

# **Aurora Energy Limited**

## **Interim Report**

**For the Six months ended**

**31 December 2019**

## **Aurora Energy Limited**

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# Aurora Energy Limited

## Directors' report

The Directors of Aurora Energy Limited are pleased to present their report for the six months ended 31 December 2019.

## Review of operations

Aurora Energy's principal activities are the ownership and operation of the electricity distribution network in Dunedin, Central Otago and Queenstown Lakes.

### Highlights for Six Months ended December 2019

- Launch of new Aurora Energy Contractor Health & Safety Standard
- Embedding of new Contractor Field Service Agreements
- Targeted customer consultation with a wide range of community stakeholders
- Continued development of detailed investment proposals to support Customised Price-Quality Path application
- Agreed Statement of Facts in relation to past breaches of quality limits with the Commerce Commission

### Network investment

Our current investment focus remains on upgrading the most critical assets on our network, while also ensuring we were planning for the future of the network and regional growth.

In Dunedin, early planning work began on the Waipori line upgrades and a series of poles along West Harbour were undergrounded to secure reliability to the Ravensdown processing plant and improve the view along this pristine stretch of coastline.

Electricity demand in Wanaka is increasing in line with its growing population. In August, we called for registrations of interest for a non-network alternative to supply power to the Upper Clutha and Wanaka communities. By going to open market for a non-network alternative, we are hoping to achieve a cost-effective solution that enables us to progress our operational capability toward real time management of distributed energy resources. This innovative process is about finding reliable, lower cost alternatives to building new network infrastructure and ensuring Aurora Energy is well positioned to meet both current and future levels of demand.

Work on Stage Two of a major upgrade to the underground electricity cables that power parts of Central Dunedin was completed in September. This \$5.6million project saw three kilometres of new high-voltage underground cables installed to take electricity from the Halfway Bush grid exit point substation to our Smith Street substation, replacing the existing gas-insulated cables.

In August, the business began the process to become accredited in the International Standard for Asset Management (ISO55001), holding a series of gap analysis workshops.

We have continued to work closely with our three field service providers as they carry out maintenance, renewal and development work on the Aurora Energy electricity network in accordance with the Field Service Agreements signed in April 2019.

### Safety and Risk

Safeguarding those working on the electricity network and the public is our number one priority. During the period, we maintained a significant focus on improving the safety management of our network and the people working on it. We continued to embed safety rules in our own organisation and with our service providers.

There was a continued focus on improving contractor safety with the launch of the new Aurora Energy Contractor Health and Safety Standard in November 2019. This standard sets out the health and safety behaviour we expect all staff and contractors to abide by and the minimum requirements we expect from contractors who work on the Aurora Energy network.

## Review of operations *continued*

We maintain a regular programme of independent safety audits across the network to check that the required standards of safe work practice and asset construction are being achieved. The audits are carried out by experienced external assessors in the field and provide valuable information on where improvements can be made to ensure the consistent application of safe work methods.

As an essential service provider, it is important we are well-prepared to respond in emergency situations such as major storms or earthquakes that can disrupt supply and endanger the public and workers. We continued to review and update our Business Continuity and Emergency Response Plans to ensure we are prepared in the case of a major event.

To build capability of Aurora Energy personnel to manage an emergency response, Coordinated Incident Management System (CIMS) training was held during 2019. CIMS provides the framework and equips staff with the knowledge and skills to command, control and coordinate emergency responses in a range of scenarios. To test our business readiness to manage a management response using CIMS, a major event simulation was successfully conducted in August. The Emergency Response Plan and CIMS structure was activated for the first time in December 2019 during the Queenstown and Wanaka flooding event.

During the latter part of 2019, weather patterns contributed to strong vegetation growth across our region and a heightened risk of fire was subsequently observed particularly in Central Otago. During such periods of heightened fire risk, as outlined in our Fire Risk Management Plan, it is standard operating procedure to suspend the automatic reclosing of overhead electricity circuits on the network, and this was enacted during January 2020.

### **Customers**

As we carry out a major renewal of our network assets over several years, it is important that we understand what matters to the customers and key stakeholders who use our services. Last year, we focused on improving our engagement with key stakeholders to better understand their needs, particularly what they value, update them on our network investment and understand their preferences around future communication and engagement. We continued to host our Customer Voice Panels in Dunedin, Central Otago and Queenstown Lakes. We also engaged directly with customers and key stakeholders through a number of events, presentations and face-to-face meetings.

During the latter part of the period under review, the business began to overhaul its Customer Initiated Works (CIW) process, with a view to improving the experience of customers applying for a new connection to the Aurora Energy network. The first stage of the new CIW process is currently being communicated and rolled out. Two further stages will be implemented in the next 12 months.

### **Customised Price-Quality Path Application (CPP)**

As previously signalled, we will apply to the Commerce Commission for a customised price-quality path (CPP) to take effect from 1 April 2021. The CPP application process is the means by which the Commerce Commission can re-set spending thresholds for an individual company based on its current circumstances.

During the period under review, we made good progress on developing our detailed road maps for asset management, network operations, technology and financial plans, all of which will inform our future investment proposal. We also commenced the process of consulting with electricity customers on our proposed investment plans. The consultation process will feed directly into our CPP application to the Commerce Commission.

We published our formal CPP consultation document in November 2019 and undertook targeted consultation until January. The consultation process included an online engagement website, an independent Customer Advisory Panel, Customer Voice Panel focus groups, targeted stakeholder meetings, community drop-in sessions and customer research.

The Customer Advisory Panel, established in June, brought together a wide spectrum of community organisations, consumer advocacy groups, local councils and energy retailers to ensure we have a broad range of views on our proposal. The Panel provided an independent report in December 2019, which will be used to refine the original draft proposal.

## Review of operations *continued*

A consistent theme in the consultation feedback was that while customers generally agreed that essential work was necessary, they were concerned about the proposed price increase and its impact on vulnerable customers.

We are presently working to refine our CPP proposal following which the underlying plans will first be scrutinised by the Commerce Commission's independent verifier and audited prior to submission of the application in June 2020.

### Financial results

Financial results exceeded performance targets for the period under review. The company's financial performance continues to reflect that we are investing in our network at higher levels than we are presently compensated under regulation.

Aurora Energy achieved a net profit after tax of \$0.1 mil for the six month period under review, compared with a budgeted loss of \$5.4 million.

Total revenue of \$58.9 million (HY18: \$55.1 million) was \$3.8 million higher than for the same period last year, due to a combination of higher energy delivered volumes and customer connections.

Asset additions were \$26.2 million (HY18: \$32.3 million) for the six month reporting period.

Operating expenses (including network management, operations and maintenance) increased to \$58.8 million (HY18: \$52.8 million). We expect expenditure levels to remain at elevated levels as we continue to invest to improve the risk profile of the network and maintain reliability of customer supply.

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 \$9.5 million, from \$301.4 million as at 30 June 2019, to \$310.9 million at 31 December 2019.

The new IFRS 16 lease standard was adopted with effect from 1 July 2019 and the interim accounts include the following related adjustments for the half year ended 31 December 2019.

- In the Balance sheet 'right of use' assets are reported at \$4.4 million and a corresponding 'right of use' liabilities totalling \$4.4 million.
- Operating expenses are \$0.6 million lower on adoption of the new lease standard, however this is offset by higher interest and depreciation charges of \$0.1 million and \$0.6 million respectively.

### Regulatory

Delivering the safe and reliable service our customers expect, over the long-term, will require funding that better reflects our cost of investment. This will inevitably require future price increases for our network services. While our customers generally view any price increase as unwelcome, our network prices have been low historically, compared to the rest of the distribution sector.

In November, the Commerce Commission released its final decision on the Default Price-quality Path (DPP), which sets the maximum total revenue and minimum quality standards for regulated electricity companies. As expected, the Commerce Commission has increased the total revenues Aurora Energy can earn, reflecting the company's significant increase in network reinvestment in the past three years. Based on the final DPP decision, Aurora Energy will now calculate the distribution prices Aurora Energy customers will pay from 1 April 2020. The new prices will be published in mid-February 2020.

The Commerce Commission is close to concluding its enforcement action for our past 2016, 2017, 2018 & 2019 breaches of reliability limits. The penalty arising from these past breaches is yet to be finally determined, however we believe the \$5.0 million provision made in the company's financial statements as at 30 June 2019 remains a reasonable estimate of the likely outcome.

Aurora Energy continues to engage co-operatively with the Commission and regular productive dialogue has been maintained in relation to the management of Aurora Energy's network and Aurora Energy's long-term strategy.

## Review of operations *continued*

Network reliability performance measures continued to exceed regulated limits during the period under review and we expect that our elevated works programmes will continue to impact reliability measures for 31 March 2020 and 2021 disclosure years. In conjunction with the development of our CPP proposal, we have begun a process to have new reliability limits agreed which would accommodate our investment programme and reflect more realistic and deliverable performance levels.

Our major renewal programme will, over time, reduce the number of unplanned outages for our communities.

### **Business Separation and Process Improvement**

In October 2019, the project to achieve full separation of Accounting and Finance functions from Delta was delivered. This separation coincided with the launch of a new automated accounts payable system, 'Esker', which enabled process efficiencies and financial reporting improvements.

The separation of Technology and Information systems from Delta is presently scheduled for 2021.

### **Leadership**

There have been no changes to the Aurora Energy Board in the reporting period.

Tracey Saunders was appointed as General Manager Digital Transformation in November, following the departure of Mark Corbitt in August. Tracey will bring a wealth of experience in business development and ICT delivery to compliment the skills of our current Executive Leadership Team.

The Board thanks all staff for their commitment to progressive change during the past six months as the company tackles a major network renewal programme and ongoing business improvement.

## Dividends

No dividends were declared and paid during the period.

## Events after balance sheet date

There were no significant events after the reporting period that would require adjustment or disclosure.

## Statement of responsibility

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

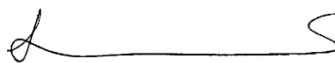
The Directors accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

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

The Board of Directors of Aurora Energy Limited have pleasure in presenting the interim financial statements, set out on pages 7 to 16, for the six months ended 31 December 2019 and authorises them for issue on 13 February 2020.



Stephen Thompson  
Chairman



Margaret Devlin  
Director

## Aurora Energy Limited

### Statement of Comprehensive Income For the Six months ending 31 December 2019

	Unaudited 6 months to 31 Dec 2019 \$'000	Unaudited 6 months to 31 Dec 2018 \$'000	Audited full year to 30 Jun 2019 \$'000
Operating revenue	58,915	55,051	103,222
Interest revenue	5	4	7
Total revenue	58,920	55,055	103,229
Audit fees	54	54	138
Bad debts written off	94	-	86
Directors remuneration	150	116	307
Depreciation	10,288	8,586	17,910
Employee expenses	7,206	5,915	12,621
Interest	5,714	5,518	10,605
Increase (decrease) in provision for doubtful debts	134	299	334
Lease expenses	199	488	948
Loss (gain) on sale / disposal of fixed assets	302	480	1,089
Network operations and maintenance	8,840	7,213	16,243
Transmission charges	17,512	16,741	33,470
Other operating expenses	8,313	7,422	21,527
Total expenses	58,806	52,832	115,278
<b>Profit before tax</b>	114	2,223	(12,049)
Income tax expense	48	789	(1,106)
<b>Net profit after tax</b>	66	1,434	(10,943)
Other comprehensive income:			
Interest rate swap hedges gains (losses) during the year	564	22	(300)
Total other comprehensive income	564	22	(300)
<b>Total comprehensive income</b>	630	1,456	(11,243)



## Aurora Energy Limited

### Statement of Changes in Equity For the Six months ending 31 December 2019

	Share capital \$'000	Hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000
<b>Unaudited</b>				
<b>Equity as at 1 July 2019</b>	10,000	(2,617)	172,193	179,576
Profit after income tax	-	-	66	66
Other comprehensive income for the period	-	564	-	564
<b>Equity as at 31 December 2019</b>	10,000	(2,053)	172,259	180,206
<b>Unaudited</b>				
<b>Equity as at 1 July 2018</b>	10,000	(2,317)	183,136	190,819
Profit after income tax	-	-	1,434	1,434
Other comprehensive income for the period	-	22	-	22
<b>Equity as at 31 December 2018</b>	10,000	(2,295)	184,570	192,275
<b>Audited</b>				
<b>Equity as at 1 July 2018</b>	10,000	(2,317)	183,136	190,819
Profit after income tax	-	-	(10,943)	(10,943)
Other comprehensive income for the period	-	(300)	-	(300)
<b>Equity as at 30 June 2019</b>	10,000	(2,617)	172,193	179,576

# Aurora Energy Limited

## Balance Sheet As at 31 December 2019

	<i>Note</i>	<b>Unaudited 6 months to 31 Dec 2019 \$'000</b>	<b>Unaudited 6 months to 31 Dec 2018 \$'000</b>	<b>Audited full year to 30 Jun 2019 \$'000</b>
<b>Current assets</b>				
Cash and cash equivalents		329	79	1
Intra group advances	4		-	
Trade and other receivables		9,236	8,980	13,830
Taxation receivable		5,045	2,096	5,309
Other current assets		2,100	1,330	573
Inventories		1,375	2,425	1,788
<b>Total current assets</b>		<b>18,085</b>	<b>14,910</b>	<b>21,501</b>
<b>Non-current assets</b>				
Property, plant and equipment	5	573,456	537,274	557,196
Deferred tax asset		1,504	1,512	1,671
Right of use assets (ROU)	6	4,354	-	-
Investments		8	8	8
<b>Total non-current assets</b>		<b>579,322</b>	<b>538,794</b>	<b>558,875</b>
<b>Total assets</b>		<b>597,407</b>	<b>553,704</b>	<b>580,376</b>
<b>Current liabilities</b>				
Trade and other payables		23,324	19,488	21,351
Employee entitlements		1,428	1,122	1,147
Other current liabilities		5,096	-	5,049
Lease liabilities	6	1,084	-	-
Taxation payable		-	-	-
<b>Total current liabilities</b>		<b>30,932</b>	<b>20,610</b>	<b>27,547</b>
<b>Non-current liabilities</b>				
Term borrowings	7	310,850	271,985	301,350
Employee entitlements		175	151	321
Deferred tax liability		69,084	65,494	67,945
Lease liabilities	6	3,306	-	-
Derivative financial instruments	8	2,854	3,189	3,637
<b>Total non-current liabilities</b>		<b>386,269</b>	<b>340,819</b>	<b>373,253</b>
<b>Total liabilities</b>		<b>417,201</b>	<b>361,429</b>	<b>400,800</b>
<b>Equity</b>				
Share capital		10,000	10,000	10,000
Cash flow hedge reserves		(2,053)	(2,295)	(2,617)
Retained earnings		172,259	184,570	172,193
<b>Total equity</b>		<b>180,206</b>	<b>192,275</b>	<b>179,576</b>
<b>Total liabilities and equity</b>		<b>597,407</b>	<b>553,704</b>	<b>580,376</b>

## Aurora Energy Limited

### Statement of Cash Flows For the Six months ending 31 December 2019

	<i>Note</i>	<b>Unaudited 6 months to 31 Dec 2019 \$'000</b>	<b>Unaudited 6 months to 31 Dec 2018 \$'000</b>	<b>Audited full year to 30 Jun 2019 \$'000</b>
<b>Cash flow from operating activities</b>				
<i>Cash was provided from</i>				
Receipts from customers		62,964	59,276	103,171
Interest received		5	4	7
Income tax refund		1,302	-	-
Intra group transition payment		-	-	1,098
		64,271	59,280	104,276
<i>Cash was disbursed to</i>				
Payments to suppliers and employees		41,867	35,576	76,267
Income tax paid		-	-	-
Intra-group tax/subvention payments		-	-	-
Intra group transition payment		-	-	-
Net GST paid		965	298	(420)
Interest paid		4,974	5,574	11,542
		47,806	41,448	87,389
Net cash flow from operating activities	3	16,465	17,832	16,887
<b>Cash flow from investing activities</b>				
<i>Cash was provided from</i>				
Sale of property, plant and equipment		-	-	-
		-	-	-
<i>Cash was disbursed to</i>				
Purchase of property, plant and equipment		25,637	35,224	63,722
		25,637	35,224	63,722
Net cash flow from investing activities		(25,637)	(35,224)	(63,722)
<b>Cash flow from financing activities</b>				
<i>Cash was provided from</i>				
Receipts from borrowings		40,950	34,585	70,450
		40,950	34,585	70,450
<i>Cash was disbursed to</i>				
Repayment of borrowings		31,450	17,150	23,650
		31,450	17,150	23,650
Net cash flow from financing activities		9,500	17,435	46,800
<b>Net increase/(decrease) in cash and cash equivalents</b>		328	43	(35)
Opening cash and cash equivalents		1	36	36
<b>Closing cash and cash equivalents</b>		329	79	1

## **Aurora Energy Limited**

### **Notes to the financial statements (unaudited) For the six months ending 31 December 2019**

#### **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 2019 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 2019 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 2019.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2019 with the exception that the new IFRS16 Leases standard was adopted on 1 July 2019. Further information is contained within Note 6 Right of Use Assets

The judgements, estimates and assumptions used to prepare these interim financial statements are generally consistent with those used at 30 June 2019.

## Aurora Energy Limited

### Notes to the financial statements (unaudited) For the six months ending 31 December 2019

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

	6 months to 31 Dec 2019 \$'000	6 months to 31 Dec 2018 \$'000	full year to 30 Jun 2019 \$'000
Net profit after tax	66	1,434	(10,943)
<i>Items not involving cash flows</i>			
Depreciation	10,288	8,586	17,910
Increase / (decrease) in deferred tax	1,306	750	3,041
Non-cash component of finance costs	68	-	-
Non-cash component of investing activities	36	-	-
Increase / (decrease) in cash flow hedge valuation	(783)	(30)	418
Other non-cash items	563	21	(299)
<i>Impact of changes in working capital items</i>			
(Increase) / decrease in trade and other receivables	4,594	4,923	(43)
(Increase) / decrease in inventories	413	110	747
Increase / (decrease) in trade and other payables	1,973	(1,308)	555
Increase / (decrease) in provision for tax	264	72	(3,141)
Increase / (decrease) in employee entitlements	182	(247)	4,997
(Increase) / decrease in other current assets	(1,526)	267	1,024
<i>Items classified as investing or financing activities</i>			
Net (gain) / loss on sale of property, plant and equipment	302	480	1,411
Movement in capital creditors in accounts payable	(1,281)	2,774	1,210
Net cash inflows from operating activities	16,465	17,832	16,887

#### 4 Intra group advances

	6 months to 31 Dec 2019 \$'000	6 months to 31 Dec 2018 \$'000	full year to 30 Jun 2019 \$'000
<i>Advances made to:</i>			
Delta Utility Services Limited	-	-	-
	-	-	-

#### 5 Property, plant and equipment

	6 months to 31 Dec 2019 \$'000	6 months to 31 Dec 2018 \$'000	full year to 30 Jun 2019 \$'000
Additions	26,281	32,335	62,040
Disposals	(302)	(480)	1,089
Capital commitments	39,821	17,755	52,729

There have been no material changes to the fair value assessment methods for property, plant and equipment asset classes between 30 June 2019 and 31 December 2019.

## Aurora Energy Limited

### Notes to the financial statements (unaudited) For the six months ending 31 December 2019

#### 6 Right of use assets

The company adopted the new IFRS 16 reporting standard to recognise Right of Use Assets with effect from 1 July 2019.

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 / four 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.

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statement of financial position is 3.95%.

#### 7 Term borrowings

There has been no material change to the accounting treatment of the term loan from Dunedin City Treasury Limited between 30 June 2019 and 31 December 2019.

#### 8 Derivative financial instruments

	<b>6 months to 31 Dec 2019 \$'000</b>	<b>6 months to 31 Dec 2018 \$'000</b>	<b>full year to 30 Jun 2019 \$'000</b>
Fair value			
Interest rate swaps	2,854	3,189	3,637
Analysed as:			
Current	-	-	-
Non-current	2,854	3,189	3,637
	2,854	3,189	3,637

#### 9 Financial instruments

All financial assets are recognised at cost/face value while financial liabilities are recognised at amortised cost except derivative financial instruments which are recognised at fair value.

## Aurora Energy Limited

### Notes to the financial statements (unaudited) For the six months ending 31 December 2019

#### 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:**

	<b>6 months to 31 Dec 2019 \$'000</b>	<b>6 months to 31 Dec 2018 \$'000</b>	<b>full year to 30 Jun 2019 \$'000</b>
<i>Sales of services to DCC group entities:</i>			
Rent	55	20	54
Subvention/tax loss offset receipt	-	-	1,098
Corporate shared services	212	342	548
Sales of stock and other	320	91	482
Consulting & sundry services	-	-	63
Tax compensation payment	-	-	549
	<b>587</b>	<b>453</b>	<b>2,794</b>
<i>Sales of services to DCC:</i>			
Other	24	-	-
<b>Amounts receivable by the Company at period end from DCC group entities</b>			
Receivable from DCC	2	158	137
Receivable from DCC group entities	103	1,435	1,938
Intra-group advance to DCC group entities	-	-	-
	<b>105</b>	<b>1,593</b>	<b>2,075</b>

## Aurora Energy Limited

### Notes to the financial statements (unaudited) For the six months ending 31 December 2019

#### 10 Related party transactions *continued*

	6 months to 31 Dec 2019 \$'000	6 months to 31 Dec 2018 \$'000	full year to 30 Jun 2019 \$'000
<b><i>Purchases of goods and services from DCC group entities</i></b>			
Capital work	11,267	17,102	31,190
Network operations and maintenance	8,890	5,171	15,051
Interest	5,782	5,518	10,605
Subvention / tax loss offsets	-	-	-
Contracting services and supplies	3	1,036	1,899
Management fees	100	100	200
Rent	212	198	404
Lease of meters	41	42	77
	26,295	29,167	59,426
<b><i>Purchases of goods and services from DCC</i></b>			
Rates & property leases	305	269	578
Capital work	1	-	5
	306	269	583
<b><i>Amounts payable by the Company at period end to DCC Entities</i></b>			
Payable to Dunedin City Council entities	322,150	284,312	312,074
	322,150	284,312	312,074

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

	6 months to 31 Dec 2019 \$	6 months to 31 Dec 2018 \$	full year to 30 Jun 2019 \$
Services provided to companies in which directors have an interest	Nil	Nil	Nil
Amounts receivable from companies in which directors have an interest	Nil	Nil	Nil

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

	6 months to \$	6 months to \$	full year to \$
Passmore Consulting Services Ltd, of which Mr S R Thompson is a Director	63,877	42,749	99,193
McKenzie Architects Ltd, of which Mr S R Thompson is a non beneficiary Trustee of a shareholder	-	-	1,680
Infrastructure New Zealand LTD, of which Mrs Devlin is a Director	4,589	-	3,990
ETEL Ltd, of which Mr B J Hall is a Director	222,883	692,852	1,489,537
Stratview Holdings Ltd, of which Mr B J Hall is a Director	40,057	24,708	58,071
Unison Contracting Services Ltd, a subsidiary company of Unison Networks Ltd, of which Mr B J Hall is a Director	3,046,672	2,195,803	4,331,909



## Aurora Energy Limited

### Notes to the financial statements (unaudited) For the six months ending 31 December 2019

	6 months to 31 Dec 2019 \$	6 months to 31 Dec 2018 \$	full year to 30 Jun 2019 \$
<b><i>Amounts payable to companies in which directors have an interest at end of financial period covered by this report</i></b>			
Passmore Consulting Services Ltd, of which Mr S R Thompson is a Director	-	-	-
ETEL Ltd, of which Mr B J Hall is a Director	27,478	200,372	91,942
Unison Contracting Services Ltd, a subsidiary company of Unison Networks Ltd, of which Mr B J Hall is a Director	222,883	782,563	252,462

## 11 Contingent liabilities and assets

The following contingent liabilities existed at balance date:

### **Breach of Default Price-Quality Path Reliability Standards**

Network reliability standards are contained in the Commerce Commission's Default Price-Quality Path for Electricity Distribution Businesses. The regulations provide for pecuniary penalties in the event that a company breaches its standards in 2 of any 3 successive years.

The maximum fines for each instance of breaching the regulated reliability targets are \$500,000 for an individual and \$5,000,000 in any other case. Any such fine(s) must be sought through the courts and determined by a court ruling.

The Company breached network reliability standards contained in the Commerce Commission's Default Price Quality Path for Electricity Distribution Businesses in the 2015, 2016, 2017, 2018 and 2019 disclosure years. A \$5.0 million provision for pecuniary penalties that are likely to arise from these network reliability quality breaches was recognised in financial statements for the period ended 30 June 2019.

The Company will also likely breach its regulated network reliability target for the 2020 disclosure year.

### **Saddle Hill, Dunedin Fire**

During the 2016/17 financial reporting period, the Company was informed of a potential claim by landowners for property damage suffered as a result of the Saddle Hill, Dunedin fire in October 2015. An independent investigation found that the cause of the fire was unknown.

The Company holds public liability insurance.

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

# **Aurora Energy Limited**

## **Directory**

### **Directors**

Stephen R Thompson (Chair)  
Margaret P Devlin  
Brenden J Hall  
Wendie N Harvey

### **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