

Aurora Energy Limited

Interim Report

For the Six months ended

31 December 2022

Aurora Energy Limited

Contents

Page

Directors report	2
Statement of Comprehensive Income	4
Statement of Changes in Equity	5
Balance Sheet	6
Statement of Cash Flows	7
Notes to the Financial Statements	8
Statement of Service Performance	14
Directory	17

Aurora Energy Limited

Directors' report

The Directors of Aurora Energy Limited are pleased to present their report for the six months ended 31 December 2022.

Review of operations

Aurora Energy owns and operates the electricity network in Dunedin, Central Otago/Wānaka and Queenstown Lakes. We own the poles, lines and equipment that distribute electricity from Transpower's national grid to more than 93,500 homes, farms and businesses. Aurora Energy is responsible for maintaining and renewing infrastructure, and the safety and reliability of electricity supply is a critical driver across all elements of the business.

Aurora Energy is a wholly owned subsidiary of Dunedin City Holdings Limited, which is in turn owned by Dunedin City Council. Our key industry sector regulators are the Commerce Commission and the Electricity Authority.

Highlights for Six Months ended December 2022

- Strong delivery progress on the company's five-year CPP investment,
- Published first Annual Delivery Report and held customer engagement sessions in accordance with the CPP Determination,
- Further development of network performance analytics to drive a focus on localised areas of the network where the level of supply interruptions remains too high,
- Staff and community planting day on Quarantine Island/Kamau Taurua to plant natives where pylons were removed as part of Aurora Energy's award-winning Harbour Crossing project
- Aurora Energy's community update 'Your Network, Your News' delivered to 74,000 households
- Strengthened business relationships through hosting Business After 5 (BA5) events in Dunedin, Cromwell and Queenstown

Overview

We are pleased to report on another productive period for Aurora Energy in which we continued to deliver our network investment programme, improved operational performance and engaged constructively with the community and our business stakeholders.

Safety and risk

We maintained our critical focus on the health, safety and wellbeing of our employees and contractors throughout the reporting period.

Our programme of independent safety audits across the network continued, and we are currently working with our contractors to implement a new incident reporting framework with a view to focusing on leading performance indicators to manage safety outcomes.

The company continued to mature its risk management framework through the development of risk treatment plans for its critical risks, pertaining to both health, safety and wellbeing and the broader landscape of enterprise, or business risks.

Network reliability performance

Improved network performance intelligence has enabled a more proactive focus on some localised areas of the network where the level of unplanned supply interruptions remains too high. We are targeting investments and further operational improvements in these reliability 'hot spots'.

Our planned and unplanned SAIDI and SAIFI performance tracked favourably against the regulated compliance limits during the period under review.

Sustainability and customer engagement

Sustainability is a key component of enabling the 'clean' energy future of our communities. We will continue to work closely with DCHL and DCC to share information, ideas and planning, and to ensure our sustainability targets are met.

Planning progressed ahead of the consultation on our new Customer Commitments which will replace our existing Customer Charter.

Financial results

Financial results exceeded performance targets for the reporting period:

- Net profit after tax of \$7.9 million for the six months to 31 December 2022, compared with a budgeted profit after tax of \$7.8 million
- Increase in half year revenue to \$74.8 million (HY21: \$63.9 million) driven by higher use of system (+\$9.9 million) and customer contribution (+\$0.1 million) revenues
- Operating expenses (including network management, operations and maintenance) increased to \$63.9 million (HY21: \$55.1 million) largely due to higher network maintenance expenditure, transmission charges, depreciation charges and interest costs
- Asset additions were \$47.2 million (HY21: \$31.0 million) for the half year reporting period
- The company continues to fund its investment programmes through a combination of operating cash flows and term borrowings from Dunedin City Treasury Ltd. Term borrowings increased by \$22.4 million, from \$438.2 million as at 30 June 2022, to \$460.6 million at 31 December 2022.

Dividends

No dividends were declared or paid during the reporting period.

Events after balance sheet date

There were no significant post balance date events.

Statement of responsibility

The Directors accept responsibility for the preparation of the interim financial statements and the judgements used in them.

The Directors accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

In the opinion of the Directors, the interim unaudited financial statements fairly reflect the financial position and operations of Aurora Energy Limited.

The Directors of Aurora Energy Limited have pleasure in presenting the interim unaudited financial statements, set out on pages 6 to 15, for the six months ended 31 December 2022 and authorise them for issue on 26 January 2022.



Stephen Thompson
Chairman



Janice Fredric
Director

Aurora Energy Limited

Statement of Comprehensive Income For the Six months ending 31 December 2022

	Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	Audited full year to 30 Jun 2022 \$'000
Operating revenue	74,812	63,913	126,672
Interest revenue	-	-	8
Total revenue	74,812	63,913	126,680
Audit fees	110	88	220
Bad debts written off	-	-	85
Directors remuneration & disbursements	150	156	317
Depreciation	12,598	11,666	23,794
Employee expenses	8,324	7,814	15,386
Interest	7,936	5,311	10,860
Increase (decrease) in provision for doubtful debts	(25)	60	(40)
Lease expenses-short term	151	60	260
Loss (gain) on sale / disposal of fixed assets	775	28	2,259
Network operations and maintenance	10,523	8,562	20,240
Transmission charges	16,930	15,514	31,068
Other operating expenses	6,362	5,830	11,266
Total expenses	63,834	55,089	115,715
Profit before tax	10,978	8,824	10,965
Income tax expense	3,078	1,882	3,202
Net profit after tax	7,900	6,942	7,763
Other comprehensive income:			
Interest rate swap hedges gains (losses) during the year	-	538	538
Total other comprehensive income	-	538	538
Total comprehensive income	7,900	7,480	8,301

Aurora Energy Limited

Statement of Changes in Equity For the Six months ending 31 December 2022

	Share capital \$'000	Hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000
Unaudited				
Equity as at 1 July 2022	10,000	-	176,440	186,440
Profit after tax	-	-	7,900	7,900
Other comprehensive income	-	-	-	-
Equity as at 31 December 2022	10,000	-	184,340	194,340
Unaudited				
Equity as at 1 July 2021	10,000	(538)	168,677	178,139
Profit after tax	-	-	6,942	6,942
Other comprehensive income	-	538	-	538
Equity as at 31 December 2021	10,000	-	175,619	185,619
Audited				
Equity as at 1 July 2021	10,000	(538)	168,677	178,139
Profit after tax	-	-	7,763	7,763
Other comprehensive income	-	538	-	538
Equity as at 30 June 2022	10,000	-	176,440	186,440

Aurora Energy Limited

Balance Sheet

As at 31 December 2022

	Note	Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	Audited full year to 30 Jun 2022 \$'000
Current assets				
Cash and cash equivalents		34	147	64
Intra group advances	4	-	-	-
Trade and other receivables		10,348	8,294	15,545
Taxation receivable		1,202	4,059	2,313
Other current assets		500	633	-
Inventories		1,438	1,327	1,601
Total current assets		13,522	14,460	19,523
Non-current assets				
Property, plant and equipment	5	738,587	664,133	702,273
Intangible assets		3,360	3,149	3,660
Deferred tax asset		2,237	1,514	2,237
Right of use assets (ROU)	6	2,340	2,940	2,861
Investments		22	25	22
Total non-current assets		746,546	671,761	711,053
Total assets		760,068	686,221	730,576
Current liabilities				
Trade and other payables		13,304	14,981	16,772
Borrowings		1,885	1,046	1,722
Contract liabilities		1,686	2,331	809
Employee entitlements		2,339	2,163	1,872
Other current liabilities		-	-	77
Derivative financial instruments	8	-	-	-
Taxation payable		-	-	-
Lease liabilities	6	864	988	1,023
Total current liabilities		20,078	21,509	22,275
Non-current liabilities				
Borrowings	7	460,585	399,610	438,210
Employee entitlements		130	171	313
Deferred tax liability		83,370	77,263	81,406
Lease liabilities	6	1,565	2,049	1,932
Derivative financial instruments	8	-	-	-
Total non-current liabilities		545,650	479,093	521,861
Total liabilities		565,728	500,602	544,136
Equity				
Share capital		10,000	10,000	10,000
Cash flow hedge reserves		-	-	-
Retained earnings		184,340	175,619	176,440
Total equity		194,340	185,619	186,440
Total liabilities and equity		760,068	686,221	730,576

Aurora Energy Limited

Statement of Cash Flows For the Six months ending 31 December 2022

		Unaudited 6 months to 31 Dec 2022 \$'000	Unaudited 6 months to 31 Dec 2021 \$'000	Audited full year to 30 Jun 2022 \$'000
Cash flow from operating activities	<i>Note</i>			
<i>Cash was provided from</i>				
Receipts from customers		79,245	68,508	124,414
Interest and dividends received		-	-	8
Intra group transition payment		-	-	3,844
		79,245	68,508	128,266
<i>Cash was disbursed to</i>				
Payments to suppliers and employees		41,736	38,061	82,665
Net GST paid		1,078	(141)	(226)
Interest paid		7,939	5,062	9,027
		50,753	42,982	91,466
Net cash flow from operating activities	3	28,492	25,526	36,800
Cash flow from investing activities				
<i>Cash was provided from</i>				
Sale of property, plant and equipment		401	1,250	1,245
		401	1,250	1,245
<i>Cash was disbursed to</i>				
Purchase of property, plant and equipment		50,746	35,969	85,349
		50,746	35,969	85,349
Net cash flow from investing activities		(50,345)	(34,719)	(84,104)
Cash flow from financing activities				
<i>Cash was provided from</i>				
Receipts from borrowings		48,350	55,192	112,575
		48,350	55,192	112,575
<i>Cash was disbursed to</i>				
Repayment of borrowings		25,975	45,322	64,105
Lease liability repayment		552	580	1,152
		26,527	45,902	65,257
Net cash flow from financing activities		21,823	9,290	47,318
Net increase/(decrease) in cash and cash equivalents		(30)	97	14
Opening cash and cash equivalents		64	50	50
Closing cash and cash equivalents		34	147	64

Aurora Energy Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

1 Reporting entity

The financial statements presented here are for the reporting entity Aurora Energy Limited.

Aurora Energy Limited ("the Company") is an Energy Company as defined in the Energy Companies Act 1992. The Company, incorporated in New Zealand under the Companies Act 1993, is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

The financial statements of Aurora Energy Limited are for the six months ended 31 December 2022 and comply with the Financial Reporting Act 1993.

The financial statements are presented in New Zealand dollars (the functional currency of the Company) and have been rounded to the nearest thousand.

The Company is a Tier 1 for-profit entity as defined by the External Reporting Board (expenses over \$30 million).

2 Basis of preparation

The financial statements for the period ended 31 December 2022 are unaudited.

The financial statements have been prepared in accordance with and comply with NZ IAS 34, Interim Financial Reporting, and should be read in conjunction with the audited financial statements for the year ended 30 June 2022.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2022.

The judgements, estimates and assumptions used to prepare these interim financial statements are generally consistent with those used at 30 June 2022.

Aurora Energy Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

3 Reconciliation of operating surplus to net cash flows from operating activities

	6 months to 31 Dec 2022 \$'000	6 months to 31 Dec 2021 \$'000	full year to 30 Jun 2022 \$'000
Net profit after tax	7,900	6,942	7,763
<i>Items not involving cash flows</i>			
Depreciation	12,598	11,666	23,794
Increase / (decrease) in deferred tax	1,964	1,592	5,012
Non-cash component of finance costs	(168)	(147)	(311)
Other non-cash items	-	538	(210)
Non-cash component of investing activities	-	(537)	3
Increase / (decrease) in cash flow hedge valuation	-	(748)	-
<i>Impact of changes in working capital items</i>			
(Increase) / decrease in trade and other receivables	5,197	5,281	(1,970)
Increase / (decrease) in trade and other payables	(3,305)	(3,515)	(1,048)
Increase / (decrease) in provision for tax	1,111	499	2,246
Increase / (decrease) in contract liabilities	877	(173)	(1,695)
(Increase) / decrease in other current assets	(577)	65	775
(Increase) / decrease in inventories	163	(176)	(450)
Increase / (decrease) in other liabilities	284	332	183
<i>Items classified as investing or financing activities</i>			
Net (gain) / loss on sale of property, plant and equipment	1,672	565	1,722
Movement in capital creditors in accounts payable	776	3,342	986
Net cash inflows from operating activities	28,492	25,526	36,800

4 Intra group advances

	6 months to 31 Dec 2022 \$'000	6 months to 31 Dec 2021 \$'000	full year to 30 Jun 2022 \$'000
	-	-	-
	-	-	-

5 Property, plant and equipment

	6 months to 31 Dec 2022 \$'000	6 months to 31 Dec 2021 \$'000	full year to 30 Jun 2022 \$'000
Additions	47,151	31,009	82,990
Disposals	775	28	2,259
Capital commitments	44,358	38,111	39,808

There have been no material changes to the fair value assessment methods for property, plant and equipment asset classes between 30 June 2022 and 31 December 2022.

Aurora Energy Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

6 Right of use assets & Lease liabilities

Leases have been entered by the Company in regards to land and buildings, motor vehicles & plant and radio communication licences and equipment. Land & building leases have been negotiated for terms of one to five years, with rights of renewal applicable to most leases. Radio communication licence and equipment leases range from five to 33 years, with rights of renewal applicable to most leases. Vehicle leases have been negotiated for terms of three to five years.

Short-term leases and leases related to low-value items are accounted for applying paragraph 6 of NZ IFRS 16. The costs related to these leases are recognised as expenses in the Statement of Comprehensive Income.

Judgement has been used in determining whether it is reasonably certain that an extension or termination option will be exercised. Where it is reasonably certain that an extension option will be fulfilled, this has been included in the calculation of Right-of-use assets and liabilities.

Non-lease components of leases have been separated from lease components for all classes of assets except vehicles and office buildings.

7 Borrowings

There has been no material change to the accounting treatment of the term loan from Dunedin City Treasury Limited between 30 June 2022 and 31 December 2022.

8 Derivative financial instruments

	6 months to 31 Dec 2022 \$'000	6 months to 31 Dec 2021 \$'000	full year to 30 Jun 2022 \$'000
Fair value			
Interest rate swaps	-	-	-
Analysed as:			
Current	-	-	-
Non-current	-	-	-

The Company held \$50 million of cash flow hedge instruments which expired on 15 November 2021.

9 Financial instruments

Financial assets such as Cash, Trade and other receivables, Tax receivables and Other current assets are measured at amortised cost. Long term investments are measured at fair value through the profit and loss. Financial liabilities such as Trade and other payables and Borrowings are recognised at amortised cost except derivative financial instruments which are recognised at fair value through the profit and loss.

Aurora Energy Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

10 Related party transactions

Transactions with Dunedin City Council

The Company undertakes transactions with Dunedin City Council (DCC) and other DCC controlled entities.

During the year, the Company provided services and traded with the DCC Group in respect of the following transactions:

	6 months to 31 Dec 2022 \$'000	6 months to 31 Dec 2021 \$'000	full year to 30 Jun 2022 \$'000
<i>Sales of services to DCC group entities:</i>			
Rent	80	80	161
Subvention/tax loss offset receipt	-	-	3,844
Corporate shared services	-	16	16
Sales of stock and other	64	89	154
Consulting & sundry services	-	-	1
Tax compensation	-	-	339
	144	185	4,515
<i>Sales of services to DCC:</i>			
Other	-	-	-
Amounts receivable by the Company at period end from DCC group entities			
Receivable from DCC	-	-	-
Receivable from DCC group entities	27	24	400
Intra-group advance to DCC group entities	-	-	-
	27	24	400

Aurora Energy Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

10 Related party transactions *continued*

	6 months to 31 Dec 2022 \$'000	6 months to 31 Dec 2021 \$'000	full year to 30 Jun 2022 \$'000
<i>Purchases of goods and services from DCC group entities</i>			
Capital work	14,636	10,936	27,910
Network operations and maintenance	8,911	7,053	18,652
Interest	8,102	5,449	11,167
Contracting services and supplies	37	242	287
Rent	244	235	470
Lease of meters	44	20	20
	31,974	23,935	58,506
<i>Purchases of goods and services from DCC</i>			
Rates & property leases	482	455	878
Capital work	-	-	50
	482	455	928
<i>Amounts payable by the Company at period end to DCC Entities</i>			
Payable to Dunedin City Council entities	465,983	405,282	444,894
	465,983	405,282	444,894

Transactions with companies in which directors have an interest during the period of this report

Services provided to companies in which directors held an interest

	6 months to 31 Dec 2022 \$	6 months to 31 Dec 2021 \$	full year to 30 Jun 2022 \$
Amounts receivable from The Gin Company Limited, of which Mr Thompson is a shareholder	122,207	-	-

Aurora Energy Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2022

10 Related party transactions *continued*

Purchases of goods and services from companies in which directors held an interest during the period of this report

	6 months to 31 Dec 2022	6 months to 31 Dec 2021	full year to 30 Jun 2022
	\$	\$	\$
Passmore Consulting Services Ltd, of which Mr Thompson is a Director.	49,000	49,000	98,000
Excellence in Business Solutions Limited of which Mrs Harvey is a Director and Shareholder.	24,500	24,750	49,000
Matua Governance Limited, of which Mr Clarke is a Director and Shareholder.	24,500	24,750	49,000
New Zealand Post Limited, of which Mr Clarke is a Director.	21	39	337
Infrastructure New Zealand Ltd, of which Mrs Devlin was a Director until 30 June 2022	5,990	3,990	3,990

10 Related party transactions *continued*

Amounts payable to companies in which the Directors have an interest at end of financial period covered by this report

	6 months to 31 Dec 2022	6 months to 31 Dec 2021	full year to 30 Jun 2022
	\$	\$	\$
Amounts payable to Infrastructure New Zealand Ltd, of which Mrs Devlin was a Director until 30 June 2022	5,990	-	-

11 Contingent liabilities

Nil

Following the resolution of Aurora's 2020 breach of network reliability standards contained in the Commerce Commission's Default Price-Quality Path for Electricity Distribution Businesses, there are no material contingent liabilities to report.

Aurora Energy Limited

Statement of Service Performance For the Six months ending 31 December 2022

PERFORMANCE MEASURE	TARGET	OUTCOME
Our People, Our Place		
We're establishing our core capabilities and creating a positive culture		
Zero serious harm events involving members of the public	Nil	Achieved
Reduce levels of recordable harm	< 3.75 total recordable injury frequency rate (TRIFR) per 200,000 hours worked	Not Achieved. TRIFR for the six-month period is 4.5
Develop opportunities across the business that support the overall wellness of our team	A Board-approved Health, Safety and Wellbeing Plan is in place. The Plan is reviewed and updated annually	On-track to achieve
To create a motivated and satisfied team and to understand and action opportunities for improvement within our team environment	>75% staff satisfaction result on annual employee survey	Achieved 93.9% satisfaction on the December employee survey
Ensure that all direct employees are paid the living wage or above	All direct employees are paid at living wage or above	Achieved
Enabling Decarbonisation		
We're operating and maintaining a strong, safe & reliable network and planning for the future		
SAIDI - Class B interruptions (planned) - Class C interruptions (unplanned)	Full year target to 31 March 2023 ≤ 195.96 minutes ≤ 124.94 minutes	On-track to achieve On-track to achieve
SAIFI - Class B interruptions (planned) - Class C interruptions (unplanned)	Full year target to 31 March 2023 ≤ 1.11 ≤ 2.07	On-track to achieve On-track to achieve
Implement process and capability improvements identified in CPP Asset Management Practices Development Plan (AMPDP)	Asset management development initiatives delivered in accordance with timetable in CPP AMPDP	On-track to achieve
Effective long-term planning for Aurora Energy's asset portfolio is in place	Annual and compliant Asset Management Plan is published as per regulatory requirements	On-track to achieve
Lead investigations into future South Island system operation models to ensure fit-for-future solutions for customers	Co-ordinate South Island electricity distribution business group initiative investigating future system operation models	Achieved
Work collaboratively with the sector on green energy initiatives	Participate in South Island electricity distribution sector 'decarbonisation ready' collaboration group	Achieved

Aurora Energy Limited

Statement of Service Performance For the Six months ending 31 December 2022

PERFORMANCE MEASURE	TARGET	OUTCOME
Efficient Delivery		
We're focused on delivery, building core systems and collaboration		
Deliver work programme outcomes to scope, time and budget	Work programmes are delivered to Contractors on a rolling quarterly basis in accordance with Field Service contract terms	Achieved
Implement new Aurora Energy data strategy and establish a structured approach to the utilization of business intelligence	Data strategy approved and implemented, and appropriate business intelligence tools used to support decision making	Achieved
Aurora Energy Risk Register is regularly reviewed & updated and the risk profile is managed in accordance with Board approved risk tolerance levels	Risk Management Framework embedded as evidenced by: - Risk registers reviewed regularly and up to date, - Risk treatment plans reviewed regularly and up to date - Regular reporting to Board and Audit & Risk Committee	On-track to achieve
Our Communities		
We're improving our customer and partner relationships		
Maintain community support through approved sponsorships and community initiatives	\$10,000 of sponsorship per annum.	Achieved
To provide regular updates and consult with the community on the delivery of our CPP programme	Annual delivery reporting and regional community engagements are delivered in accordance with the approved CPP timeframe	Achieved
Streamline customer service processes through enhanced outage information via the outage management system (OMS)	The OMS upgrade is complete and enabling the automation of outage data capture	On-track to achieve
Licence to Operate		
We're developing sustainable management practices		
Develop corporate sustainability initiatives	A corporate sustainability framework is developed by 30 June 2023	On-track to achieve
Contribute to Council's Carbon Neutrality initiatives	Implement Aurora Energy's carbon emissions strategy developed in the 2022 financial year, and achieve our FY2023 targets	Currently behind schedule - some risk to targeted timelines
Minimise waste and the associated negative environmental impacts	Implement Aurora Energy's waste reduction strategy developed in the 2022 financial year, and achieve our FY2023 targets	Currently behind schedule - some risk to targeted timelines
Implement opportunities to transition light motor fleet to electric vehicles where appropriate	Transition targets for electrification of the company's motor fleet achieved by 30 June 2023	On-track to achieve
Increase sustainability reporting and climate related disclosures in our Annual Report	Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets, in our Annual Report	On-track to achieve

Aurora Energy Limited

Statement of Service Performance For the Six months ending 31 December 2022

PERFORMANCE MEASURE	TARGET	OUTCOME
Shareholder Objectives		
Consult with the Shareholder at the earliest possible time on matters where conflict may or could result	No unnotified potential conflicts	Achieved
On a "no surprises" basis, advise the Shareholder promptly of any substantive matter that has the potential to impact negatively on the Shareholder and the Company with a particular focus on the media	All substantive matters reported within 24 hours	Achieved
Financial Objectives		
Financial forecasts are set in the Statement of Intent for the year ending 30 June 2023. Aurora Energy Limited is on track to meet it's financial forecasts for the current year		

Aurora Energy Limited

Directory

The Directors of Aurora Energy Limited are pleased to present their report for the six months ended 31 December 2022.

Directors

Stephen R Thompson (Chair)
Janice Fredric
Wendie N Harvey
Simon Clarke
Stephen Lewis

Registered Office

10 Halsey Street
Dunedin
New Zealand

Bankers

Westpac Banking Corporation

Solicitors

Gallaway Cook Allan
Chapman Tripp
Anderson Lloyd

Tax Advisors

Deloitte

Auditor

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