurora Energy Board in June 2016 and was appointed Chair in December 2016. He is a professional director in the energy, construction, investment, manufacturing and professional services sectors.

Margaret Devlin
(Non-executive Director)

Margaret joined the Aurora Energy Board in July 2017. She is a professional director operating primarily within the infrastructure sector with a focus on audit and risk and promoting diversity within the infrastructure sector.

Brenden Hall
(Non-executive Director)

Brenden joined the Aurora Energy Board in July 2017. He is an independent director and business advisor with over 30 years' experience across multiple industries.

Wendie Harvey
(Non-executive Director)

Wendie joined the Aurora Energy Board in November 2018. She is a professional director, with interests in strategy development, organisation change, infrastructure management and the promotion of health and safety in the workplace.

EXECUTIVE LEADERSHIP TEAM

RICHARD FLETCHER
Chief Executive

Richard joined Aurora Energy as Chief Executive in January 2018. He has had extensive international experience in engineering and management consulting and held senior roles in the New Zealand electricity supply sector.

GARY DIXON
Chief Financial Officer and General Manager Accounting and Finance

Gary joined Aurora Energy in October 2011. He is responsible for the accounting and finance, risk assurance and corporate administration functions of Aurora Energy.

GLENN COATES
General Manager Asset Management and Planning

Glenn joined Aurora Energy in March 2018. He is responsible for asset management strategy and the associated growth and lifecycle management of our network assets. He also leads the Aurora Energy design and engineering teams who support the delivery of our network and customer-related projects.

SIAN SUTTON
General Manager Customer and Engagement

Sian joined Aurora Energy in February 2019. She is responsible for Aurora Energy's customer experience, stakeholder engagement, communication and human resource management functions.

TRACEY SAUNDERS
General Manager Digital Transformation

Tracey joined Aurora Energy in January 2020. She is responsible for information technology strategy and operations and network technology development.

JOHN CAMPBELL
General Manager Operations and Network Performance

John joined Aurora Energy in March 2015. He is responsible for network operations, operation of the 24/7 network control centres, operational network performance and network safety.

ALEC FINDLATER
General Manager Regulatory and Commercial

Alec joined Aurora Energy in 1999 and was appointed General Manager Network Commercial in February 2017. He is responsible for network pricing, commercial development, regulatory affairs and resource management for the Aurora Energy network.

MARK PRATT
General Manager Work Programming and Delivery

Mark joined Aurora Energy in 2018 and was appointed General Manager Work Programming and Delivery in December 2018. He is responsible for the forward programming of physical works and managing contractor service delivery on the Aurora Energy network.

TREND STATEMENT

YEARS ENDED 30 JUNE	Note		2020	2019	2018	2017	2016
Energy received into network		GWh	1,478	1,444	1,451	1,441	1,398
Energy received for delivery to consumers	1	GWh	1,415	1,401	1,417	1,390	1,365
Total revenue		$000	**110,953**	**103,229**	**106,501**	**102,868**	**100,032**
Operating profit (loss) before tax (before subvention payments and provision for network reliability performance breach provision)		$000	**(6,585)**	**(7,049)**	**1,197**	**11,278**	**16,262**
Provision for network reliability performance breach provision		$000	-	(5,000)	-	-	-
Net profit (loss) before tax before subvention payments		$000	**(6,585)**	**(12,049)**	**1,197**	**11,278**	**16,262**
Tax (benefit)/expense		$000	(2,388)	(1,106)	772	2,572	2,507
Net profit (loss) for the year (before after-tax value of subvention payments)		$000	**(4,197)**	**(10,943)**	**425**	**7,294**	**11,713**
Net profit (loss) for the year (after subvention payments)	2	$000	**(4,197)**	**(10,943)**	**425**	**7,294**	**6,463**
Cashflow from operating activities		$000	14,488	16,887	18,448	20,981	23,286
Dividends paid		$000	-	-	-	1,500	3,000
Equivalent dividends (actual dividends plus after-tax value of subvention payments)		$000	-	-	-	**1,500**	**8,250**
Shareholder's equity		$000	**175,965**	**179,576**	**190,819**	**190,432**	**183,648**
Total assets		$000	**617,646**	**580,376**	**535,549**	**472,619**	**436,452**
Capital expenditure (network)		$000	**53,648**	**62,731**	**78,421**	**45,152**	**37,196**
Return on average equity (before after-tax value of subvention payments)			(2.4%)	(5.9%)	0.2%	3.9%	6.4%
Equity to total assets			28.5%	30.9%	35.6%	40.3%	42.1%

NOTE

1. Energy received statistics for regulated years ended 31 March are reported under the Network Performance Summary on page 28.
2. Aurora Energy Limited is part of the Dunedin City Holdings group of companies. In the year ended 30 June 2016, Aurora Energy Limited made a pre-tax subvention payment to another company within the Dunedin City Council group of companies, which had the effect of reducing the net profit for the year. In the year ended 30 June 2017, Aurora Energy made a post-tax subvention of $1.4 million which had no effect on the company's profit for the year. Aurora Energy has not made any subvention payments in the years ended 30 June 2018, 2019 or 2020.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2020

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
HEALTH, SAFETY, COMMUNITY AND ENVIRONMENT OBJECTIVES			
Health and Safety			
• Zero serious harm events involving members of the public.	Nil	Achieved	There were no serious harm incidents during the year involving members of the public.
• Reduce levels of recordable harm.	≤4.25 total recordable injury frequency rate (TRIFR) per 200,000 hours worked.	Not Achieved	Aurora Energy and its largest contractors achieved a TRIFR of 4.8 per 200,000 hours worked during the year.
Community			
• Maintain community support through sponsorships and community initiatives including the street art programme on Aurora Energy assets.	$20,000 of sponsorship per annum.	Partially Achieved	$10,103 was spent in support of community initiatives during the year. Aurora Energy's primary community sponsorship was the Otago Science & Technology Fair.
• Promote uptake of electric vehicles.	At least 4 public charging facilities connected to Aurora network.	Achieved	There are at least ten public fast chargers connected to the network.
• Partner with Department of Conservation in the NZ Falcon conservation project aimed at reducing risk of bird electrocution.	Network Design Standards updated to include FalconSafe requirements for all new installations.	Achieved	FalconSafe network design standards incorporated on all new installations across the business.
Environment			
• No transgression of the environmental and resource law occurs.	No breaches	Achieved	There were no Resource Management Act breaches during the year.
Network Management			
• Prepare and submit a Customised Price Path (CPP) application to the Commerce Commission by May 2020.	Ensure the business is in a position to engage and consult with stakeholders and submit a CPP application in May 2020.	Not Achieved	CPP submission date of 12 June 2020, achieved Commerce Commision requirements.
• Investigate and document detailed plans for the implementation of process and capability improvements identified as necessary to enhance asset management practice.	Plans incorporated into CPP application by May 2020.	Achieved	Plans incorporated into draft CPP application in accordance with targeted timeframe.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2020

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Network Management Continued			
• Embed new Enterprise Risk Management Framework	Establish risk identification, assessment, management and reporting processes in accordance with new Aurora Energy Risk Control and Management Policy and Standard.	Achieved	Risk Management Framework established and embedded evidenced by: - Risk based planning and decision making, - Risk registers reviewed regularly and up to date, - Regular reporting processes in place.
NETWORK OPERATIONS (Regulatory Year Targets - Period Ended 31 March 2020)			
• Consumer connections (ICP count)	89,500 average per annum.	Achieved	Total customer connections were 91,577 as at 31 March 2020.
• Load factor %	≥ 54.00% energy into network/ peak kW hours.	Achieved	58%
• Capacity utilisation %	≥ 30.0% peak network kW/installed distribution transformer capacity kVA.	Not Achieved	Below target outcome 29% is consistent with warmer 2019 winter temperatures.
• Customer responsiveness – achieve average network restoration times of < 4 hours for urban customers and < 6 hours for rural customers.	≤ 60 number of events outside urban and rural restoration targets that resulted in service payments to customers.	Achieved	57 events occurred outside of restoration targets that resulted in service payments being made.
NETWORK RELIABILITY (Statement of Intent Targets – Period Ended 31 March 2020)			
• SAIDI			
- Class B interruptions planned	≤ 116.00 minutes	Achieved	55.35 minutes
- Class C interruptions unplanned	≤ 103.00 minutes	Not Achieved	131.37* minutes
- Total	≤ 219.00 minutes	Achieved	186.72 minutes
• SAIFI			
- Class B interruptions planned	≤ 0.51	Achieved	0.31 interruptions
- Class C interruptions unplanned	≤ 1.90	Achieved	1.80* interruptions
- Total	≤ 2.41	Achieved	2.11 interruptions

*Class C SAIDI and SAIFI are expressed as normalised figures. Regulatory reporting allows for the effect of extreme events to be removed, resulting in normalised figures that are compared against target. The raw results for Class C SAIDI and SAIFI were 160.30 minutes and 1.94 interruptions respectively.

STATEMENT OF SERVICE PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2020

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
ECONOMIC DEVELOPMENT			
• Promote economic development by providing essential electricity infrastructure to support the Council's strategy to be one of the worlds great small cities.	Refer to Health and Safety and Network Reliability targets.	Not Achieved	Health and Safety and Network Reliability targets achieved except for TRIFR and Unplanned SAIDI (see above).
SHAREHOLDER OBJECTIVES			
• Engage with the Shareholder annually on opportunities for the Company to contribute, or assist where possible, with Council's community outcomes (as listed in the Annual Plan). Consult with the Shareholder on matters to be included in the Company's Statement of Intent.	Shareholder approval of the Company's Statement of Intent.	Achieved	2019-2020 Statement of Intent was submitted and approved.
• Bring to the attention of the Shareholder any strategic or operational matters where there may be a conflict between the Council's community outcomes and those of the Company.	No unnotified potential conflicts.	Achieved	Issues of potential strategic or operational conflicts were notified to the Shareholder.
• Keep the Shareholder informed of all substantive matters.	All substantive matters reported within 24 hours.	Achieved	All substantive matters were reported to the Shareholder within 24 hours.

- As at 30 June 2020, 100% of the Company's permanent employees were paid at or above the Living Wage (as calculated by the NZ Family Centre Social Policy Unit)

FINANCIAL OBJECTIVES

FINANCIAL RESULTS	TARGET $ '000'S	OUTCOME	RESULT $ '000'S
• EBITDA[1]	≥11,318	Achieved	26,163
• Net surplus after tax	≥(18,153)	Achieved	(4,197)
• Shareholder's funds	≥167,405	Achieved	175,965
• Shareholder's funds to total assets	≥26%	Achieved	28%
• Cash flow from operations	≥9,507	Achieved	14,488
• Capital expenditure	≥81,490	Not achieved	53,648
• Term debt	≤391,205	Achieved	339,725

[1]EBITDA target and outcome calculations exclude disposals.

NETWORK PERFORMANCE

These statistics are generally as required to be disclosed by the Commerce Commission Information Disclosure Requirements.

12 MONTHS ENDED 31 MARCH		2020	2019	2018	2017	2016
System Physical Measures						
Average length of lines and cables	km	6,101	6,575[6]	6,683[6]	6,135	5,878
Total capacity of distribution transformers	MVA	991	978	962	953	947
Distribution transformer capacity utilisation	%	29%	31%	31%	31%	31%
Consumer Measures						
Number of consumer connections		91,577	90,419	89,199	87,771	86,375
System maximum coincident demand	MW	283	299	300	291	291
Energy received for delivery[5]	GWh	1,431	1,419	1,400	1,364	1,388
Average load factor		58%	54%	53%	53%	54%
Average minutes off per interruption	CAIDI	89	88	79[4]	73[4]	63[4]
Average interruptions per annum	SAIDI	2.1	2.1	3.2[4]	1.5	2.0[4]
Average minutes off per annum	SAIFI	187	185	253[3]	109[2]	126[1][4]

NOTES:

km - kilometres
MVA - megavolt amperes
MW - megawatts
GWh - gigawatt hours
CAIDI - Consumer Average Interruption Duration Index
SAIFI - System Average Interruption Frequency Index
SAIDI - System Average Interruption Duration Index

(1) A series of extreme weather events affected the reliability of the network in the 2016 year; including a severe windstorm in Dunedin on 10 March 2016 contributing 43 SAIDI minutes, a severe windstorm across Otago on 27 November 2015 that contributed 21 SAIDI minutes, a severe windstorm across Otago on 4 October 2015 that contributed 21 SAIDI minutes, and a lightning storm on the Otago Peninsula on 29 November 2015 that caused damage to a number of distribution transformers, contributing 12 SAIDI minutes.

(2) A number of events affected the reliability of the network in the 2017 year including; a logging contractor felling a tree across 33kV lines at Green Island contributing 10 SAIDI minutes, snow related outages on 12 October 2016, affecting Arrowtown and Glenorchy contributing 15 SAIDI minutes, and a fire at Rat Point, Lake Wakatipu on 11 January 2017 contributing 5 SAIDI minutes.

(3) 2018 and 2019 results were significantly driven by Aurora Energy's asset renewal programme, which required a high proportion of de-energised work compared to previous years.

(4) In 2019 we identified an error in the way in which we calculated SAIFI. The SAIFI and CAIDI figures, together with any SAIDI figures that had been impacted, were corrected and differed from those in previous annual reports.

(5) Energy received statistics for years ended 30 June are reported in the Trend Statement on page 24.

(6) In the 2018 and 2019 years we disclosed circuit length figures inclusive of street lighting circuit. We now report circuit length exclusive of street lighting circuit consistent with the Electricity Distribution Information Disclosure Determination 2012.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

The Directors of Aurora Energy Limited are pleased to report on the financial results and associated matters for the year ended 30 June 2020.

PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activities of the Company are the ownership and strategic management of its electricity distribution network assets.

Results for the year ended 30 June 2020	$000
Operating (loss) before income tax	(6,585)
income tax benefit	2,388
Net (loss) after tax	(4,197)

STATE OF AFFAIRS

The Directors believe that the state of affairs of the Company is satisfactory.

DIVIDENDS

No dividends were declared or paid during the year.

RESERVES

The following net transfers have been made to or from reserves:

	$000
Cash flow hedge reserve - to (from)	586
Retained earnings - to (from)	(4,197)

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

REVIEW OF OPERATIONS

The Company continued to build and further develop asset management, work programming and service delivery capabilities during the period under review.

Operating results compared favourably with performance targets for the year aided by strong use-of-system revenue and below budget non-network expenditure.

The financial performance of the Company continues to reflect that Aurora Energy is investing in its network at levels well in excess of the regulatory expenditure allowances for which it is currently compensated under the Commerce Commissions default price-quality path regime. The Company submitted a customised price-quality path on 12 June 2020 and the outcome of this application is expected to have a significant positive impact on financial performance from 1 April 2021.

At balance date the Directors assessed the year-end valuation of the network assets and determined that the recoverable amount of those assets was not less than the carrying value.

FINANCIAL STATEMENTS

The audited financial statements for the year ended 30 June 2020 are attached to this report.

DIRECTORS' INTERESTS IN CONTRACTS

Disclosures of interests made by Directors are recorded in the Company's interests register.

These general disclosures of interests are made in accordance with S140 (2) of the Companies Act 1993 and serve as notice that the Directors may benefit from any transaction between the Company and any of the disclosed entities. Details of these declarations are included in the Information on Directors section of this report.

Any significant contracts involving Directors' interests that were entered into during the year ended 30 June 2020 or existed at that date are disclosed in the related parties section of this report.

DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

Stephen R Thompson	$111,091
Margaret P Devlin	$62,890
Brenden J Hall	$62,890
Wendie N Harvey	$62,890
	$299,761

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

EMPLOYEES' REMUNERATION

The number of employees and former employees whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2020 is listed below. Remuneration includes all non cash benefits and redundancy payments at total cost to the company where applicable. For the year ended 30 June 2020, there were 27 pay periods instead of 26, due to 2020 being a leap year.

$100,000 – $109,999	23
$110,000 – $119,999	8
$120,000 – $129,999	8
$130,000 – $139,999	8
$140,000 – $149,999	2
$150,000 – $159,999	6
$160,000 – $169,999	4
$170,000 – $179,999	1
$180,000 - $189,999	1
$240,000 - $249,999	1
$260,000 - $269,999	1
$270,000 - $279,999	1
$290,000 - $299,999	1
$320,000 - $329,999	1
$370,000 - $379,999	1
$550,000 - $559,999	1
	68

AUDIT AND RISK COMMITTEE

All Directors were members of the Audit and Risk Committee throughout the year. The Audit and Risk Committee has the responsibility for agreeing the arrangements for audit of the Company's financial accounts. Its responsibilities include ensuring that appropriate audit consideration is given to the following issues:

- effectiveness of systems and standards of internal control
- quality of management controls
- management of business risk
- compliance with legislation, standards, policies and procedures
- appointing and monitoring the internal audit function.

Specific areas for the Audit and Risk Committee's review were identified and a number of reviews have been completed, with the results reported to the Board. Review of further areas is on-going and progress is satisfactory.

KPMG continued as internal auditor to the Company.

HEALTH AND SAFETY BOARD COMMITTEE

All Directors were members of the Health and Safety Committee throughout this year. The Committee's principal responsibility is to review and make recommendations to the Board on the appropriateness and effectiveness of the Company's health and safety strategy, performance and governance.

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2020

REMUNERATION COMMITTEE

The Remuneration Committee's role is to develop and implement policies relating to the remuneration and other terms and conditions of service of the Chief Executive and senior staff and to oversee remuneration practices.

AUDITOR

The Auditor-General is appointed Auditor pursuant to Section 45 of the Energy Companies Act 1992. The Auditor-General has contracted the audit to Audit New Zealand.

DIRECTORS' INSURANCE

In accordance with the Constitution, the Company has arranged policies of Directors' Liability Insurance that ensure that generally the Directors will incur no monetary loss as a result of actions undertaken by them as Directors, provided that they operate within the law.

DIRECTORS' BENEFITS

No Director has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors shown in the financial statements.

There were no notices from Directors requesting to use Company information received in their capacity as Directors that would not otherwise have been available to them.

EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant post balance date events other than those disclosed in the notes to the financial statements.

For and on behalf of the Board of Directors

Stephen Thompson
CHAIRMAN

Margaret Devlin
DIRECTOR

20 October 2020

INFORMATION ON THE DIRECTORS

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS
Stephen R Thompson	BCom, FCA (PP), CF.Inst.D.	2016	Chair and shareholder – Thompson Bloodstock Limited
Non-Executive Chairman			Chair – Alpine Energy Limited
			Chair – Timaru Electricity Limited
			Director and shareholder – Cairnmuir Road Winery Limited
			Director and shareholder – Passmore Consulting Services Limited
			Director and shareholder – Prospectus Nominees
			Director – F.S. Investments Limited
			Director – Integrated Contract Solutions Limited
			Director – Keano's Trustee Company Limited
			Director – Millenium Solutions Limited
			Director – Netcon Limited
			Director – Owhiro River Limited
			Director – Sarita Holdings Ltd
			Director – Wanaka Bay Limited
			Director – Whitestone Contracting Limited
			Partner – Queensberry Hills Development
			Shareholder – McKenzie Architects Limited
			Consultant – Deloitte New Zealand
			Director and shareholder – Best View Limited
			Shareholder – Whangamata Water 2 Limited
			Shareholder – Cerise Orchard Limited
			Shareholder – OB Horn Company Limited
			Shareholder – Renaissance Holdings (NZ) Limited
			Shareholder – Waikato Property Investments Limited
			Shareholder – Richard E Shackleton Architechs Limited
			Shareholder – Anreca Investments Limited
			Shareholder – Lake McKay GP Limited
			Shareholder – Airtime New Zealand Limited
			Shareholder – Ripponvale Irrigation Company Limited
			Shareholder – Lake McKay GP Limited

INFORMATION ON THE DIRECTORS

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS
Brenden J Hall Non-Executive Director	BCom, CM.Inst.D.	July 2017	Deputy Chair - Unison Networks Limited
			Director - Unison Fibre Ltd
			Director - ETEL Limited
			Director – ETEL Transformers Pty Ltd (Aus)
			Director and Shareholder – Stratview Holdings Limited
Margaret P Devlin Non-Executive Director	CF.Inst.D.		Chair – Audit and Risk Committee, Waikato District Council
			Chair – Hospice Waikato
		Retired 1 July 2019	Chair – Harrison Grierson Holdings Limited
			Chair – Lyttelton Port Company Limited
			Director – Titanium Park Limited
			Chair – Watercare Services Limited
			Chair – Women in Infrastructure Network (Advisory board to Infrastructure New Zealand)
			Director and Shareholder – Indepen NZ Limited
			Director – Auckland City Water Limited
		Retired 1 July 2019	Director – E-Spatial Limited
		Retired 1 July 2019	Director – Harrison Grierson Consultants Limited
		Retired 1 July 2019	Director – Harrison Grierson International
			Director – Infrastructure NZ
			Director – IT Partners Group Limited
		Retired 31 July 2019	Director – Meteorological Service of New Zealand Limited
			Director – Waikato Regional Airport Limited
			Director – Waimea Water Ltd
			Councillor – Waikato University
		Retired 31 March 2020	Councillor – WINTEC (Waikato Technical College)
		Retired 1 July 2019	Member of the National Infrastructure Advisory Board
			Deputy Chair – WINTEC (Waikato Technical College)

INFORMATION ON THE DIRECTORS

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS
Wendie N Harvey Non-Executive Director	LLB	November 2018	Director – Eastland Group Ltd
			Director – Eastland Port Ltd
			Director – Eastland Network Ltd
			Gisborne Airport Ltd
			Chair – Hawke's Bay Airport Construction Limited
			Director - Centralines Limited
			Director – Fire and Emergency New Zealand
			Director – The Electrical Training Company Limited
			Director – Port of Napier Limited
			Director - Hawke's Bay Airport Limited
		Retired 28 February 2019	Director – Quality Roading and Services (Wairoa) Limited
			Director and Shareholder – Excellence in Business Solutions Limited
			Commissioner – New Zealand Gambling Commission
		Retired 31 March 2020	Councillor – Eastern Institute of Technology
			Shareholder – TPGH Limited

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $000	2019 $000
Operating revenue	3	110,947	103,222
Financial revenue	4	6	7
Total revenue		**110,953**	**103,229**
Less expenses			
Operating expenses	5	106,360	104,661
Financial expenses	6	11,178	10,617
Total expenditure		117,538	115,278
(Loss)/profit before tax		**(6,585)**	**(12,049)**
Income tax (benefit)/expense	9	(2,388)	(1,106)
Net (loss)/profit after tax for the year		**(4,197)**	**(10,943)**
Other comprehensive income			
Gain/(Loss) on cashflow hedges		586	(300)
Total other comprehensive income		586	(300)
Total comprehensive income		(3,611)	(11,243)

The accompanying notes and accounting policies form an integral part of these audited financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Share Capital $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Equity as at 1 July 2019	10,000	(2,617)	172,193	179,576
Total comprehensive income	-	586	(4,197)	(3,611)
Equity as at 30 June 2020	**10,000**	**(2,031)**	**167,996**	**175,965**
Equity as at 1 July 2018	10,000	(2,317)	183,136	190,819
Total comprehensive income	-	(300)	(10,943)	(11,243)
Equity as at 30 June 2019	**10,000**	**(2,617)**	**172,193**	**179,576**

The accompanying notes and accounting policies form an integral part of these audited financial statements.

BALANCE SHEET

AS AT 30 JUNE 2020

	Note	2020 $000	2019 $000
EQUITY			
Share capital	11	10,000	10,000
Cash flow hedge reserve	12	(2,031)	(2,617)
Retained earnings	13	167,996	172,193
Total equity		175,965	179,576
CURRENT LIABILITIES			
Lease liabilities	7	993	-
Trade and other payables	14	18,079	17,275
Contract liabilities	15	3,984	3,556
Borrowings	18	812	520
Provisions	17	1,609	6,196
Total current liabilities		25,477	27,547
NON-CURRENT LIABILITIES			
Cash flow hedge instruments	23	2,821	3,637
Lease liabilities	7	2,683	-
Provisions	17	378	321
Borrowings	18	339,725	301,350
Contract liabilities	15	131	-
Deferred tax liability	19	70,466	67,945
Total non-current liabilities		416,204	373,253
Total liabilities		441,681	400,800
TOTAL EQUITY AND LIABILITIES		617,646	580,376

The accompanying notes and accounting policies form an integral part of these audited financial statements.

BALANCE SHEET

AS AT 30 JUNE 2020 CONTINUED

	Note	2020 $000	2019 $000
CURRENT ASSETS			
Cash and cash equivalents	20	53	1
Trade and other receivables	21	13,704	13,830
Inventories	24	1,547	1,788
Other current assets	16	517	573
Taxation receivable		5,098	5,309
Total current assets		20,919	21,501
NON-CURRENT ASSETS			
Investments	22	8	8
Intangible assets	26	2,166	102
Deferred tax asset	19	1,909	1,671
Property, plant and equipment	25	589,007	557,094
Right of use assets	7	3,637	-
Total non-current assets		596,727	558,875
TOTAL ASSETS		617,646	580,376

For and on behalf of the Board of Directors

Stephen Thompson
CHAIRMAN

Margaret Devlin
DIRECTOR

20 October 2020

The accompanying notes and accounting policies form an integral part of these audited financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $000	2019 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Receipts from customers		111,158	103,171
Interest and dividends received		6	7
Intra group tax loss/subvention receipt		4,653	1,098
		115,817	104,276
Cash was disbursed to			
Payments to suppliers and employees		90,257	76,267
Interest paid		11,087	11,542
Net GST (received)/paid		(15)	(420)
		101,329	87,389
Net cash inflows from operating activities	28	14,488	16,887
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from			
Sale of property, plant and equipment		-	-
		-	-
Cash was disbursed to			
Purchase of property, plant and equipment		51,563	63,722
		51,563	63,722
Net cash (outflows) from investing activities		(51,563)	(63,722)

The accompanying notes and accounting policies form an integral part of these audited financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 $000	2019 $000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from		90,125	70,450
Proceeds from borrowings		90,125	70,450
Cash was disbursed to			
Repayment of borrowings		51,750	23,650
Lease liability repayment		1,248	-
		52,998	23,650
Net cash inflows from financing activities	28	37,127	46,800
Net increase/(decrease) in cash, cash equivalents and bank overdraft		52	(35)
Cash and cash equivalents at beginning of the year		1	36
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	53	1

The accompanying notes and accounting policies form an integral part of these audited financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. REPORTING ENTITY

The financial statements are for the reporting entity Aurora Energy Limited (the Company).

The financial statements have been prepared in accordance with the requirements of the Energy Companies Act 1992.

The Company, incorporated in New Zealand under the Companies Act 2013, is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

These financial statements are presented in New Zealand dollars, and have been rounded to the nearest thousand.

2. SIGNIFICANT ACCOUNTING POLICIES

STATEMENT OF COMPLIANCE

The Company is a Tier 1 for–profit entity as defined by the External Reporting Board (expenses over $30 million) and has reported in accordance with Tier 1 For-profit Accounting Standards. These annual financial statements are general purpose financial reports which have been prepared in accordance with NZIAS1, additional information as requested by Directors, and in accordance with NZ GAAP. They comply with New Zealand Equivalents to IFRS, and other applicable Financial Reporting Standards, as appropriate for profit orientated entities.

The financial statements were authorised for issue by the Directors on 20 October 2020.

BASIS OF ACCOUNTING

The financial statements have been prepared on the historic cost basis, except for the revaluation of certain assets including cash flow hedge instruments. The going concern assumption has been applied.

The accounting policies set out below have been applied consistently to all periods in these financial statements and notes.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing these financial statements the Company has made judgements, estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated.

The critical accounting judgements, estimates and assumptions of the Company are contained within the following policies.

GOODS AND SERVICES TAX (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. The Statement of Cash Flows is exclusive of GST.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

IMPAIRMENT OF ASSETS

At each balance sheet date, the Company reviews the carrying amounts of its 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 of the impairment loss (if any). 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 assessments of the
time value of money and the risks specific to the asset 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 of the asset or cash generating unit is reduced to its recoverable amount. Any impairment loss is immediately expensed to the income statement.

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 immediately recognised in the income statement.

FINANCIAL INSTRUMENTS

Financial instruments are contracts that give rise to financial assets and financial liabilities that are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

CHANGES IN ACCOUNTING POLICIES

On 1 July 2019 the Company adopted NZ IFRS 16: Leases

The Company used the modified retrospective approach and as a result no restatement of comparative information is required. Practical expedients have been taken in accordance with NZ IFRS 16 removing the requirement to seperate non-lease components from lease components. This practical expedient has been applied by class of underlying asset.

As a result of the transition approach adopted the opening balance of assets and liabilities remains unchanged and as a result there are no adjustments to opening equity. Further information in relation to the adoption of NZ IFRS 16: Leases is included in note 7.

STANDARDS AMENDED OR ISSUED DURING THE YEAR

The adoption of NZ IFRS 16 has not had a material impact on the profitability of the Company.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

No other new accounting standards or interpretations that will become effective after the period are expected to have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

3. OPERATING REVENUE

	2020 $000	2019 $000
Line charges	66,637	62,562
Pass-through and recoverable cost revenue	36,415	35,321
Customer contributions	5,835	3,533
Total revenue	108,887	101,416
Other income	2,060	1,806
Total revenue and other income	110,947	103,222

Line charges and pass-through and recoverable cost revenue is recognised at the fair value of services provided. These revenue streams relate to the provision of distribution services for electricity. Prices are regulated and customers are charged through a mix of fixed charges which are recognised on a straight line basis and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15 this revenue is recognised during the period in which the service is delivered.

Customer contribution revenue relates to contributions received from customers towards the costs of reticulating electricity to new connections, constructing uneconomic lines and relocating existing network assets. Revenue is generally recognised at the time the new connection is fully constructed and livened. For contracts with multiple performance obligations revenue is recognised at the point in time when each performance obligation is satisfied.

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

The Company adopted NZ IFRS 15: Revenue from Contracts with customers effective from 1 July 2018. Having considered the revenue recognition criteria of NZ IFRS 15, the Company has determined that line charges and customer contributions received during the reporting period continue to meet the requirements for recognition as up-front revenue.

4. FINANCIAL REVENUE

Interest and dividends received	6	7

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

5. OTHER EXPENSES

	2020 $000	2019 $000
Included in the operating expenses of the Company are the following items:		
Audit fees		
- for audit of financial statements	85	78
- for audit services in relation to regulatory (information disclosure) reporting	40	35
- for audit services in relation to price and quality thresholds and other regulatory reporting	25	25
- for audit of customised price-qualty path application	351	-
Total audit fees	**501**	**138**
Transmission costs	33,961	33,470
Depreciation and amortisation	19,536	17,910
Depreciation – leases	1,145	-
Maintenance costs	17,686	16,243
Employee remuneration and benefits	14,774	12,621
Provision for Commerce Commission quality breach enforcement*	-	5,000
Other contractor costs	773	1,189
Directors' fees & disbursements	316	307
Bad debts written off	354	86
Lease expense	-	948
Loss on sale / disposal of fixed assets	890	1,089
Increase/(decrease) in provision for doubtful trade and other receivables	(91)	335

* In the 2019 year, other expenses include a $5.0 million provision for pecuniary penalties for network reliability quality breaches relating to the 2015, 2016, 2017, 2018 and 2019 disclosure years. A High Court decision on 23 March 2020 determined the final amount of the penalty would be $4.997 million. The penalty was subsequently paid on 25 May 2020.

6. FINANCIAL EXPENSES

	2020 $000	2019 $000
Interest – other	10	12
Interest – related parties	11,426	10,605
Interest – capitalised	(400)	-
Interest – leases	142	-
Total financial expenses	11,178	10,617

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to prepare them for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

7. LEASES AND RIGHT OF USE ASSETS

Leases are classified as leases of right-of-use assets whenever the lease terms transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments that are short-term or low value are recognised as an expense on a straight-line basis over the term of the lease.

Lease liability payments are allocated between interest expense and reduction of the lease liability over the term of the lease.

Capitalised right-of-use assets are depreciated over the shorter of the estimated useful life of the assets and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

LEASE LIABILITIES

Leases entered into and identified by the Company include property leases, communication access rights, and vehicle leases. In assessing whether an arrangement is, or contains a lease, the Company considers whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

Lease maturity analysis as at 30 June 2020	Minimum Lease Payments $000	Interest $000	Present Value $000
Payable within one year	1,147	154	993
Payable between one to five years	2,355	156	2,199
Payable later than five years	587	103	484
Total			**3,676**
Current Portion			993
Non current portion			2,683
			3,676

	2020 $000	2019 $000
Cashflow		
Total cash outflow in relation to leases	1,462	948
Lease expenses included in profit and loss relate to		
Short term leases	214	-
Interest on leases	142	-

RIGHT-OF-USE ASSETS

Movements in year ended 30 June 2020	Buildings $000	Network $000	Plant equipment $000	Motor vehicles $000	Total $000
Opening net book value	-	-	-	-	-
Movements on transition	2,447	-	1,591	680	4,718
Additions	-	-	-	64	64
Depreciation charge	(470)	-	(381)	(294)	(1,145)
Closing net book value	1,977	-	1,210	450	3,637
As at 30 June 2020					
Cost	2,447	-	1,591	744	4,782
Accumulated depreciation	(470)	-	(381)	(294)	(1,145)
Net book value	**1,977**	**-**	**1,210**	**450**	**3,637**

7. LEASES AND RIGHT OF USE ASSETS - CONTINUED

Right of use (ROU) assets are initially recognised at cost, comprising the initial amount of the lease liability less any unamortised lease incentives. ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In considering the lease term, the Company applies judgment in determining whether it is reasonably certain that an extension or termination option will be exercised.

TRANSITIONAL DISCLOSURES

On transition, the Company applied the following practical expedients available from NZ IFRS16:

- to not recognise right of-use assets and liabilities for short-term leases with lease terms ending within 12 months from the date of transition. The costs related to these leases are recognised in the Statement of Comprehensive Income; and
- to not reassess whether an arrangement is, or contains a lease, at the date of transition if such arrangement was previously identified as a lease applying NZ IAS 17 and IFRIC 4.

The table below provides a reconciliation of the previously disclosed operating lease commitments to the opening lease liability on adoption of NZ IFRS16.

Operating lease commitments disclosed at 30 June 2019	**3,217**
Less short term leases	(216)
Operating lease liabilities before discounting to present value	3,001
Less discounted total of discounts to present value	(864)
Operating lease liabilities as at 1 July 2019 applying NZ IFRS16	**2,137**

8. DIVIDENDS

No dividend was declared or payable for the year ended 30 June 2020 (2019: Nil).

9. TAXATION

The tax expense comprises both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit.

Current tax and deferred tax is charged or credited to the income statement except when deferred tax relates to items charged directly to equity. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

9. TAXATION - CONTINUED

	2020 $000	2019 $000
Income Tax		
Operating profit/(loss) before income tax	(6,585)	(12,049)
Tax thereon at 28% (2019: 28%)	(1,844)	(3,374)
Plus / (Less) the Tax Effect of Differences		
Expenditure (deductible)/non-deductible for taxation purposes	5	1,511
Tax depreciation on commercial buildings	(320)	-
Consolidated group adjustment	24	557
Under/(over) tax provision in prior years	(253)	200
Tax effect of differences	(544)	2,268
Tax expense	**(2,388)**	**(1,106)**
Represented by		
Current tax provision	(4,345)	(4,007)
Deferred tax provision	2,054	2,701
Under/(over) tax provision in prior years	(97)	200
Income tax	(2,388)	(1,106)
Effective tax rate	**36.3%**	**9.2%**

During the 2020 income year, Aurora Energy has removed from its cost of assets for tax depreciation purposes the identified profits arising on the construction of those assets supplied by DCHL subsidiary, Delta Utility Services Limited (Delta). These profits have also been deducted from the calculation of taxable income of the consolidated tax group. For accounting purposes, the group has decided to recognise the adjustment to remove the profit component of these assets and reflect a current year tax compensation payment of $24,254 from Delta to Aurora Energy. This approach has been adopted from 1 July 2015. The removal of the profit component from the 2020 assets acquired has also increased the current years' deferred tax charge.

IMPUTATION CREDIT ACCOUNT

Aurora Energy Limited is a member of an income tax consolidated group and has access to the income tax consolidated group's imputation credit account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

10. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit/(loss) attributable to the Shareholder of the Company by the weighted average number of ordinary shares on issue during the year.

	2020 $000	2019 $000
Number of shares		
Weighted average number of ordinary shares	10,000,000	10,000,000
Basic earnings per share in dollars	(0.36)	(1.12)

11. EQUITY - SHARE CAPITAL

Issued capital - 10,000,000 ordinary shares	10,000	10,000

12. CASH FLOW HEDGE RESERVE

Balance at beginning of the year	(2,617)	(2,317)
Net revaluations	814	(417)
Deferred tax arising on hedges (note 19)	(228)	117
Balance at end of the year	**(2,031)**	**(2,617)**

The cash flow hedge reserve is comprised of the cumulative net change in the fair value of effective cash flow hedging instruments relating to interest payments that have not yet occurred and the value received from cash flow hedges that have been closed out and which relate to future periods.

13. RETAINED EARNINGS

Balance at beginning of the year	172,193	183,136
Net profit/(loss) for the year	(4,197)	(10,943)
Balance at end of the year	**167,996**	**172,193**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

14. TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost and include:

	2020 $000	2019 $000
Trade payables	11,434	10,707
Due to related parties	6,645	6,568
	18,079	**17,275**

The Directors consider that the carrying amount of trade payables approximates their fair value. Creditors and other payables are non-interest bearing and are normally settled on 30-day terms.

15. CONTRACT LIABILITIES

Contract liabilities relate to customer prepayments on capital contribution projects that have not been completed. The current portion reflected in the note below represents the total value of customer contributions received on projects we expect to be complete within one year of balance date.

Current	3,984	3,556
Non-current	131	-

16. OTHER CURRENT ASSETS

GST receivable	517	573

17. PROVISIONS

(i) Current Liabilities		
Annual Leave	1,515	1,050
Long Service Leave	62	65
Gratuities	32	32
Other provisions	-	5,049
Balance at end of the year	**1,609**	**6,196**
(ii) Non current liabilities		
Long service leave	187	146
Gratuities	191	175
Balance at end of the year	**378**	**321**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

17. PROVISIONS - CONTINUED

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. At 30 June 2019, "Other provisions" included a $5.0 million provision for pecuniary penalties relating to the 2015, 2016, 2017, 2018 and 2019 disclosure years. A High Court decision on 23 March 2020 determined that the final amount of the penalty would be $4.997 million. The penalty was subsequently paid on 25 May 2020.

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the Company.

The Company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the value of excess sick leave taken within the previous twelve months.

18. BORROWINGS (SECURED)

Dunedin City Treasury Limited - Term	339,725	301,350
Dunedin City Treasury Limited - Current	812	520
	340,537	301,870

The term borrowings are secured by a General Security Agreement over all the assets of the Company. At balance date, the Company had a term debt facility limit of $420.0 million.

The repayment periods on the term borrowings are:

Repayable between one to two years	812	520
Repayable between two to five years	339,725	301,350

The weighted average interest rate for the loan inclusive of any current portion, was 3.62% (2019: 3.73%).

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Current borrowings reflect interest accrued on the Dunedin City Treasury Limited Term Loan as at balance date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

19. DEFERRED TAX

	Opening Balance Sheet $000	Charged to Equity $000	Charged to Income $000	Transfer of Employees $000	Depreciation on commercial properties $000	Closing Balance Sheet Assets $000	Closing Balance Sheet Liabilities $000	Closing Balance Sheet $000
YEAR ENDED 30 June 2020:								
Property, plant and equipment	(62,609)	-	(2,552)	-	449	-	(64,712)	(64,712)
Provisions	(4,683)	-	49	-	-	1,119	(5,754)	(4,634)
Revaluations of interest rate swaps	1,018	(228)	-	-	-	790	-	790
Balance at end of the year	**(66,274)**	**(228)**	**(2,503)**	**-**	**449**	**1,909**	**(70,466)**	**(68,556)**
YEAR ENDED 30 JUNE 2019:								
Property, plant and equipment	(59,180)	-	(3,430)	-	-	-	(62,610)	(62,610)
Provisions	(4,954)	-	296	(25)	-	652	(5,335)	(4,683)
Revaluations of interest rate swaps	902	117	-	-	-	1,019	-	1,019
Balance at end of the year	**(63,232)**	**117**	**(3,134)**	**(25)**	**-**	**1,671**	**(67,945)**	**(66,274)**

Deferred tax assets and liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Movements in deferred tax assets and liabilities are charged or credited in the income statement in the financial year that the movement occurs, except when it relates to items charged or credited directly to equity.

As a direct result of Covid-19, the New Zealand Government also enacted changes to the tax legislation reinstating the ability to make tax deductions for building depreciation. This change has been factored into the Group's deferred tax balances.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

20. CASH AND CASH EQUIVALENTS

	2020 $000	2019 $000
Cash and bank	53	1
	53	1

Cash and cash equivalents is composed of cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities in the balance sheet.

The carrying amount of these assets or liabilities approximate their fair value.

21. TRADE AND OTHER RECEIVABLES

Trade and other receivables are classified as financial assets at cost less any allowances for estimated irrecoverable amounts.

Trade receivables	14,334	14,470
Dunedin City Council and Group entities	136	217
	14,470	14,687
Less expected credit loss	(766)	(857)
	13,704	13,830

The Directors consider that the carrying amount of the trade and other receivables approximates their fair value.

The expected credit loss is established when there is objective evidence of the Company's debtors being unable to make the required payments. The Company not only provides for those debts in excess of 90 days but also assesses debtor amounts that are past due when calculating the impairment.

In the year ended 30 June 2020 $354,000 of Trade receivables were written off (2019: $86,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

Debtor ageing	2020 $000	2019 $000
Current	13,451	13,479
Past due 0 to 30 days	395	322
Past due 31-60 days	16	62
Past due 61-90 days	45	73
90+ days plus	563	751
	14,470	14,687

22. INVESTMENTS

Investments are comprised of long-term equity instrument holdings which are available for sale. Any gains or losses are recognised in the income statement for the period in which they occur.

Investments – listed companies	8	8
	8	8

The Company has acquired small shareholdings in several listed electricity-sector companies. These holdings are considered long-term.

23. CASH FLOW HEDGE INSTRUMENTS AND HEDGE ACCOUNTING

	2020 $000	2019 $000
Interest rate swaps revaluations – receivable/(payable)	(2,821)	(3,637)
	(2,821)	(3,637)

The Company's activities expose it to financial risks of changes in interest rates and foreign currency exchange rates. The Company uses cash flow hedge instruments (interest rate swap contracts and foreign exchange forward contracts) to protect itself from these risks.

The Company does not use cash flow hedge instruments for speculative purposes. Any derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, are accounted for as trading instruments, with fair value gains/losses recognised directly in the income statement.

The use of cash flow hedge instruments is governed by policy approved by the Board of Directors in consultation with the Company's Shareholder.

Cash flow hedge instruments are recognised as a current asset or liability.

Cash flow hedge instruments are recognised at fair value on the date the hedge is entered into and are subsequently re-measured to their fair value. The fair value on initial recognition is the transaction price. Subsequent fair values are based on independent bid prices quoted in active markets for these instruments.

Changes in the fair value of cash flow hedge instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. Any ineffective portion is recognised immediately in the income statement. Hedges that do not result in the recognition of an asset or a liability are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

24. INVENTORIES

	2020 $000	2019 $000
Network spare parts	8	8
Materials and stores	1,539	1,780
	1,547	1,788

Inventories are stated at the lower of cost and net realisable value. Cost comprises of direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

25. PROPERTY, PLANT AND EQUIPMENT

Property plant and equipment are those assets held by the Company for the purpose of carrying on its business activities on an ongoing basis.

All property, plant and equipment are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Self constructed assets include the direct cost of construction to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

Depreciation is charged so as to write-off the costs of assets, other than land, and capital work in progress, on the straight-line basis. Rates used have been calculated to allocate the assets' costs less estimated residual values over their estimated remaining useful lives.

Depreciation of assets commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation rates and methods used are:

	Rate	Method
Land	no depreciation charged	
Buildings	1% to 10%	straight line
Electricity network assets	1% to 20%	straight line
Plant and equipment	2% to 50%	straight line
Motor vehicles	5% to 25%	straight line
Office equipment and fittings	5% to 25%	straight line
Optical fibre network assets	2% to 10%	straight line
Capital work in progress	no depreciation charged	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

25. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

	Land $000	Buildings $000	Network $000	Plant Equipment $000	Motor Vehicles $000	Office Equipment $000	Optical Fibre Network $000	Construction in Progress $000	Total $000
YEAR ENDED 30 June 2020:									
Cost									
Balance at beginning of year	5,809	17,950	664,284	3,339	220	610	4,981	42,259	739,452
Purchases	-	-	-	-	-	-	-	53,648	53,648
Transfers	288	147	35,007	1,944	-	185	-	(39,390)	(1,819)
Disposals	-	(20)	(1,400)	(6)	-	(3)	-	-	(1,429)
Total cost	6,097	18,077	697,891	5,277	220	792	4,981	56,517	789,852
Accumulated depreciation									
Balance at beginning of year	-	2,245	176,242	2,319	111	132	1,309	-	182,358
Transfers	-	-	-	-	-	-	-	-	-
Depreciation	-	202	18,150	401	12	65	148	-	18,978
Disposals	-	(10)	(479)	(1)	-	(1)	-	-	(491)
Total accumulated depreciation	-	2,437	193,913	2,719	123	196	1,457	-	200,845
Balance at end of year	**6,097**	**15,640**	**503,978**	**2,558**	**97**	**596**	**3,524**	**56,517**	**589,007**
YEAR ENDED 30 JUNE 2019:									
Cost									
Balance at beginning of year	5,432	12,332	594,733	2,761	191	468	4,968	57,956	678,841
Purchases	-	-	-	-	-	-	-	62,731	62,731
Transfers	377	5,618	70,952	579	29	142	13	(78,428)	(718)
Disposals	-	-	(1,401)	(1)	-	-	-	-	(1,402)
Total cost	5,809	17,950	664,284	3,339	220	610	4,981	42,259	739,452
Accumulated depreciation									
Balance at beginning of year	-	2,051	159,468	2,131	101	84	1,157	-	164,992
Transfers	-	-	-	(17)	-	(10)	-	-	(27)
Depreciation	-	194	17,130	205	10	58	152	-	17,749
Disposals	-	-	(356)	-	-	-	-	-	(356)
Total accumulated depreciation	-	2,245	176,242	2,319	111	132	1,309	-	182,358
Balance at end of year	**5,809**	**15,705**	**488,042**	**1,020**	**109**	**478**	**3,672**	**42,259**	**557,094**

25. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

The carrying amounts of the Company's property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If such impairment exists, the recoverable amount of assets is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's net selling price and value in use. An impairment loss is recognised whenever the carrying amount of assets exceeds its recoverable amount. Impairment losses are recognised in the statement of profit and loss.

In assessing the recoverable amount of the Company's electricity network and fibre assets the Directors have reviewed the results of impairment testing undertaken by management with assistance from Deloitte as at 30 June 2020. The impairment testing was performed on a "no growth" basis in accordance with NZ IAS 36 Impairment of Assets.

The impairment testing used the discounted cashflow (DCF) methodology to arrive at an estimated valuation range based on Free Cash Flows (FCF) for a 20 year period from 1 July 2020. The key assumptions utilised in the impairment testing were that:

- For the 10 years from 1 July 2020, the estimated network revenues follow the Commerce Commission building blocks allowable revenue approach, but exclude revenue related to expansionary growth.
- For the regulatory period from 1 April 2020, the operating and capital expenditure will equate to the regulatory expenditure allowances approved by the Commerce Commission in its Default Price-Quality Path Determination for the 5 years ended 31 March 2025.
- For the regulatory period from 1 April 2021 to 31 March 2030 the operating and capital expenditure will mirror the 10 year expenditure forecasts in the Company's 2020-2030 Asset Management Plan, and equate to the regulatory expenditure allowances included in the Company's customised price-quality path (CPP) application (which is currently under consideration by the Commerce Commission and if approved will take effect from 1 April 2021) and subsequent Determinations.
- The forecast cash flows assume all expenditure in the Company's recent CPP application to the Commerce Commission will be approved. The CPP application has not yet been approved. The Commerce Commission will issue its final decision on the CPP application by 31 March 2021.
- The valuation cash flows beyond the 10 years from 1 July 2030 are assumed to grow at 2% per annum.
- In applying the DCF methodology the Company considered a range of discount rates from 4.5% to 5.5%. The discount rate is a matter of professional judgement.
- In applying the balance date impairment testing the Company noted that at a discount rate of 4.8% the present value of future FCF was approximately equal to the carrying value of the network related assets. It follows that a discount rate of higher than 4.8% could have given rise to an impairment in the absence of any other offsetting factors as at balance date.
- In determining the discount rate for year-end impairment testing, the 10 year Government bond rate at valuation date was used as a basis for the risk-free rate. The risk-free rate was used in conjunction with a view of an appropriate post-tax market risk premium.
- The discount rates used in the impairment testing were based on the same level of asset beta and similar level of leverage as set by the Commerce Commission for the 5 year regulatory period from 1 April 2020.

Sensitivity analysis showed a 0.25% decrease/(increase) in the DCF discount rate used for impairment testing would increase/(decrease) the indicative value range by about $30 million.

On reviewing the DCF analysis the Directors assessed that there was no impairment to the carrying value of the network assets as at 30 June 2020.

The Company considered the impact of Covid-19 on its FCF forecasts and after deferring 2-3 growth related projects considered that its forecasts remain reasonable in the context of potential Covid-19 effects. As disclosed under Impact of Covid-19 (Note 34), the Company considers it has not experienced any material impact attributable to Covid-19 on profitability.

The value of the assets is fundamentally linked to the company's ability to operate within the future expenditure allowances approved by the Commerce Commission.

The Company will undertake further impairment testing on receipt of the Commerce Commission's final determination on Aurora Energy's CPP application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

26. INTANGIBLES

Software is amortised on a straight line basis over its estimated useful life – a maximum period of four years.

Year ended 30 June 2020	Software	Work In Progress	Total Cost
Cost			
Balance at beginning of year	1,412	-	1,412
Transfers*	1,962	(143)	1,819
Purchases	-	803	803
Disposals	-	-	-
Total Cost	**3,374**	**660**	**4,034**
ACCUMULATED AMORTISATION			
Balance at the beginning of year	1,310	-	1,310
Transfers*	-	-	-
Amortisation	558	-	558
Disposals	-	-	-
Total amortisation	**1,868**	**-**	**1,868**
Closing Balance	**1,506**	**660**	**2,166**

*In the year to 30 June 2020 there was a transfer of work in progress (WIP) from Property, Plant and Equipment related to the SCCP project that was subsequently commissioned in the current year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

26. INTANGIBLES - CONTINUED

Year ended 30 June 2019	Software	Work In Progress	Total Cost
Cost			
Balance at beginning of year	733	-	733
Related party transfers*	718	-	718
Purchases	148	-	148
Disposals	(187)	-	(187)
Total Cost	**1,412**	**-**	**1,412**
ACCUMULATED AMORTISATION			
Balance at the beginning of year	577	-	577
Related party transfers*	714	-	714
Amortisation	161	-	161
Disposals	(142)	-	(142)
Total amortisation	**1,310**	**-**	**1,310**
Closing Balance	**102**	**-**	**102**

Year ended 30 June 2019	Software	Work In Progress	Total Cost
Amortisation	161	-	161
Disposals	(142)	-	(142)
Total amortisation	**1,310**	**-**	**1,310**
Closing Balance	**102**	**-**	**102**

*Related party transfers relate to asset cost and accumulated depreciation balances transferred to the Company fixed asset registers. The Company paid for these purchases based on the net book value of the assets

27. CAPITAL COMMITMENTS

	2020 $000	2019 $000
Expenditure contracted for at balance date but not provided for in the financial statements	20,535	23,511
	20,535	**23,511**

The Company is party to three field services agreement contracts. The value of total committed expenditure under these contracts is presently $23 million per regulatory year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

28. RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES

Net profit/(loss) for the year	(4,197)	(10,943)
Items not involving cash flows		
Depreciation and amortisation	20,681	17,910
Increase/(decrease) in deferred tax	2,283	3,041
Non-cash component of finance costs	(258)	-
Other non cash items	585	(299)
(Increase)/decrease in cash flow hedge valuation	(816)	418
Impact of changes in working capital items		
(Increase)/decrease in trade and other receivables	126	(43)
Increase/(decrease) in trade and other payables	804	(2,114)
Increase/(decrease) in provision for tax	211	(3,141)
Increase /(decrease) in contract liabilities	559	2,669
(Increase)/decrease in other current assets	56	1,024
(Increase)/decrease in Inventories	241	747
Increase/(decrease) in other liability provisions	(4,328)	4,997
Items classified as investing or financing activities		
Capital creditors in accounts payable	(3,058)	1,210
Loss on write down of capital projects	619	322
Net (gain)/loss on sale of property, plant and equipment	890	1,089
Net cash inflows/(outflows) from operating activities	**14,488**	**16,887**

RECONCILIATION OF CHANGES IN LIABLITIES ARISING FROM FINANCING ACTIVITIES

	30 June 2019	Cashflows	Non-cash Movement	30 June 2020
Long term borrowings	301,350	38,375	-	339,725
Short term borrowings	520	-	292	812
Lease liabilities	-	(1,248)	4,924	3,676
Total liabilities from financing activities	**301,870**	**37,127**	**5,216**	**344,213**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

29. RELATED PARTY TRANSACTIONS

The Company is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

TRANSACTIONS WITH DUNEDIN CITY COUNCIL

The Company undertakes transactions with Dunedin City Council and other Dunedin City Council controlled entities. During the period, the Company provided services and traded with Dunedin City Council Group in respect of the following transactions:

YEAR ENDED 30 June 2020:	2020 $000	2019 $000
Purchases of goods and services from Dunedin City Holdings Limited:		
Management fees	200	200
Subvention/tax loss offset payment	-	-
	200	200
Purchases of goods and services from Dunedin City Council:		
Rates and property leases	605	578
Capital Work /other	7	5
	612	583
Purchases of goods and services from other Dunedin City Council Group entities:		
Capital work	25,697	31,190
Network management and operation	16,380	15,051
Interest/facility fees	11,426	10,605
Contracting services	862	1,899
Lease of meters	82	77
Rent	434	404
	54,881	**59,226**
At period end the amounts payable by Aurora Energy Ltd to Group entities:		
Dunedin City Council Group entities	349,944	312,074
	349,944	**312,074**
Sales of services to Dunedin City Council:		
Contribution in respect of capital works	24	172
	24	**172**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

29. RELATED PARTY TRANSACTIONS - CONTINUED

Sales of services to Dunedin City Council Group entities:		
Rent	77	54
Sales of stock & other	583	482
Subvention / tax loss offset receipt	3,351	1,098
Tax compensation	24	549
Consulting & sundry services	113	63
Corporate shared services	327	548
	4,475	2,794
At period end, the amounts receivable by Aurora Energy Ltd from Dunedin City Council Group entities are:		
Dunedin City Council	-	137
Other Dunedin City Council Group entities:	911	1,938

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

29. RELATED PARTY TRANSACTIONS - CONTINUED

No related party debts have been written off or forgiven during the year and no provision has been required for impairment of any receivables from related parties.

Aurora Energy Limited undertakes transactions with other related parties.

TRANSACTIONS WITH COMPANIES IN WHICH DIRECTORS HAVE AN INTEREST:

Mr S R Thompson is a Director and Shareholder of Passmore Consulting Services Limited. During the financial period covered by this report services of $111,091 were purchased from Passmore Consulting Services Limited (2019: $99,193). No monies were outstanding as at 30 June 2020 (2019: nil).

Mr Thompson is a non beneficiary Trustee of a shareholder in McKenzie Architects Limited. In the ordinary course of business during the financial period covered by this report, no services were purchased from McKenzie Architects Limited (2019: $1,680). No monies were outstanding as at 30 June 2020 (2019: nil).

Mr Thompson is a consultant to Deloitte Limited. In the ordinary course of business during the financial period covered by this report, services of $288,757 were purchased from Deloitte (2019: $96,387). $18,035 was outstanding as at 30 June 2020 (2019: $20,347).

Mr Thompson is a Director of NetCon Limited. During the financial period covered by this report services, of $2,554 were purchased from NetCon Limited (2019: nil). No monies were outstanding at 30 June 2020 (2019: nil).

Mrs Devlin is a Director of Infrastructure New Zealand Limited. In the ordinary course of business during the financial period covered by this report, services valued at $3,990 were purchased from Infrastructure New Zealand (2019: $3,990). No monies were outstanding at 30 June 2020 (2019: nil).

Mr B J Hall is a Director and Shareholder of Stratview Holdings Limited. During the financial period covered by this report, services of $62,890 were purchased from Stratview Holdings Limited (2019: $54,418). No monies were outstanding as at 30 June 2020 (2019: nil).

Mr B J Hall is a Director of ETEL Limited. In the ordinary course of business during the financial period covered by this report, services of $252,207 were purchased from ETEL Limited (2019: $1,489,537). $8,137 was outstanding as at 30 June 2020 (2019: $91,942).

Mr B J Hall is a Director of Unison Networks Limited which owns Unison Contracting Limited. In the ordinary course of business during the financial period covered by this report, services of $10,000 were purchased from Unison Networks Limited (2019: nil). No monies were outstanding as at 30 June 2020 (2019: nil). In the ordinary course of business during the financial period covered by this report, services of $4,594,625 were purchased from Unison Contracting Limited (2019: $4,331,909). $614,432 was outstanding as at 30 June 2020 (2019: $252,462).

In the ordinary course of business during the financial period covered by this report, $72,161 of inventory was sold to Unison Contracting Limited (2019: $48,269). $6,497 was outstanding as at 30 June 2020 (2019: $55,510).

Mrs Harvey is a Director and Shareholder of Excellence in Business Solutions Limited. During the financial period covered by this report, services of $62,890 were purchased from Excellence in Business Solutions Limited (2019: $39,219). No monies were outstanding as at 30 June 2020 (2019: nil).

DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

Stephen R Thompson	$111,091
Margaret P Devlin	$62,890
Brenden J Hall	$62,890
Wendie N Harvey	$62,890
	$299,761

29. RELATED PARTY TRANSACTIONS - CONTINUED

KEY MANAGEMENT PERSONNEL REMUNERATION

	2020 $000	2019 $000
Short term employment benefits	2,076	2,148
Post-employment benefits — Employees	79	80
Short term benefits — Directors (as above)	300	262
	2,455	2,490

During the financial period under review, key management personnel in addition to Directors were directly employed by the Company.

30. FINANCIAL INSTRUMENT RISK

Dunedin City Treasury Limited, which is part of the Dunedin City Holdings Group, co ordinates access to domestic financial markets for all group members, and provides advice on the management of financial instrument risks to the Company. These risks include interest rate risk, credit risk and liquidity risk.

INTEREST RATE RISK

The Company uses interest rate swap agreements to manage its exposure to interest rate movements on its short-term borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The treasury policy requires that the amount of the interest hedged is within a series of ranges in set future time periods.

Part of the Company's debt is borrowed on a long-term fixed interest rate basis.

The notional principal outstanding with regard to the interest rate swaps is:	2020 $000	2019 $000
Maturing in less than one year	-	-
Maturing between one and five years	50,000	50,000
Maturing after five years	-	-
	50,000	50,000

CREDIT RISK

Credit risk on liquid funds and cash flow hedge instruments is limited through the counter-parties being banks with high credit ratings assigned by international credit-rating agencies.

The Company has no significant concentration of credit risk. The exposure is spread over a large number of counterparties.

The carrying amount of financial assets recorded in the financial statements represents the Company's maximum exposure to credit risk.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

30. FINANCIAL INSTRUMENT RISK - CONTINUED

The Company's maximum credit risk for each class of financial instrument is:	2020 $000	2019 $000
Cash and cash equivalents	53	1
Trade and other receivables	13,704	13,830
Short term investments	8	8
	13,765	13,839

CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates.

COUNTERPARTIES WITH CREDIT RATINGS		
Cash and cash equivalents		
AA-	53	1
Trade and other receivables		
AA-	136	137
COUNTERPARTIES WITHOUT CREDIT RATINGS		
Trade and other receivables		
Existing counterparties with no defaults in the past	14,262	14,550
Investment		
Existing counterparties with no defaults in the past	8	8

LIQUIDITY RISK

Liquidity risk represents the Company's ability to meet its contractual obligations. The Company evaluates its liquidity requirements on an ongoing basis. In general, the Company generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and ensures it has credit lines in place to cover potential shortfalls.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

30. FINANCIAL INSTRUMENT RISK - CONTINUED

The Company maintains credit management and accounts receivable processes aimed at collecting all trade debtors and other receivable balances in cash by their agreed date(s) for payment.

The following table analyses the exposure of the Company's financial assets and liabilities to liquidity risk as at 30 June 2020.

Contractual obligations in respect of interest expense on term borrowings have not been included in the liquidity risk table, as the term debt does not have a contractual end date and the interest is currently payable on a month-by-month basis.

The Company's assets and liabilities are shown at their contractual and carrying values.

The following table analyses the exposure of the Company's financial liabilities to liquidity risk as at 30 June 2020:

Maturity Dates	Less than 1 Month $000	1 to 3 Months $000	3 Months to 1 Year $000	1 to 5 Years $000	More than 5 Years $000	No Maturity $000	Total $000
FINANCIAL ASSETS							
Financial assets measured at amortised cost							
Cash and cash equivalents	53	-	-	-	-	-	53
Trade and other receivables	13,704	-	-	-	-	-	13,704
Taxation receivable	-	-	5,098	-	-	-	5,098
Other current assets	517	-	-	-	-	-	517
Fixed assets at fair value through profit and loss							
Long term investments	-	-	-	-	-	8	8
	14,274	-	5,098	-	-	8	19,380
FINANCIAL LIABILITIES							
Financial liabilities measured at amortised cost							
Trade and other payables	18,079	-	-	-	-	-	18,079
Borrowings	812	-	-	-	-	339,725	340,537
Financial liabilities at fair value through profit and loss							
Cash flow hedge	-	-	-	2,821	-	-	2,821
	18,891	-	-	2,821	-	339,725	361,437

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

30. FINANCIAL INSTRUMENT RISK - CONTINUED

The following table analyses the exposure of the Company's financial liabilities to liquidity risk as at 30 June 2019:

Maturity Dates	Less than 1 Month $000	1 to 3 Months $000	3 Months to 1 Year $000	1 to 5 Years $000	More than 5 Years $000	No Maturity $000	Total $000
FINANCIAL ASSETS							
Financial assets measured at amortised cost							
Cash and cash equivalents	1	-	-	-	-	-	1
Trade and other receivables	13,830	-	-	-	-	-	13,830
Taxation receivable	-	-	5,309	-	-	-	5,309
Other current assets	573	-	-	-	-	-	573
Fixed assets at fair value through profit and los							
Long term investments	-	-	-	-	-	8	8
	14,404	-	5,309	-	-	8	19,721
FINANCIAL LIABILITIES							
Financial liabilities measured at amortised cost							
Trade and other payables	17,275	-	-	-	-	-	17,275
Borrowings	520	-	-	-	-	301,350	301,870
Financial liabilities at fair value through profit and loss							
Cash flow hedge	-	-	-	3,637	-	-	3,637
	17,795	-	-	3,637	-	301,350	322,782

SENSITIVITY ANALYSIS

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for the reasonably possible market movements, with all other variables held constant, based on the Company's financial instrument exposures at the balance date.

Based on historic movements and volatilities, market interest rate movements of plus or minus 1% (100bps) have been used in this analysis.

	Carrying amount at Balance Date	+100bps		-100bps	
	$000	Profit $000	Equity $000	Profit $000	Equity $000
Financial liabilities					
Cash flow hedge instruments	2,821	-	640	-	(651)
Term borrowings (unhedged)	290,537	(2,905)	-	2,905	-
	293,358	(2,905)	640	2,905	(651)

30. FINANCIAL INSTRUMENT RISK - CONTINUED

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the statement of financial position.

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).

2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial liabilities/(assets)				
Derivative financial liabilities	-	2,821	-	2,821

2019	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial liabilities/(assets)				
Derivative financial liabilities	-	3,637	-	3,637

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020 CONTINUED

31. SEGMENT REPORTING

Aurora Energy Limited operates in the electricity distribution sector in the Otago geographical area of New Zealand.

32. CAPITAL MANAGEMENT STRATEGY

The capital of the Company is its equity, which is comprised of subscribed capital and retained earnings and cash flow hedge reserves. Equity is represented by net assets. The Company manages its capital to ensure that it will be able to continue to operate as a going concern and optimises the balance of debt to equity on a prudent basis in consultation with its Shareholder.

The Directors of the Company perform continual reviews of its operating strategies, and financial performance and include in these reviews any strategies required to protect the capital of the Company. The Directors seek to maximise overall returns to the Shareholder of the Company in the medium term, and to maintain the Company's financial strength.

The Company is required to provide to its Shareholder an annual Statement of Intent. This Statement of Intent includes information on planned distributions by way of dividend for the following three years.

33. CONTINGENT LIABILITIES

Network Reliability Quality Limits

Network reliability standards are contained in the Commerce Commission's Default Price-Quality Path for Electricity Distribution Businesses.

The Company breached its regulated quality limits for the 2020 disclosure year.

At reporting date, the financial consequences of the above matters (if any) were not known.

34. IMPACT OF COVID-19

The outbreak of COVID-19 has caused disruption to businesses and economic activity, however the Company was considered an 'essential service' and therefore was not subject to material operational restrictions.

The Company has not experienced any material impact attributable to COVID-19 on the profitability of the Company. The Company considered that the general economic impacts arising from COVID-19 are expected to have a negative impact on the operations of a small number of the Company's debtors. This in turn may negatively affect the recoverability of the Company's debtors and this is addressed in our expected credit loss in trade and receivables (Note 21).

The Company considered the impact of COVID-19 in undertaking the impairment testing described under Property, Plant and Equipment (Note 25).

The Directors believe that the Company is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Company will have adequate resources to continue operations for the foreseeable future. The Company continues to have liquidity headroom within its existing debt facilities. The Directors therefore consider it appropriate to continue to adopt the going concern assumption for the purpose of preparing the financial statements.

35. RECLASSIFICATION OF COMPARATIVE YEAR FIGURE

The Company has made some reclassification adjustments to prior year comparative figures on the face of the statement of financial position and the related note disclosures. This is to better reflect the financial position at year end and to comply with NZ IFRS 15 Revenue from Contracts with Customers.

As a result, $3.556 million of contract liabilities that were previously classified and reported within trade and other payables are now reclassified and separately disclosed as contract liabilities, and $0.520 million of accrued interest that was previously reported within trade and other payables has now been reclassified to borrowings.

36. EVENTS AFTER BALANCE DATE

There were no significant post balance date events other than the return to escalated COVID-19 alert levels announced by the New Zealand government in August.

37. STATUTORY REPORTING DEADLINE

The reporting deadline for the financial statements under the Energy Companies Act 1992 is 30 September 2020.

This reporting deadline could not be met due to the uncertainties created by the Covid-19 pandemic and the additional time required by the auditors to consider the impact of the pandemic on the key information contained in the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the readers of Aurora Energy Limited's financial statements and statement of service performance for the year ended 30 June 2020

The Auditor-General is the auditor of Aurora Energy Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of service performance of the company on his behalf.

OPINION ON THE FINANCIAL STATEMENTS AND THE STATEMENT OF SERVICE PERFORMANCE

We have audited:

- the financial statements of the company on pages 38 to 73, that comprise the balance sheet as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 25 to 27.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2020; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards; and
- the statement of service performance of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2020.

Our audit was completed on 22 October 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw your attention to other matters. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

EMPHASIS OF MATTERS

Without modifying our opinion, we draw attention to the following disclosures.

Key assumptions used in the impairment assessment for the electricity network

Note 25 on page 61 of the financial statements describes the key assumptions applied by the company in performing the impairment test of the electricity network assets at 30 June 2020. This includes the very high sensitivity of the company's impairment model to changes in the discount rate and that the value of the electricity network assets is fundamentally linked to the company's ability to operate within the future expenditure allowances yet to be approved by the Commerce Commission.

INDEPENDENT AUDITOR'S REPORT

Impact of Covid-19 pandemic

Note 34 on page 73 of the financial statements explains the impact of Covid-19 pandemic on the company.

BASIS FOR OUR OPINION

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS FOR THE FINANCIAL STATEMENTS AND THE STATEMENT OF SERVICE PERFORMANCE

The Board of Directors is responsible on behalf of the company for preparing the financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the company for preparing the statement of service performance that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare the financial statements and the statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE STATEMENT OF SERVICE PERFORMANCE

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's
report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and statement of service performance.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, 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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We 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.
- We evaluate the appropriateness of the reported service performance within the company's framework for reporting its service performance.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of 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 we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

OTHER INFORMATION

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 24 and pages 28 to 35, but does not include the financial statements and the statement of service performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENCE

We are independent of the company in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

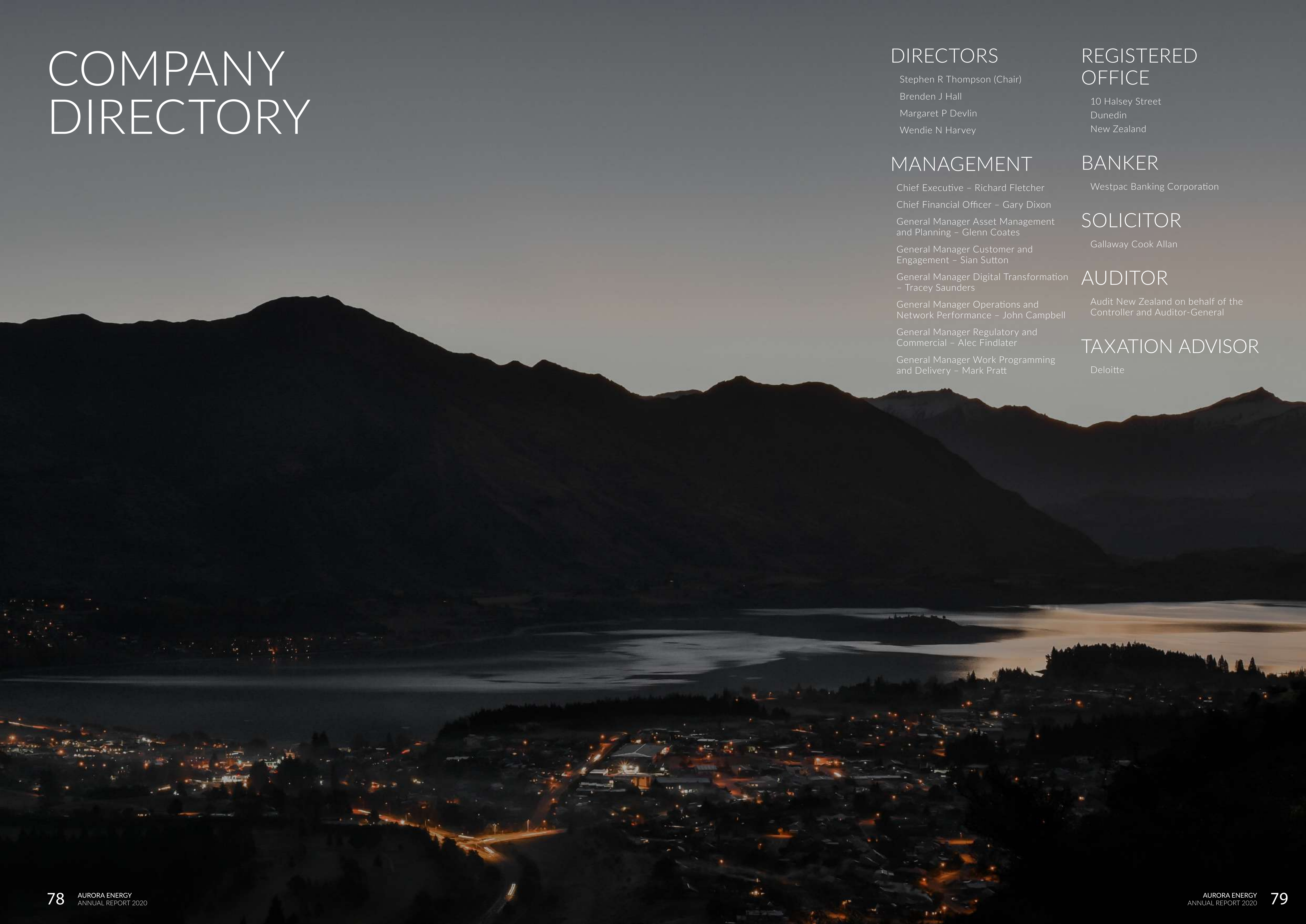
Other than the audit and reporting on other legally required assurance engagements, we have no relationship with or interests in the company.

Julian Tan

Audit New Zealand

On behalf of the Auditor-General

Dunedin, New Zealand



COMPANY DIRECTORY

DIRECTORS

Stephen R Thompson (Chair)

Brenden J Hall

Margaret P Devlin

Wendie N Harvey

MANAGEMENT

Chief Executive – Richard Fletcher

Chief Financial Officer – Gary Dixon

General Manager Asset Management and Planning – Glenn Coates

General Manager Customer and Engagement – Sian Sutton

General Manager Digital Transformation – Tracey Saunders

General Manager Operations and Network Performance – John Campbell

General Manager Regulatory and Commercial – Alec Findlater

General Manager Work Programming and Delivery – Mark Pratt

REGISTERED OFFICE

10 Halsey Street
Dunedin
New Zealand

BANKER

Westpac Banking Corporation

SOLICITOR

Gallaway Cook Allan

AUDITOR

Audit New Zealand on behalf of the Controller and Auditor-General

TAXATION ADVISOR

Deloitte

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Aurora
ENERGY