

Aurora Energy Limited

Interim Report

For the Six months ended

31 December 2018

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 2018.

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.

In December, we connected the 90,000th customer to our network, reflecting strong growth in new housing and commercial developments in Central Otago and Queenstown Lakes. These two parts of our network have the fastest growth rate in new electricity connections in the country.

Future plans

Aurora Energy's role is to provide safe, reliable electricity supply to its customers, efficiently. Past underinvestment over several decades has resulted in some network assets being in poor condition and in need of renewing.

Accordingly, the company's network plans for the next decade prioritise network renewal to ensure a safe and reliable power supply to Otago. In October, Aurora Energy published its 2018 Asset Management Plan outlining Aurora Energy's intended approach to managing its electricity distribution assets during the ten-year period to 31 March 2028. This was the first Asset Management Plan to be published by the new team at Aurora Energy since the company's separation from Delta in July 2017.

As previously signalled, a sustained level of increased investment in the network is required to stabilise network performance and to deliver the reliable service that customers value. The 2018 Asset Management Plan forecasted a total of \$748.4 million invested in the network over the ten-year planning period to renew and maintain the existing network and install new assets to meet the needs of new developments.

Key areas of planned network investment include:

- Maintaining the accelerated pole renewal and strengthening programme for up to three more years to reach a steady-state level of inspection and renewal
- Priority on replacing poor condition, high criticality assets for safety and reliability including poles and cross arms, overhead lines, zone substation switchgear and protection systems
- Renewing Dunedin's 33 kV subtransmission cable network, as part of a broader review of the city's network architecture
- Building capacity in the network to serve the fast-growing communities of Central Otago and Queenstown Lakes.

Network investment

Our focus is on bringing the most critical assets under control in the short term, while ensuring future security of supply and supporting regional growth in the long term. We made good progress on those fronts during the last six months but there is more to do.

Our pole programme continues to address the remaining backlog of poor condition poles. We made significant progress, having replaced or reinforced more than 6,000 of the network's 54,000 poles in the two years to December. We will continue to address the most critical work in a prioritised way and within three years the backlog will have been addressed and our inspection and renewal programme will move to a stable and managed state.

Electricity demand in Wanaka has increased in line with its growing population. In November, the newly completed Riverbank Road switching substation was officially opened; part of a major upgrade to the electricity supply for Wanaka. The \$10.5 million project took two years to complete and improves security of supply for the region and will allow future capacity upgrades.

In Dunedin, the commissioning phase was reached for the new Carisbrook zone substation in December. The \$13 million project will improve security of electricity supply for neighbouring South Dunedin suburbs. It replaces the existing Neville Street substation, the oldest substation on our network, built in the 1940s and 1950s, and the older-type gas-insulated underground cables that supply it.

Review of operations *continued*

Work on a major upgrade to the underground electricity cables that power parts of central Dunedin started in October with trenching already at the halfway point by December. The \$5.6 million project will see 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.

To ensure we have the capability and capacity to efficiently deliver the increased works programme over the coming years, in August we confirmed the key service providers we will use over the next five years; an important step in our maturity as standalone asset owner. In August, Unison Contracting and Connetics were appointed as additional service providers alongside principal service provider, Delta. All three will carry out maintenance, renewal and development work on the electricity network; Unison Contracting in Dunedin, Connetics in Central Otago and Queenstown Lakes, and Delta across both areas. New multi-year (up to five years) agreements will commence with the three primary contractors from 1 April 2019.

Independent state-of-the network review

Given the company's major network renewal programme, we wanted independent assurance that we are targeting our proposed investments in the areas that need it most and will deliver the most safety and reliability benefits. In mid 2018, Aurora Energy, in conjunction with the Commerce Commission commissioned an independent review of the state of the electricity network. The main aims of the eight-month, comprehensive independent review were to confirm the state of the network and to determine the resulting risk to customers and the wider public.

The full report of the independent engineering review by WSP was published in November and found most of Aurora Energy's assets pose a low risk to public safety, reliability or the environment. The review found that overall the network is safe, though the condition of a portion of specific asset types (protection, poles and cross arms) will carry a higher public safety risk as we work through the renewal backlog.

When the findings of the report were released in November, we outlined the immediate actions we would take in relation to testing and maintenance of protection relays and further research into network resiliency in the event of major natural disaster. Our 2019 Asset Management Plan will reflect detailed consideration of WSP's full report. Our early view is that our updated ten-year plan, to be published in March 2019, will include an accelerated plan to replace our higher risk protection relays identified by WSP, will enhance the reporting of network risks and report on our plans to achieve greater network resilience.

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 our safety rules in our own organisation and with our service providers. Our safety rules reinforce the required behaviours to keep everyone safe in relation to each of our eight critical risk areas electrical safety; working at heights; lifting operations; vehicles, plant and equipment; driving; public safety; remote and isolated work, and; emergency response.

We maintain a regular programme of safety audits across the network that give us an independent 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.

In November, we introduced a rapid response system to record and resolve potential public safety risks on the network. The system is supported by a newly-developed mobile application that improves capture of observed defects in the field, immediately identifies any with a public safety risk based on the public safety risk framework, and initiates the necessary response. A Rapid Response Coordinator manages the events as they are logged and can immediately determine the urgency of the issue and act on it. More than 80 public safety jobs have been issued to contractors for action since the application was launched, primarily to address low line clearance and encroaching vegetation.

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 revised and updated our emergency response procedures to align to the New Zealand Coordinated Incident Management System (or CIMS), widely used by emergency services to manage incident response. All Aurora Energy personnel involved in incident response received CIMS training to ensure familiarity with the framework and the knowledge and skills to command, control and coordinate incident response in a range of scenarios.

During the latter part of the period under review, weather patterns contributed to strong vegetation growth across our region and a heightened risk of fire was observed particularly in Central Otago. During such periods of heightened fire risk, our policy is to suspend the automatic reclosing of overhead electricity circuits on the network, and this policy was enacted during January 2019.

Review of operations *continued*

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 who use our services. Last year we developed new Customer Voice Panels to better understand the needs and preferences of our customers, particularly what they value, and what is effective in terms of communication and engagement. The first two panel sessions were held in August and November and involved a cross-section of residential and small business customers in our key service regions of Dunedin, Central Otago and Queenstown Lakes.

Financial results

Our financial results were in line with performance targets for the period under review. Our financial performance continues to reflect that we are investing in our network at higher levels than for which we are presently compensated under regulation.

Total asset additions were \$32.3 million for the 6 months ended 31 December 2018. Total operating expenses (including network management, operations and maintenance) increased by \$0.8 million to \$52.8 million (HY17: \$52.0 million). The company expects expenditure levels to remain at elevated levels as it invests to improve the risk profile of the network and maintain reliability of customer supply.

During the current six month reporting period, Aurora Energy continued to fund its higher levels of investment through a combination of operating cash flows and term borrowings from Dunedin City Treasury Ltd. Term borrowings increased by \$17.435 million, from \$254.550 million as at 30 June 2018, to \$271.985 million by 31 December 2018.

Net profit after tax of \$1.434 million (HY17: \$3.151 million) provided a return of 0.75% (HY17: 1.64%) on average Shareholder's equity for the 6 month reporting period, or 1.50% (HY17: 3.28%) on an annualised basis.

Regulatory

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

A Customised Price Path, or CPP, is the process where the Commerce Commission can set new spending thresholds for an individual company based on its current circumstances. We will submit a CPP application to the Commission in May 2020 and transition to this new price path mechanism from April 2021. As part of our process to develop a CPP application, we will undertake a series of detailed consultations with customers on our proposed investment plans, what this will mean for future network charges and any options that may be available to customers. We will seek customers' views on the trade-off between prices they pay and the reliability of the service they receive for a range of possible investment alternatives.

As previously reported, the Commerce Commission has been investigating the reasons for Aurora Energy's breaches of regulated reliability limits in 2016 and 2017. The Commerce Commission is required to investigate when a regulated electricity business exceeds reliability limits in consecutive years.

In September, the Commerce Commission filed court proceedings in relation to Aurora Energy's contraventions of its quality standards in 2016 and 2017. The decision moves the process forwards to resolve what are now historic matters, in a way that Aurora Energy hopes achieves the best outcomes for consumers.

The decision was anticipated as Aurora Energy has been actively cooperating with the Commerce Commission, and maintains a regular and productive dialogue with the Commission in relation to the management of Aurora Energy's network and Aurora Energy's long-term strategy.

Our increased renewal programme requires far more planned outages than in the past, taking our reliability beyond compliance targets that have been set based on historic levels. During the current reporting period, network performance measures have again exceeded regulated targets. We expect that the ongoing elevated works programmes will continue to impact reliability measures for the remainder of the disclosure year ending 31 March 2019 and beyond.

Review of operations *continued*

Governance

Shareholder Dunedin City Holdings Limited appointed Wendie Harvey as a Director for Aurora Energy in November to replace retiring director Dave Frow.

We welcome Wendie to the Board who brings a wealth of experience from her extensive legal career specialising in employment law and human resource management and her career as executive manager and business consultant. A professional director, Wendie holds directorships in several infrastructure management companies including Centralines, the electricity network supplying Central Hawke's Bay, Napier Port and Hawkes Bay Airport.

Wendie Harvey replaces former director, Dave Frow, who stepped down from the Board by rotation at the conclusion of his second three-year term. The Board thanks Dave for his contribution to the Board and to the governance of organisation during a period of significant transformation for Aurora Energy.

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 6 to 14, for the six months ended 31 December 2018 and authorises them for issue on 14 February 2019.



Stephen Thompson
Chairman



Margaret Devlin
Director

Aurora Energy Limited

Statement of Comprehensive Income For the Six months ending 31 December 2018

	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Operating revenue	55,051	56,736	106,494
Interest revenue	4	3	7
Total revenue	55,055	56,739	106,501
Audit fees	54	68	86
Bad debts written off	-	56	90
Directors remuneration	116	113	246
Depreciation	8,586	8,195	16,402
Employee expenses	5,915	4,976	10,469
Interest to Dunedin City Treasury Limited	5,518	4,801	9,843
Increase (decrease) in provision for doubtful debts	299	131	208
Lease expenses	488	448	996
Loss (gain) on sale / disposal of fixed assets	480	-	702
Network operations and maintenance	7,213	6,821	15,292
Transmission charges	16,741	19,458	37,405
Other operating expenses	7,422	6,896	13,565
Total expenses	52,832	51,963	105,304
Profit before tax	2,223	4,776	1,197
Income tax expense	789	1,625	772
Net profit after tax	1,434	3,151	425
Other comprehensive income:			
Interest rate swap hedges gains (losses) during the year	22	(97)	(38)
Total other comprehensive income	22	(97)	(38)
Total comprehensive income	1,456	3,054	387

Aurora Energy Limited

Statement of Changes in Equity For the Six months ending 31 December 2018

	Share capital \$'000	Hedge reserve \$'000	Retained earnings \$'000	Total equity \$'000
Unaudited				
Equity as at 1 July 2018	10,000	(2,317)	183,136	190,819
Profit after income tax	-	-	1,434	1,434
Other comprehensive income for the period	-	22	-	22
Equity as at 31 December 2018	10,000	(2,295)	184,570	192,275
Unaudited				
Equity as at 1 July 2017	10,000	(2,279)	182,711	190,432
Profit after income tax	-	-	3,151	3,151
Other comprehensive income for the period	-	(97)	-	(97)
Equity as at 31 December 2017	10,000	(2,376)	185,862	193,486
Audited				
Equity as at 1 July 2017	10,000	(2,279)	182,711	190,432
Profit after income tax	-	-	425	425
Other comprehensive income for the period	-	(38)	-	(38)
Equity as at 30 June 2018	10,000	(2,317)	183,136	190,819

Aurora Energy Limited

Balance Sheet As at 31 December 2018

	<i>Note</i>	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Current assets				
Cash and cash equivalents		79	282	36
Intra group advances	4	-	1,156	-
Trade and other receivables		8,980	9,393	13,787
Taxation receivable		2,096	-	2,168
Other current assets		1,330	1,588	1,597
Inventories		2,425	3,415	2,535
Total current assets		14,910	15,834	20,123
Non-current assets				
Property, plant and equipment	5	537,274	482,347	514,005
Deferred tax asset		1,512	1,299	1,413
Investments		8	8	8
Total non-current assets		538,794	483,654	515,426
Total assets		553,704	499,488	535,549
Current liabilities				
Trade and other payables		19,488	15,641	20,796
Employee entitlements		1,122	1,309	1,242
Other current liabilities		-	-	-
Taxation payable		-	808	-
Total current liabilities		20,610	17,758	22,038
Non-current liabilities				
Term borrowings	6	271,985	221,575	254,550
Employee entitlements		151	121	278
Deferred tax liability		65,494	63,248	64,645
Derivative financial instruments	7	3,189	3,300	3,219
Total non-current liabilities		340,819	288,244	322,692
Total liabilities		361,429	306,002	344,730
Equity				
Share capital		10,000	10,000	10,000
Cash flow hedge reserves		(2,295)	(2,376)	(2,317)
Retained earnings		184,570	185,862	183,136
Total equity		192,275	193,486	190,819
Total liabilities and equity		553,704	499,488	535,549

Aurora Energy Limited

Statement of Cash Flows For the Six months ending 31 December 2018

	<i>Note</i>	Unaudited 6 months to 31 Dec 2018 \$'000	Unaudited 6 months to 31 Dec 2017 \$'000	Audited full year to 30 Jun 2018 \$'000
Cash flow from operating activities				
<i>Cash was provided from</i>				
Receipts from customers		59,276	59,908	105,861
Interest received		4	3	7
Income tax refund		-	62	-
Intra group transition payment		-	-	902
		<u>59,280</u>	<u>59,973</u>	<u>106,770</u>
<i>Cash was disbursed to</i>				
Payments to suppliers and employees		35,576	37,113	76,909
Income tax paid		-	51	-
Intra-group tax/subvention payments		-	-	450
Intra group transition payment		-	-	351
Net GST paid		298	151	792
Interest paid		5,574	4,861	9,820
		<u>41,448</u>	<u>42,176</u>	<u>88,322</u>
Net cash flow from operating activities	3	<u>17,832</u>	<u>17,797</u>	<u>18,448</u>
Cash flow from investing activities				
<i>Cash was provided from</i>				
Sale of property, plant and equipment		-	-	8
		<u>-</u>	<u>-</u>	<u>8</u>
<i>Cash was disbursed to</i>				
Purchase of property, plant and equipment		35,224	47,798	81,678
		<u>35,224</u>	<u>47,798</u>	<u>81,678</u>
Net cash flow from investing activities		<u>(35,224)</u>	<u>(47,798)</u>	<u>(81,670)</u>
Cash flow from financing activities				
<i>Cash was provided from</i>				
Receipts from borrowings		34,585	37,675	82,300
		<u>34,585</u>	<u>37,675</u>	<u>82,300</u>
<i>Cash was disbursed to</i>				
Repayment of borrowings		17,150	7,450	19,100
		<u>17,150</u>	<u>7,450</u>	<u>19,100</u>
Net cash flow from financing activities		<u>17,435</u>	<u>30,225</u>	<u>63,200</u>
Net increase/(decrease) in cash and cash equivalents				
		43	224	(22)
Opening cash and cash equivalents		36	58	58
Closing cash and cash equivalents		<u>79</u>	<u>282</u>	<u>36</u>

Aurora Energy Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2018

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 2018 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 2018 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 2018.

The accounting policies applied are consistent with those published in the annual report for the year ended 30 June 2018.

The judgements, estimates and assumptions used to prepare these interim financial statements are consistent with those used at 30 June 2018.

Aurora Energy Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2018

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

	6 months to 31 Dec 2018 \$'000	6 months to 31 Dec 2017 \$'000	full year to 30 Jun 2018 \$'000
Net profit after tax	1,434	3,151	425
<i>Items not involving cash flows</i>			
Depreciation	8,586	8,195	16,402
Increase / (decrease) in deferred tax	750	537	1,820
Increase / (decrease) in cash flow hedge valuation	(30)	134	53
Other non-cash items	21	(97)	(39)
<i>Impact of changes in working capital items</i>			
(Increase) / decrease in trade and other receivables	4,923	4,078	(611)
(Increase) / decrease in intra group advances	-	(1,156)	-
(Increase) / decrease in inventories	110	630	1,510
(Increase) / decrease in prepayments	-	(295)	-
Increase / (decrease) in trade and other payables	(1,308)	(9,641)	(4,486)
Increase / (decrease) in provision for tax	72	1,112	(1,864)
Increase / (decrease) in employee entitlements	(247)	1,430	1,520
(Increase) / decrease in other current assets	267	(5)	(14)
<i>Items classified as investing or financing activities</i>			
Net (gain) / loss on sale of property, plant and equipment	480	-	702
Movement in capital creditors in accounts payable	2,774	9,724	3,030
Net cash inflows from operating activities	17,832	17,797	18,448

4 Intra group advances

	6 months to 31 Dec 2018 \$'000	6 months to 31 Dec 2017 \$'000	full year to 30 Jun 2018 \$'000
<i>Advances made to:</i>			
Delta Utility Services Limited	-	1,156	-
	-	1,156	-

5 Property, plant and equipment

	6 months to 31 Dec 2018 \$'000	6 months to 31 Dec 2017 \$'000	full year to 30 Jun 2018 \$'000
Additions	32,335	38,074	78,421
Disposals	(480)	-	(710)
Capital commitments	17,755	7,952	22,300

There have been no material changes to the fair value assessment methods for property, plant and equipment asset classes between 30 June 2018 and 31 December 2018.

6 Term borrowings

There has been no material change to the accounting treatment of the term loan from Dunedin City Treasury Limited between 30 June 2018 and 31 December 2018.

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Notes to the financial statements (unaudited) For the six months ending 31 December 2018

7 Derivative financial instruments

	6 months to 31 Dec 2018 \$'000	6 months to 31 Dec 2017 \$'000	full year to 30 Jun 2018 \$'000
Fair value			
Interest rate swaps	3,189	3,300	3,219
Analysed as:			
Current	-	-	-
Non-current	3,189	3,300	3,219
	3,189	3,300	3,219

8 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.

9 Related party transactions

Transactions with Dunedin City Council

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

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

	6 months to 31 Dec 2018 \$'000	6 months to 31 Dec 2017 \$'000	full year to 30 Jun 2018 \$'000
<i>Sales of services to DCC group entities:</i>			
Rent	20	13	26
Service failure penalties	-	32	32
Corporate shared services	342	615	1,200
Sales of stock and other	91	116	401
Tax compensation payment	-	-	440
	453	776	2,099
<i>Sales of services to DCC:</i>			
Other	-	-	50
Amounts receivable by the Company at period end from DCC group entities			
Receivable from DCC	158	25	82
Receivable from DCC group entities	1,435	117	1,326
Intra-group advance to DCC group entities	-	1,156	-
	1,593	1,298	1,408

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Notes to the financial statements (unaudited) For the six months ending 31 December 2018

9 Related party transactions *continued*

	6 months to 31 Dec 2018 \$'000	6 months to 31 Dec 2017 \$'000	full year to 30 Jun 2018 \$'000
<i>Purchases of goods and services from DCC group entities</i>			
Capital work	17,102	12,848	29,030
Network operations and maintenance	5,171	6,821	11,059
Interest	5,518	4,801	9,843
Subvention / tax loss offsets	-	-	512
Contracting services and supplies	1,036	963	6,303
Management fees	100	100	200
Rent	198	-	434
Lease of meters	42	42	84
	29,167	25,575	57,465
<i>Purchases of goods and services from DCC</i>			
Rates & property leases	269	271	535
	269	271	535
<i>Amounts payable by the Company at period end to DCC Entities</i>			
Payable to Dunedin City Council entities	284,312	231,060	268,725
	284,312	231,060	268,725

Transactions with companies in which directors have an interest

	6 months to 31 Dec 2018 \$	6 months to 31 Dec 2017 \$	full year to 30 Jun 2018 \$
Services provided to companies in which directors have an interest during the financial period covered by this report	Nil	Nil	Nil
Amounts receivable from companies in which directors have an interest at end of financial period covered by this report	Nil	Nil	Nil
Purchases of goods and services from companies in which directors have an interest during the financial period covered by this report			
Passmore Consulting Services Ltd, of which Mr S R Thompson is a Director	42,749	43,289	85,500
Infratec Ltd, of which Mr S R Thompson was Chairman	-	247,323	385,800
McKenzie Architects Ltd, of which Mr S R Thompson is a non beneficiary Trustee of a shareholder	-	-	9,800
ETEL Ltd, of which Mr D J Frow and Mr B J Hall are Directors	692,852	362,172	507,172
Stratview Holdings Ltd, of which Mr B J Hall is a Director	24,708	24,708	45,000
Unison Contracting Services Ltd, a subsidiary company of Unison Networks Ltd, of which Mr B J Hall is a Director	2,195,803	2,421,400	3,561,203

Aurora Energy Limited

Notes to the financial statements (unaudited) For the six months ending 31 December 2018

	6 months to 31 Dec 2018 \$	6 months to 31 Dec 2017 \$	full year to 30 Jun 2018 \$
Amounts payable to companies in which directors have an interest at end of financial period covered by this report			
Passmore Consulting Services Ltd, of which Mr S R Thompson is a Director	-	-	-
Infratec Ltd, of which Mr S R Thompson is Chairman	-	-	-
ETEL Ltd, of which Mr D J Frow and Mr B J Hall are Directors	200,372	11,850	52,495
Unison Contracting Services Ltd, a subsidiary company of Unison Networks Ltd, of which Mr B J Hall is a Director	782,563	289,395	534,789

10 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.

During the 2016/17 financial reporting period, the Commerce Commission initiated an investigation into the Company's breach of regulated network reliability standards in the 2015, 2016 and 2017 disclosure years.

The Company also breached its regulated network reliability targets for the 2018 disclosure year, giving rise to a third instance of breaching 2 of any 3 successive years. Performance measures will again exceed targets for the 2019 regulatory year.

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.

At reporting date, the Commerce Commission's investigation was continuing, and the financial consequences of this matter were not known.

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 (Appointed 1 November 2018)

David J Frow (Retired 31 October 2018)

Registered Office

10 Halsey Street
Dunedin
New Zealand

Bankers

Westpac Banking Corporation

Solicitors

Galloway Cook Allan
Chapman Tripp
Anderson Lloyd

Tax Advisors

Deloitte

Auditor

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