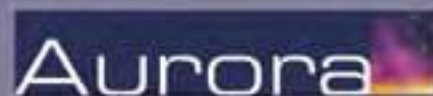


WHAT WE DO

Aurora Energy Limited owns the electricity network assets of poles, lines, cables and substations within the immediate Dunedin area and in Central Otago. Its function is to transfer electricity from local generation and the national grid to the consumer. Its customers are the electricity retailers who sell electricity to the commercial and household consumers.

- > The new international-class ski centre at Queenstown's Coronet Peak is a large capacity energy user, supplied from Aurora's recently commissioned zone sub-station at Speargrass Flat.
- > Aurora continues an annual programme of repositioning power lines underground in historic and aesthetically sensitive precincts, including picturesque Rockside Road in Dunedin's Leith Valley.





FINANCIAL HIGHLIGHTS	2008	2007
	\$'000	\$'000
Revenue	76,606	71,267
Net surplus before deferred tax adjustment	15,262	16,576
Deferred tax adjustment	-	5,130
Net surplus for the year	15,262	21,706
Shareholder's funds	173,001	172,086
Total assets	334,366	329,195

WHAT WE DID THIS YEAR

Aurora has performed well in the past, and continued to do so this year. Revenue at \$77.0m was up 8% on last year. The trading surplus before tax was \$18.99m a figure that was above the annual target but down 10% on \$21.7m achieved last year.

Ongoing economic growth in the Otago region has created the right environment for strong management to do well. Growth in our Central Otago region has continued this year on the back of economic decisions made over recent years. At some point, given restrictions in the capital markets, that growth will slow. While the warning signs of that are clearly apparent for the future, enough projects were completed this year to still provide us with network expansion at the level anticipated.

Growth can be reflected in the additional number of consumer connections to the network. In Central Otago we achieved 3.3% growth (last year 3.9%) and in Dunedin there was 0.9% growth (last year 0.7%). Overall the total increase in customer connections this year was a creditable 1,332 – almost identical to the 1,337 last year.

Considerable planning within the company, to identify areas where the network needs to be strengthened to handle growth in the quantity of electricity carried and the reliability

of the delivery, is ongoing. This year the company renegotiated its maintenance contract with DELTA Utility Services Limited and the underlying performance requirement for this contract was, over the next ten years, to deliver a 10% reduction in the annual number of minutes of service downtime. No major upgrading projects were completed but \$17m was still spent in capital expenditure on ongoing network requirements and expansion.

The cash generation performance of the company continues to be very strong and supports a high level of dividend to the parent company. Over the fourteen-year life of the group, Aurora Energy has provided 70% of the total dividends received by the parent company. Thus the importance of Aurora Energy to both the parent company and ultimately to the Dunedin City Council cannot be overstated. This year Aurora paid dividends of \$13.94m (\$7.98m), a critical component of the cash paid to Council as the ultimate shareholder.

The outlook for Aurora Energy remains strong. Its above-average supply quality and its below-average prices should provide it with a degree of insulation from future intervention by the line business government regulators. To date the company has remained within the price and quality thresholds set by the regulator, but any changes to rules or their interpretation will continue to be a risk to the company.

For more information visit www.electricity.co.nz

THE PEOPLE

Directors	R S Polson (Chair)
	M O Coburn
	N G Evans
	P R Hudson
	R D Liddell
	S J McLauchlan
Chief Executive	J F Walsh

