

# AURORA ENERGY LIMITED

Six Monthly Report  
for the Period Ended  
31 December 2015

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## **COMPANY PARTICULARS** **as at 31 December 2015**

### **DIRECTORS**

Dr Ian M Parton (Chair)  
Stuart J McLauchlan  
David J Frow  
Trevor J Kempton

### **MANAGEMENT**

Chief Executive - Grady W Cameron  
Chief Financial Officer/Company Secretary - Gary G Dixon

### **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

**DIRECTORS' REPORT**  
**for the six months ended 31 December 2015**

The Directors of Aurora Energy Limited are pleased to report on the financial results and associated matters for the six months ended 31 December 2015.

***Principal Activities of the Company***

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

<b><i>Results for the Six Months Ended 31 December 2015</i></b>	<b><i>\$000</i></b>
Trading profit before tax	12,962
less subvention payment (pre-tax equivalent dividend)	3,644
	<hr/>
Operating profit before income tax	9,318
less income tax expense	2,685
	<hr/>
Net profit for six months	<u>6,633</u>

***State of Affairs***

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

***Dividends***

An interim dividend of \$1.5 million was declared and paid for the six months ended 31 December 2015.

***Reserves***

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

	<b><i>\$000</i></b>
Cash flow hedge reserve - to (from)	(421)
	<hr/>
Retained earnings - to (from)	<u>5,133</u>

## DIRECTORS' REPORT

for the six months ended 31 December 2015 - continued

### *Review of Operations*

The operating surplus before tax and subvention is \$12.962 million (2014: \$13.757 million). A subvention payment of \$3.644 million has been provided to a member of the Dunedin City Council group of companies (2014: \$3.644).

The unaudited net surplus after tax for the six months ended 31 December 2015 was \$6.633 million (2014: \$7.301 million).

The Company has continued to focus on operating a reliable and cost effective electricity distribution system.

### *Financial Statements*

The unaudited financial statements for the six months ended 31 December 2015 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 six months ended 31 December 2015 or existed at that date are disclosed in the related parties section of this report.

### *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' REPORT

for the six months ended 31 December 2015 – continued

### *Directors' Benefits and Remuneration*

No Director has, since the end of the previous financial period, 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*

As an electricity distributor, the Company operates in a highly regulated environment. The Commerce Commission's review and final determination of the price limits and quality targets to apply for the next five-year period from 1 April 2015, was released in November 2014. The final determination is such that there will be a reduction in the Company's future allowable income and resultant earnings.

The Directors are not aware of any other matter or circumstance since the end of the financial period, not otherwise dealt with in this report or the Company's financial statements, which has significantly or may significantly affect the operation of the Company, the results of those operations or the state of affairs of the Company.

On behalf of the Directors



I M Parton  
CHAIRMAN



S J McLauchlan  
DIRECTOR

11 February 2016

# AURORA ENERGY LIMITED

## INFORMATION ON THE DIRECTORS

Director	Qualifications	Date Appointed	Declarations of Interests
Dr Ian M Parton Non-Executive Chairman	BE (Hons) PhD Dist.F.IPENZ CF.Inst.D.	October 2012	Chairman – Delta Utility Services Limited Director – Auckland Transport Limited Director – Construction Techniques Group Limited Director – Skellerup Holdings Limited Chancellor – University of Auckland
David J Frow Non-Executive Director	B.Sc.Eng. CF.Inst.D.	October 2012	Chairman and shareholder – Major Consulting Group Limited Chairman – Holmes Fire LP Director – Delta Utility Services Limited Director – ETEL Limited Director – ETEL Transformers Pty Limited (Aus) Director – Rataworks Limited Senior Consultant – Strata Energy Consulting
Trevor J Kempton Non-Executive Director	BE (Hons) M.IPENZ F.NZIM CM.Inst.D.	November 2013	Director and shareholder – Long Beach Consulting Limited Director – Constructing Excellence (NZ) Limited Director – Delta Utility Services Limited Director – The Academy of Construction Excellence (NZ) Limited Director – Trevian Properties Limited Councillor – Otago Regional Council Shareholder – Naylor Love Enterprise Group of companies
Stuart J McLauchlan Non-Executive Director	BCom FCA (PP) CF.Inst.D.	June 2007	Chairman and shareholder – Scott Technology Limited Chairman – Dunedin International Airport Limited Chairman – NZ Sports Hall of Fame Chairman – Pharmac Chairman – University of Otago Foundation Studies Limited Chairman – UDC Finance Limited Director and shareholder – Dunedin Casinos Limited Director and shareholder – Rosebery Holdings Limited Director – AD Instruments Pty Limited Director – Cargill Hotel 2002 Limited Director – Delta Utility Services Limited Director – Energy Link Limited Director – HTS 110 Limited Director – Ngai Tahu Tourism Board Director – Otago & Southland Employers Association Director – Scenic Circle Hotels Limited and subsidiaries Director – University of Otago Holdings Limited Director – USC Investments Limited Member – Marsh Advisory Board Partner – G S McLauchlan & Co Pro Chancellor – University of Otago

# AURORA ENERGY LIMITED

## TREND STATEMENT

	Note	Six months ended 31 Dec:		Years ended 30 June:		
		2015	2014	2015	2014	2013
Energy received into network	GWh	752	737	1,408	1,351	1,373
Energy received for delivery to consumers	GWh	726	705	1,361	1,313	1,331
<b>Energy delivery reliability</b> (average time without supply per consumer for period ended)	minutes	106	50.5	137.3	123.6	77.5
<b>Total revenue</b>	\$000	<b>54,542</b>	<b>53,161</b>	<b>99,462</b>	<b>92,895</b>	<b>90,560</b>
<b>Trading profit before tax</b> (before subvention payments)	\$000	12,962	13,757	18,420	18,024	19,077
<b>EBIT/average funds employed</b> (annualised)		8.7%	9.5%	6.9%	7.1%	7.4%
Tax – current period provision		2,685	2,812	3,132	2,812	3,325
– prior period (over)/under provision		0	0	(180)	0	(164)
<b>Net profit for the period</b> (before after-tax value of subvention payments)	\$000	<b>9,267</b>	<b>9,925</b>	<b>13,426</b>	<b>12,900</b>	<b>13,874</b>
<b>Net profit for the period</b> (after subvention payments)	(1) \$000	6,633	7,301	8,176	7,650	8,624
Cashflow from operating activities	\$000	20,899	22,286	20,392	24,278	20,228
Dividends paid	\$000	1,500	2,500	4,750	4,750	8,750
<b>Equivalent dividends</b> (actual dividends plus after-tax value of subvention payments)	\$000	<b>4,124</b>	<b>5,124</b>	<b>10,000</b>	<b>10,000</b>	<b>14,000</b>
Shareholder's equity	\$000	187,262	184,561	182,550	180,983	178,005
<b>Total assets</b>	\$000	<b>421,564</b>	<b>396,815</b>	<b>413,855</b>	<b>390,814</b>	<b>383,272</b>
<b>Capital expenditure (net)</b>		17,545	16,053	35,421	21,260	18,841
Return on average equity (annualised) (before after-tax value of subvention payments)		10.01%	10.86%	7.4%	7.19%	7.81%
Equity to total assets		44.4%	47%	44.1%	46%	46%

Notes:

- (1) Aurora Energy Limited is part of the Dunedin City Holdings group of companies. Aurora Energy Limited makes pre-tax subvention payments to companies within the Dunedin City Council group of companies which has the effect of reducing the net profit for the period.



# AURORA ENERGY LIMITED

## STATEMENT OF COMPREHENSIVE INCOME for the six months ended 31 December 2015

	Note	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
Operating revenue	3	54,534	99,452	53,157
Financial revenue	4	8	10	4
Total revenue		54,542	99,462	53,161
Less expenses				
Operating expenses	5	36,425	71,560	34,537
Financial expenses	6	5,155	9,482	4,867
Total expenditure		41,580	81,042	39,404
<b>Profit before tax and subvention</b>		<b>12,962</b>	<b>18,420</b>	<b>13,757</b>
Subvention payment provided		3,644	7,292	3,644
<b>Profit before tax</b>		<b>9,318</b>	<b>11,128</b>	<b>10,113</b>
Income tax expense	9	2,685	2,952	2,812
<b>Net profit/(loss) after tax for the period</b>		<b>6,633</b>	<b>8,176</b>	<b>7,301</b>
Other comprehensive income				
Gain/ (loss) on cashflow hedges		(418)	(1,861)	(1,226)
Gain/ (loss) on terminated cashflow hedges		(3)	2	3
Total other comprehensive income		(421)	(1,859)	(1,223)
<b>Total comprehensive income</b>		<b>6,212</b>	<b>6,317</b>	<b>6,078</b>

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

# AURORA ENERGY LIMITED

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## STATEMENT OF CHANGES IN EQUITY for the six months ended 31 December 2015

	Note	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
Equity at beginning of the period		<u>182,550</u>	<u>180,983</u>	<u>180,983</u>
Recognised income and expense				
Total comprehensive income		6,212	6,317	6,078
Less distribution to owner	8	<u>1,500</u>	<u>4,750</u>	<u>2,500</u>
Equity at the end of the period		<u><u>187,262</u></u>	<u><u>182,550</u></u>	<u><u>184,561</u></u>

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

# AURORA ENERGY LIMITED

## BALANCE SHEET as at 31 December 2015

	Note	31 Dec 15 \$000	30 Jun 15 \$000	31 Dec 14 \$000
<b>Equity</b>				
Share capital	11	10,000	10,000	10,000
Cash flow hedge reserve	12	(1,325)	(904)	(268)
Retained earnings	13	178,587	173,454	174,829
<b>Total equity</b>		<u>187,262</u>	<u>182,550</u>	<u>184,561</u>
<b>Current liabilities</b>				
Trade and other payables	14	18,399	15,221	18,521
Cash flow hedge instruments	21	1,842	1,261	380
Taxation payable		2,179	1,376	3,106
<b>Total current liabilities</b>		<u>22,420</u>	<u>17,858</u>	<u>22,007</u>
<b>Non-current liabilities</b>				
Term borrowings	16	152,950	155,500	132,850
Deferred tax liability	17	58,932	57,947	57,415
<b>Total non-current liabilities</b>		<u>211,882</u>	<u>213,447</u>	<u>190,265</u>
<b>Total liabilities</b>		<u>234,302</u>	<u>231,305</u>	<u>212,272</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>421,564</u></u>	<u><u>413,855</u></u>	<u><u>396,833</u></u>

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

# AURORA ENERGY LIMITED

## BALANCE SHEET

as at 31 December 2015 - continued

	Note	31 Dec 15 \$000	30 Jun 15 \$000	31 Dec 14 \$000
<b>Current assets</b>				
Cash and cash equivalents	18	76	34	93
Trade and other receivables	19	9,183	12,752	8,299
Inventories	22	8	8	8
Other current assets	15	863	624	18
Prepayment		161	0	760
Intra group advances		511	399	357
Total current assets		10,802	13,817	9,535
<b>Non-current assets</b>				
Investments	20	8	10	10
Deferred tax asset	17	560	397	143
Property, plant and equipment	23	410,194	399,631	387,298
Total non-current assets		410,762	400,038	396,833
<b>TOTAL ASSETS</b>		<b>421,564</b>	<b>413,855</b>	<b>396,833</b>

For and on behalf of the Board of Directors



**I M Parton**  
**CHAIRMAN**



**S J McLauchlan**  
**DIRECTOR**

11 February 2016

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

# AURORA ENERGY LIMITED

## STATEMENT OF CASH FLOWS for the six months ended 31 December 2015

	Note	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>Cash flows from operating activities</b>				
<i>Cash was provided from</i>				
Receipts from customers		57,382	98,311	55,172
Interest and dividends received		8	10	4
		<u>57,390</u>	<u>98,321</u>	<u>55,176</u>
<i>Cash was disbursed to</i>				
Payments to suppliers		29,156	58,705	26,008
Interest paid		4,748	9,350	4,877
Intra group tax loss/subvention payments made		0	859	0
Income tax paid		895	833	550
Net GST paid/(received)		219	345	(207)
Subvention payment		1,361	7,292	1,361
Inter Company advance		112	545	301
		<u>36,491</u>	<u>77,929</u>	<u>32,890</u>
<b>Net cash inflows/(outflows) from operating activities</b>	<b>25</b>	<b>20,899</b>	<b>20,392</b>	<b>22,286</b>
<b>Cash flows from investing activities</b>				
<i>Cash was provided from</i>				
Sale of investments		2	0	0
		<u>2</u>	<u>0</u>	<u>0</u>
<i>Cash was disbursed to</i>				
Purchase of property, plant and equipment		16,809	32,365	13,800
		<u>16,809</u>	<u>32,365</u>	<u>13,800</u>
<b>Net cash inflows/(outflows) from investing activities</b>		<b><u>(16,807)</u></b>	<b><u>(32,365)</u></b>	<b><u>(13,800)</u></b>

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

# AURORA ENERGY LIMITED

## STATEMENT OF CASH FLOWS

for the six months ended 31 December 2015 - continued

	Note	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>Cash flows from financing activities</b>				
<i>Cash was provided from</i>				
Proceeds from borrowings		16,750	49,525	21,975
		<u>16,750</u>	<u>49,525</u>	<u>21,975</u>
<i>Cash was disbursed to</i>				
Repayment of borrowings		19,300	32,825	27,925
Dividends paid		1,500	4,750	2,500
		<u>20,800</u>	<u>37,575</u>	<u>30,425</u>
<b>Net cash inflows/(outflows) from financing activities</b>		<u>(4,050)</u>	<u>11,950</u>	<u>(8,450)</u>
<b>Net increase/(decrease) in cash, cash equivalents and bank overdraft</b>		<b>42</b>	<b>(23)</b>	<b>36</b>
Cash and cash equivalents at the beginning of the period		<u>34</u>	<u>57</u>	<u>57</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>18</b>	<b><u>76</u></b>	<b><u>34</u></b>	<b><u>93</u></b>

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

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015

### 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 Companies Act 1993 and the Financial Reporting Act 1993.

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.

Otago Power Limited was a non-trading wholly owned subsidiary of the Company. It was not consolidated and its shares were transferred to Dunedin City Holdings Limited on 17 December 2014.

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 condensed interim financial statements are general purpose financial reports which have been prepared in accordance with NZIASI, 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 11 February 2016.

The interim financial statements are to be read in conjunction with the most recent annual financial statements.

#### 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued****2 SIGNIFICANT ACCOUNTING POLICIES - continued****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.

**Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and goods and services tax (GST).

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.

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.

**Leasing**

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**Borrowing Costs**

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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued****2 SIGNIFICANT ACCOUNTING POLICIES - continued****Goods and Services Tax (GST)**

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except for receivables and payables which are recognised inclusive of GST.

The Statement of Cash Flows is inclusive of GST.

**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.

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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months 31 December 2015 - continued****2 SIGNIFICANT ACCOUNTING POLICIES - continued**

**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:

	<i>Rate</i>	<i>Method</i>
Land	no depreciation charged	
Buildings	1% to 5%	straight line
Electricity network assets	1% to 20%	straight line
Plant and equipment	5% 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	

An item of property, plant and equipment is de-recognised 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 de-recognised.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 2015 - continued****2 SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises 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.

**Cash and Cash Equivalents**

Cash and cash equivalents is comprised 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 within borrowings in current liabilities in the balance sheet.

**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.

**Trade and Other Receivables**

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

**Investments**

Investments are comprised of long-term equity instrument holdings which are available for sale. These are initially measured at cost, including transaction costs and are assessed annually for impairment. Any resultant losses on impairment are recognised in the income statement for the period in which they occur.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued****2 SIGNIFICANT ACCOUNTING POLICIES - continued****Trade and Other Payables**

Trade and other payables are stated at cost.

**Borrowings**

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.

**Cash Flow Hedge Instruments and Hedge Accounting**

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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued****2 SIGNIFICANT ACCOUNTING POLICIES - continued**

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.

Any financial derivatives or cash flow hedge instruments embedded in other financial instruments or other host contracts are treated as separate instruments when their risks and characteristics are not closely related to those of host contracts and the host contracts are not carried at fair value with unrealised gains or losses reported in the income statement.

**Provisions**

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.

**Changes in Accounting Policies**

There have been no changes in accounting policies during the financial period.

**Standards Amended or Issued During the Period**

During the period, there were no new or amended accounting standards relevant to the Company.

**Standards Issued but not yet Effective**

The following accounting standards are relevant to the Company, but as they are not yet compulsory have not been adopted.

<b>Standard</b>	<b>Brief Outline</b>
Amendments to NZ IAS 27 <i>Equity method in separate financial statements</i> Adoption date: periods beginning on or after 1 January 2016	Amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates. Aurora Energy Ltd no longer has any subsidiaries, joint ventures or associates, but may do in the future. Any amendments will be reflected in the treatment and disclosure of these transactions going forward.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued**

**2 SIGNIFICANT ACCOUNTING POLICIES - continued**

<p>Amendments to NZ IAS 1 <i>Disclosure initiatives</i> Adoption date: periods beginning on or after 1 January 2016</p>	<p>Changes were made in the following areas to provide clarity for preparers in exercising judgement when presenting their financial reports. Clarification was provided around:</p> <ul style="list-style-type: none"><li>- Materiality in the preparation of the financial statements and when it should be applied</li><li>- The aggregation of line items in the financial statements</li><li>- Note ordering.</li></ul> <p>The Company will review the new clarifications and ensure the financial statements are appropriately presented. For example, whether notes are in the appropriate order, if materiality has reasonably been used in notes such as the related party note 26 and whether line items on the face of the financial statements were reasonably grouped. No material changes are envisaged.</p>
<p>Amendments to NZ IAS 15 <i>Revenue from Contracts and Customers</i> Adoption date: periods beginning on or after 1 January 2017</p>	<p>The amendments establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. This amendment is unlikely to have a major impact on the recognition and reporting of the Company's revenue. The Company will, however, review revenue to ensure that it is recognised in line with the revised standards and contracts in place.</p>
<p>NZ IFRS 9 (2010) <i>Financial Instruments</i> Adoption date: periods beginning on or after 1 January 2018</p>	<p>A revised version of NZ IFRS 9 will be released which includes changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. Entities may elect to apply only the accounting for gains and losses from own credit risk without applying the other requirements of NZ IFRS 9 at the same time. The Company does not expect any material changes to current treatment or disclosure of its Financial Instruments.</p>

# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015 - continued

	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>3 OPERATING REVENUE</b>			
Sales revenue	53,852	98,503	52,732
Avoided transmission constraint and loss revenue	682	949	425
	<u>54,534</u>	<u>99,452</u>	<u>53,157</u>
<b>4 FINANCIAL INCOME</b>			
Interest and dividends received	<u>8</u>	<u>10</u>	<u>4</u>
<b>5 OTHER EXPENSES</b>			
Included in the operating expenses of the Company are the following items:			
Audit fees			
- for audit of financial statements	42	39	38
- for audit services in relation to regulatory (information disclosure) reporting:	0	18	0
- for audit services in relation to price and quality thresholds and other regulatory reporting	<u>4</u>	<u>14</u>	<u>0</u>
Total audit fees	46	71	38
Transmission costs	16,594	33,041	16,468
Depreciation	6,983	13,565	6,683
Maintenance costs	6,783	13,898	5,863
Other contractor costs	286	472	220
Directors' fees	50	104	51
Bad debts written off	0	13	0
Lease expense	52	67	34
Donations	0	0	0
Increase/(decrease) in provision for doubtful, trade and other receivables	1	10	29

# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015 - continued

		Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>6</b>	<b>FINANCIAL EXPENSES</b>			
	Interest - other	12	0	0
	Interest - related parties	5,146	9,479	4,862
	Interest amortised from cash flow hedge close out	(3)	3	5
	Total financial expenses	<u>5,155</u>	<u>9,482</u>	<u>4,867</u>
<b>7</b>	<b>LEASE COMMITMENTS</b>			
	<i>Non-cancellable operating lease commitments</i>			
	Payable within one year	43	58	48
	Payable between one to five years	108	123	33
	Payable later than five years	82	85	85
		<u>233</u>	<u>266</u>	<u>166</u>
<b>8</b>	<b>DIVIDENDS</b>			
	Interim dividend			
	December 15 \$0.150 per share	1,500	0	0
	December 14 \$0.250 per share	0	2,500	2,500
	Final dividend			
	June 15 \$0.175 per share	0	1,750	0
	June 15 \$0.050 per share	0	500	0
		<u>1,500</u>	<u>4,750</u>	<u>2,500</u>
	Dividend per share ( in dollars)	0.150	0.475	0.250



# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015 – continued

	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>9 INCOME TAX</b>			
Operating profit before income tax	9,318	11,128	10,113
Tax thereon at 28% (2014: 28%)	2,609	3,116	2,832
<i>Plus/(less) the tax effect of differences</i>			
Expenditure (deductible)non-deductible for taxation purposes	76	16	(20)
Under/ (over) tax provision in prior periods	0	(180)	0
Tax effect of differences	76	(164)	(20)
Tax expense	2,685	2,952	2,812
<i>Represented by</i>			
Current tax provision	1,698	1,659	2,086
Deferred tax provision	987	1,473	726
Under/ (over) tax provision in prior periods	0	(180)	0
Income tax	2,685	2,952	2,812
Effective tax rate	28.8%	26.5%	27.8%

### 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 six months ended 31 December 2015 – continued**

	Six months ended 31 Dec 15	Year ended 30 Jun 15	Six months ended 31 Dec 14
<b>10 EARNINGS PER SHARE</b>			
Basic earnings per share are 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 period.			
<b>Number of shares</b>			
Weighted average number of ordinary shares	10,000,000	10,000,000	10,000,000
Basic earnings per share in dollars	0.66	0.82	0.73
	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>11 EQUITY - Share Capital</b>			
Issued capital - 10,000,000 ordinary shares	10,000	10,000	10,000
<b>12 CASH FLOW HEDGE RESERVE</b>			
Balance at the beginning of the period	(904)	955	955
Net revaluations	(580)	(2,584)	(1,701)
Cash flow hedge closed out	(3)	3	5
Deferred tax arising on hedges (note 17)	162	722	473
Balance at the end of the period	(1,325)	(904)	(268)

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.

# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015 – continued

	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>13 RETAINED EARNINGS</b>			
Balance at the beginning of the period	173,454	170,028	170,028
Net profit for the period	6,633	8,176	7,301
Dividend distributions	(1,500)	(4,750)	(2,500)
Balance at the end of the period	178,587	173,454	174,829

## 14 TRADE AND OTHER PAYABLES

Trade payables	6,188	5,406	6,252
Due to related parties – other	12,211	9,815	12,219
– Dunedin City Holdings Ltd	0	0	50
	18,399	15,221	18,521

The Directors consider 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 OTHER CURRENT ASSETS

GST receivable	863	624	18
	863	624	18

## 16 TERM BORROWINGS (secured)

Dunedin City Treasury Ltd - related party	152,950	155,500	132,850
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The term borrowings are secured by a General Security Agreement over all the assets of the Company. Currently, the Company has a facility available of \$160.0 million.

The repayment periods on the term borrowings are:

Repayable between one to two years	0	0	0
Repayable between two to five years	152,950	155,500	132,850
Repayable later than five years	0	0	0

The weighted average interest rate for the loan inclusive of any current portion, was 6.59% (2014: 6.60%).

# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015 – continued

### 17 DEFERRED TAX

	Opening Balance Sheet	Charged to Equity	Charged to Income	Closing Balance Sheet Assets	Closing Balance Sheet Liabilities	Closing Balance Sheet Net
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Six months ended 31 December 2015:</b>						
Property, plant and equipment	(53,730)	0	(395)	0	(54,125)	(54,125)
Provisions	(4,172)	0	(633)	44	(4,805)	(4,761)
Revaluations of interest rate swaps	352	162	0	514	0	514
Close out of interest rate swaps	0	0	0	2	(2)	0
Balance at end of the period	<u>(57,550)</u>	<u>162</u>	<u>(1,028)</u>	<u>560</u>	<u>(58,932)</u>	<u>(58,372)</u>
<b>Year ended 30 June 2015:</b>						
Property, plant and equipment	(53,301)	0	(429)	0	(53,730)	(53,730)
Provisions	(3,350)	0	(822)	44	(4,216)	(4,172)
Revaluations of interest rate swaps	(370)	722	0	352	0	352
Close out of interest rate swaps	0	0	0	1	(1)	0
Balance at end of the year	<u>(57,021)</u>	<u>722</u>	<u>(1,251)</u>	<u>397</u>	<u>(57,947)</u>	<u>(57,550)</u>
<b>Six months ended 31 December 2014:</b>						
Property, plant and equipment	(53,301)	0	(258)	0	(53,559)	(53,559)
Provisions	(3,350)	0	(468)	36	(3,854)	(3,818)
Revaluations of interest rate swaps	(370)	474	0	104	0	104
Close out of interest rate swaps	0	(1)	2	3	(2)	1
Balance at end of the period	<u>(57,021)</u>	<u>473</u>	<u>(724)</u>	<u>143</u>	<u>(57,415)</u>	<u>(57,272)</u>

# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015- continued

	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
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### 18 CASH AND CASH EQUIVALENTS

Cash and bank	76	34	93
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Cash and short-term deposits comprise cash held by the Company and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value. Short term deposits are made at call deposit rates.

### 19 TRADE AND OTHER RECEIVABLES

Trade receivables	9,106	12,710	8,412
Less estimated impairments	(105)	(104)	(123)
	9,001	12,606	8,289
Due from related parties			
- Dunedin City Council and Group entities	181	145	8
- other related parties	1	1	2
	9,183	12,752	8,299

The Directors consider that the carrying amount of the trade and other receivables approximates their fair value. The estimated doubtful debts provision relates entirely to individually impaired trade receivable balances.

Past due, but not impaired, receivables are:

Age analysis	30-60 days	23	15	14
	60-90 days	22	8	12
	90 days plus	391	313	204
		436	336	230

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued**

	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>20 INVESTMENTS</b>			
Investments – listed companies	8	10	10
	<u>8</u>	<u>10</u>	<u>10</u>
<b>Investments – listed companies</b>			
The Company has acquired small shareholdings in several electricity-sector companies. These holdings are considered long-term.			
<b>21 CASH FLOW HEDGE INSTRUMENTS</b>			
Interest rate swaps revaluations – payable	1,842	1,261	380
	<u>1,842</u>	<u>1,261</u>	<u>380</u>
<b>22 INVENTORIES</b>			
Network spare parts	8	8	8
	<u>8</u>	<u>8</u>	<u>8</u>

# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015 - continued

### 23 PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Network	Plant Equipment	Motor Vehicles	Office Equipment	Optical Fibre Network	Construction in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Six months ended 31 December 2015:</b>									
<b>Cost</b>									
Balance at beginning of period	5,282	11,530	474,344	2,243	191	16	4,962	20,769	519,337
Purchases	120	324	8,220	24	0	0	0	8,858	17,546
Total cost	5,402	11,854	482,564	2,267	191	16	4,962	29,627	536,883
<b>Accumulated depreciation</b>									
Balance at beginning of period	0	1,618	115,537	1,760	74	16	701	0	119,706
Depreciation	0	68	6,775	59	5	0	76	0	6,983
Disposal	0	0	0	0	0	0	0	0	0
Total accumulated depreciation	0	1,686	122,312	1,819	79	16	777	0	126,689
Balance at end of period	5,402	10,168	360,252	448	112	0	4,185	29,627	410,194
<b>Year ended 30 June 2015:</b>									
<b>Cost</b>									
Balance at beginning of year	5,282	11,530	450,530	2,224	191	16	4,948	9,195	483,916
Purchases	0	0	23,814	19	0	0	0	11,588	35,421
Disposal	0	0	0	0	0	0	0	0	0
Transfer	0	0	0	0	0	0	14	(14)	0
Total cost	5,282	11,530	474,344	2,243	191	16	4,962	20,769	519,337
<b>Accumulated depreciation</b>									
Balance at beginning of year	0	1,488	102,401	1,623	64	16	549	0	106,141
Depreciation	0	130	13,136	137	10	0	152	0	13,565
Disposal	0	0	0	0	0	0	0	0	0
Total accumulated depreciation	0	1,618	115,537	1,760	74	16	701	0	119,706
Balance at end of year	5,282	9,912	358,807	483	117	0	4,261	20,769	399,631
<b>Six months ended 31 December 2014:</b>									
<b>Cost</b>									
Balance at beginning of period	5,282	11,530	450,530	2,224	191	16	4,948	9,195	483,916
Purchases	0	0	7,764	12	0	0	14	8,263	16,053
Total cost	5,282	11,530	458,294	2,236	191	16	4,962	17,458	499,969
<b>Accumulated depreciation</b>									
Balance at beginning of period	0	1,488	102,401	1,623	64	16	549	0	106,141
Depreciation	0	65	6,468	69	5	0	76	0	6,683
Disposal	0	0	0	0	0	0	0	0	0
Total accumulated depreciation	0	1,553	108,869	1,692	69	16	625	0	112,824
Balance at end of period	5,282	9,977	349,425	544	122	0	4,337	17,458	387,145

The Directors assess the fair value of land and buildings as the carrying value shown above.

# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015 – continued

	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>24 CAPITAL EXPENDITURE COMMITMENTS</b>			
Capital expenditure contracted for at balance date but not provided for in the financial statements.	13,028	18,191	24,210
<b>25 RECONCILIATION OF NET PROFIT FOR THE PERIOD TO CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net profit/(loss) for the period	6,633	8,176	7,301
<i>Items not involving cash flows</i>			
Depreciation	6,983	13,565	6,683
Increase/(decrease) in deferred tax	822	529	251
Other non-cash items	(421)	(1,859)	(1,223)
(Increase)/decrease in cash flow hedge valuation	580	2,584	1,703
<i>Impact of changes in working capital items</i>			
(Increase)/decrease in trade and other receivables	3,569	(1,194)	2,499
Increase/(decrease) in trade and other payables	3,178	2,740	6,040
Increase/(decrease) in provision for tax	803	(194)	1,536
Increase/(decrease) in other current liabilities	0	(556)	50
(Increase)/decrease in inter Company advance	(112)	(343)	(301)
(Increase)/decrease in other current assets	(239)	0	0
(Increase)/decrease in prepayments	(161)	0	0
<i>Items classified as investing or financing activities</i>			
Capital creditors in accounts payable	(736)	(3,056)	(2,253)
Loss/(gain) on disposal of property, plant and equipment	0	0	0
<b>Net cash inflows/(outflows) from operating activities</b>	<b>20,899</b>	<b>20,392</b>	<b>22,286</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued**

**26 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. These transactions are made on commercial terms and conditions at market rates.

During the period, the Company provided services and traded with Dunedin City Council Group in respect of the following transactions:

	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
Purchases of goods and services from Dunedin City Holdings Limited:			
Management fees	100	200	100
Subvention/tax loss offset payment	0	247	0
	<u>100</u>	<u>447</u>	<u>100</u>
Purchases of goods and services from Dunedin City Council:			
Rates and property leases	408	783	395
Subvention/tax loss offset payment	0	303	0
	<u>408</u>	<u>1,086</u>	<u>395</u>
Purchases of goods and services from other Dunedin City Council Group entities:			
Capital work	12,210	24,096	9,203
Network management and operation	10,171	20,226	9,156
Interest/facility fees	5,146	9,479	4,862
Subvention/tax loss offset payments	0	512	0
Contracting services	408	837	545
Management fees	60	119	58
Accounting, administration and secretarial	160	265	122
Sundry and consulting	41	54	28
Lease of meters	27	46	22
Subvention expense purchased	3,644	7,292	3,644
	<u>31,867</u>	<u>62,926</u>	<u>27,640</u>

# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015 – continued

	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>26 RELATED PARTY TRANSACTIONS - continued</b>			
The subvention expense of \$3.644 million will be paid to another company within the Dunedin City Council group of companies for the purchase of tax losses of \$3.644 million (2014: \$3.644 million).			
At period end, the amounts payable by the Company to Group entities:			
Dunedin City Holdings Limited	0	0	50
Other Dunedin City Council Group entities	167,003	166,576	145,449
	<u>167,003</u>	<u>166,576</u>	<u>145,499</u>
Sales of services to Dunedin City Council:			
Other	<u>18</u>	<u>40</u>	<u>20</u>
Sales of services to Dunedin City Council Group entities:			
Rent	13	26	13
Service failure penalties	34	224	30
Other	8	22	14
	<u>55</u>	<u>272</u>	<u>57</u>
At period end, the amounts receivable by Aurora Energy Limited from Dunedin City Council Group entities:			
Dunedin City Council	4	4	4
Other Dunedin City Council Group entities:	<u>688</u>	<u>541</u>	<u>1,121</u>

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

Aurora Energy Limited undertakes transactions with other related parties in the normal course of business and on an arm's-length commercial basis.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued****26 RELATED PARTY TRANSACTIONS - continued****Transactions with companies in which Directors have an interest:**

Mr S J McLauchlan is Pro Chancellor of the University of Otago. In the ordinary course of business during the financial period covered by this report, services valued at \$3,894 were provided to the University of Otago (2014: \$11,682). \$746 was outstanding at 31 December 2015 (2014: \$2,239).

Mr McLauchlan is a Director and shareholder of Rosebery Holdings Limited. During the financial period covered by this report, services of \$12,180 were purchased from Rosebery Holdings Limited (2014: \$11,750). No monies were outstanding at 31 December 2015 (2014: \$0).

Mr Trevor Kempton is a Councillor on Otago Regional Council. During the financial period covered by this report, services to the value of \$26,995 were provided to Otago Regional Council (2014: \$26,433). No monies were outstanding at 31 December 2015 (2014: \$0).

Mr Kempton is a Director and shareholder of Long Beach Consulting Limited. During the financial period covered by this report, services of \$10,659 were purchased from Long Beach Consulting Limited (2014: \$10,250). No monies were outstanding at 31 December 2015 (2014: \$0).

Mr Frow is a Director of ETEL Limited. During the financial period covered by this report, no services were purchased from ETEL Limited (2014: \$17,356). No monies were outstanding at 31 December 2015 (2014: \$0).

**27 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.

A large 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:

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued**

	Six months ended 31 Dec 15 \$000	Year ended 30 Jun 15 \$000	Six months ended 31 Dec 14 \$000
<b>27 FINANCIAL INSTRUMENT RISK - continued</b>			
Maturing in less than one year	0	0	0
Maturing between one and five years	0	0	0
Maturing after five years	50,000	50,000	50,000
	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

**Credit Risk**

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

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for impairment.

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.

The Company's maximum credit risk for each class of financial instrument is:

Cash and cash equivalents	76	34	93
Trade and other receivables	9,183	12,752	8,299
Prepayments	161	0	760
Short term investments	8	10	10
Inter Company advances	511	399	357
	<u>9,939</u>	<u>13,195</u>	<u>9,519</u>

**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 short-falls. 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued**

**27 FINANCIAL INSTRUMENT RISK - continued**

The following tables analyse the exposure of the Company's financial liabilities to liquidity risk.

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. Details of the term loan balance and effective interest rate are included in note 16.

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

	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
<b>As at 31 December 2015:</b>							
<b>Financial assets</b>							
Cash and cash equivalents	76	0	0	0	0	0	76
Trade and other receivables	9,183	0	0	0	0	0	9,183
Prepayments	161	0	0	0	0	0	161
Inter Company advance	0	0	511	0	0	0	511
Other current assets	863	0	0	0	0	0	863
Long term investments	0	0	0	0	0	8	8
	<u>10,283</u>	<u>0</u>	<u>511</u>	<u>0</u>	<u>0</u>	<u>8</u>	<u>10,802</u>
<b>Financial liabilities</b>							
Trade and other payables	18,399	0	0	0	0	0	18,399
Other current liabilities	0	0	0	0	0	0	0
Taxation payable	0	0	2,179	0	0	0	2,179
Cash flow hedge instruments	0	0	1,842	0	0	0	1,842
Term borrowings	0	0	0	0	0	152,950	152,950
	<u>18,399</u>	<u>0</u>	<u>4,021</u>	<u>0</u>	<u>0</u>	<u>152,950</u>	<u>175,370</u>

# AURORA ENERGY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the six months ended 31 December 2015 - continued

### 27 FINANCIAL INSTRUMENT RISK - continued

	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
<b>As at 30 June 2015:</b>							
<b>Financial assets</b>							
Cash and cash equivalents	34	0	0	0	0	0	34
Trade and other receivables	12,752	0	0	0	0	0	12,752
Long term investments	0	0	0	0	0	10	10
Inter Company advance	0	0	399	0	0	0	399
Other current assets	624	0	0	0	0	0	624
	<u>13,410</u>	<u>0</u>	<u>399</u>	<u>0</u>	<u>0</u>	<u>10</u>	<u>13,819</u>
<b>Financial liabilities</b>							
Trade and other payables	15,221	0	0	0	0	0	15,221
Other current liabilities	0	0	0	0	0	0	0
Taxation payable	0	0	1,376	0	0	0	1,376
Term borrowings	0	0	0	0	0	155,500	155,500
Cash flow hedge	0	0	1,261	0	0	0	1,261
	<u>15,221</u>	<u>0</u>	<u>2,637</u>	<u>0</u>	<u>0</u>	<u>155,500</u>	<u>173,358</u>
<b>As at 31 December 2014:</b>							
<b>Financial assets</b>							
Cash and cash equivalents	93	0	0	0	0	0	93
Trade and other receivables	8,299	0	0	0	0	0	8,299
Prepayments	0	0	760	0	0	0	760
Inter Company advance	0	0	357	0	0	0	367
Long term investments	0	0	0	0	0	10	10
	<u>8,392</u>	<u>0</u>	<u>1,117</u>	<u>0</u>	<u>0</u>	<u>10</u>	<u>9,519</u>
<b>Financial liabilities</b>							
Trade and other payables	18,521	0	0	0	0	0	18,521
Other current liabilities	(18)	0	0	0	0	0	(18)
Taxation payable	0	0	3,106	0	0	0	3,106
Cash flow hedge instruments	0	0	380	0	0	0	380
Term borrowings	0	0	0	0	0	132,850	132,850
	<u>18,503</u>	<u>0</u>	<u>3,486</u>	<u>0</u>	<u>0</u>	<u>132,850</u>	<u>154,839</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015** - continued

**27 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 (ie as prices) or indirectly (ie 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).

	2015			
	Level 1	Level 2	Level 3	Total
	\$000	\$000	\$000	\$000
<b>Financial liabilities</b>				
Derivative financial liabilities	0	1,842	0	1,842
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

**28 SEGMENT REPORTING**

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

**29 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.

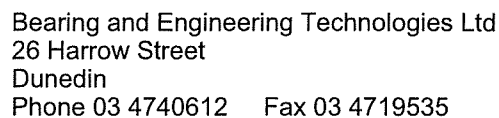
The Company is required to provide to its Shareholder an annual Statement of Intent. This Statement of Intent includes information on planned distributions by way of dividend for the following three years.

**NOTES TO THE FINANCIAL STATEMENTS**  
**for the six months ended 31 December 2015 - continued**

**30 EVENTS AFTER BALANCE DATE**

There were no significant events after balance date.





Invoice to

Delta Utility Services Ltd  
Po Box 1404  
Dunedin 9034

Deliver to

Delta Utility Services Ltd  
10 Halsey Street  
Dunedin

Remittance Advice: 06-0911-0161948-00	
Please post to:	Client Code: DELTA
Bearing and Engineering Technologies Ltd	Invoice No: 045363
PO Box 15	Due Date: 28/03/2016
Dunedin	Order No: 4500234561
9054	Invoice Amount: \$164.50
New Zealand	