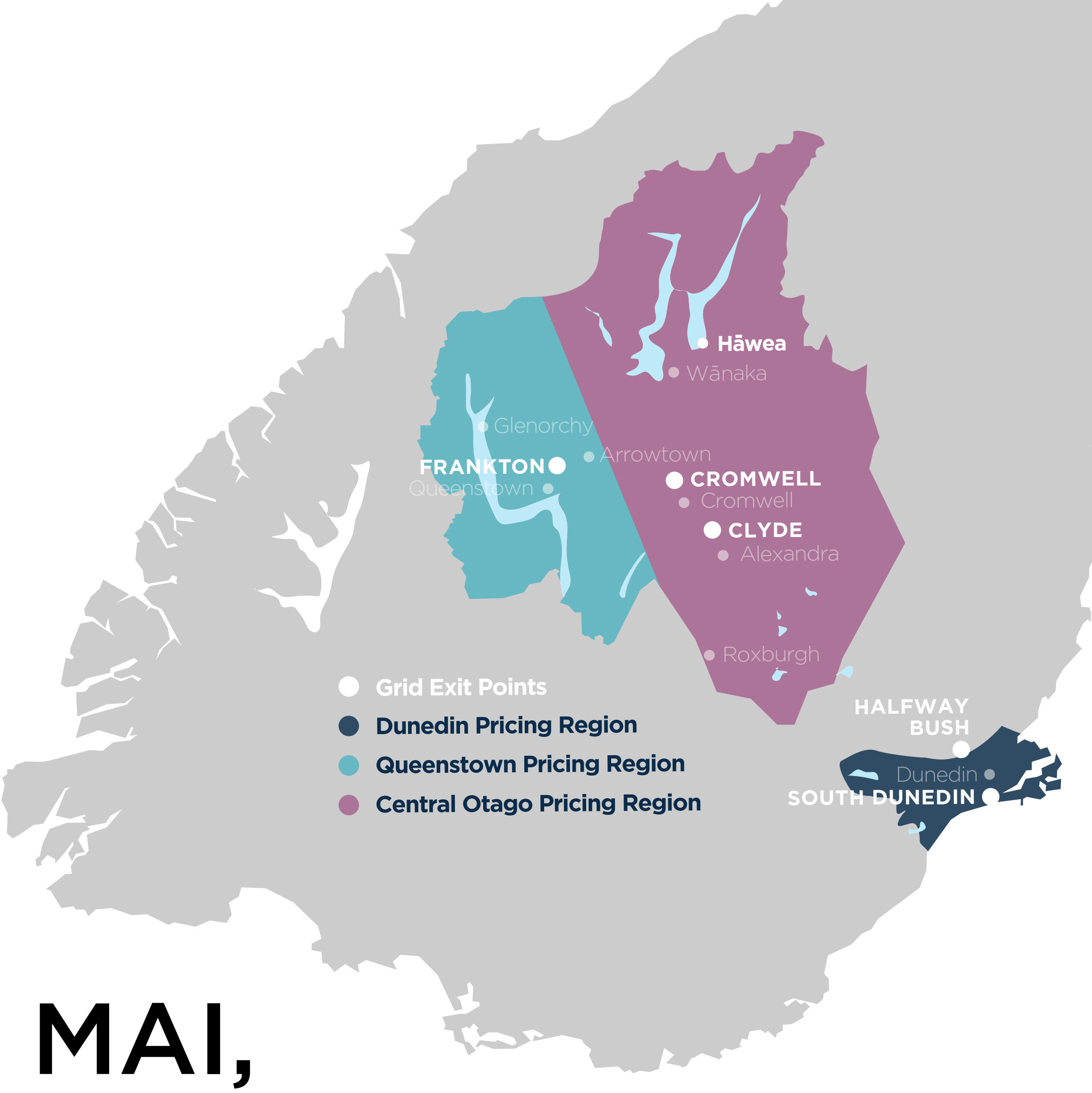
2023

Annual Report
for the year ended 30 June 2023



NAU MAI, WELCOME

Who we are

Aurora Energy is one of the largest electricity networks in Aotearoa New Zealand.

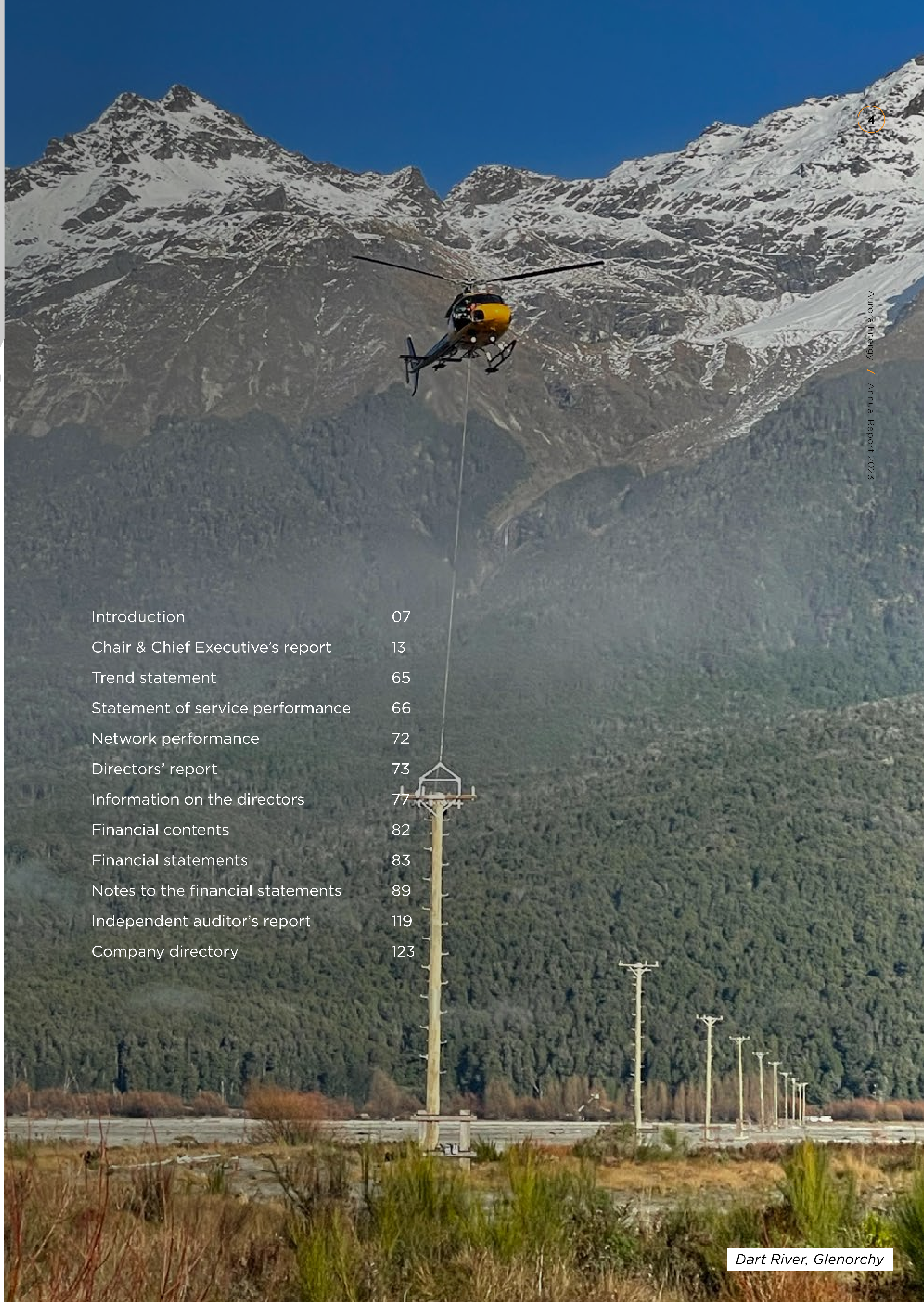
We own and manage the network that delivers electricity to some of the fastest growing areas and over the most diverse terrain in Te Waipounamu South Island.

We take the electricity from Transpower's national grid to power homes, businesses and the wider community. We deliver a safe, reliable and sustainable electricity supply to a population of more than 200,000 residents in Ōtepoti Dunedin, Central Otago/ Wānaka and Tāhuna Queenstown.

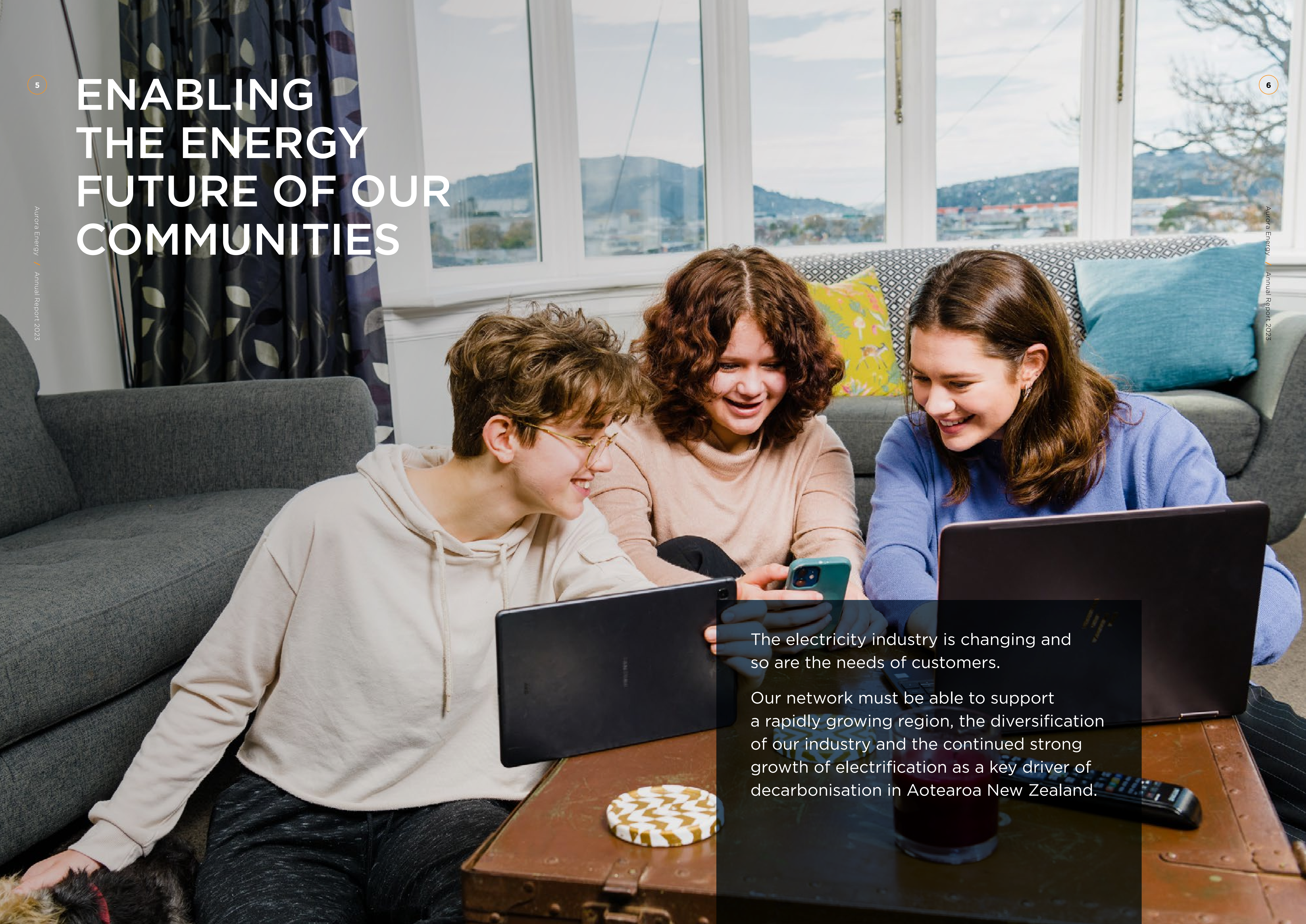
About this report

This report reviews Aurora Energy's financial and operational performance for the year ended 30 June 2023. The financial statements have been prepared in accordance with appropriate accounting standards and independently audited.

Care has been taken to ensure all information is accurate and timely.



Dart River, Glenorchy



ENABLING THE ENERGY FUTURE OF OUR COMMUNITIES

The electricity industry is changing and so are the needs of customers.

Our network must be able to support a rapidly growing region, the diversification of our industry and the continued strong growth of electrification as a key driver of decarbonisation in Aotearoa New Zealand.

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AURORA ENERGY'S STRATEGY

To ensure Aurora Energy's success, we need a strong strategic direction.

Vision

Enabling the energy future of our communities

Outcome

Aurora Energy is planning for the future to ensure the network has the capacity to offer choice for how consumers use their energy. We are committed to delivering value and helping customers to manage their overall energy costs.

Focus areas

- Our People, Our Place
- Sustainability
- Our Communities
- Licence to Operate
- Efficient Delivery

Enabling the energy future of our communities

We know that sustainable, secure and efficient energy supply is important to customers, communities, people and environment.

That's why we are committed to working with our communities in new ways to support the energy choices they make, and to sustainably manage our business so we can contribute to a sustainable energy future. For us, this is anchored in clear actions.

OUR PEOPLE, OUR PLACE

Our journey starts with our people. We'll support our people today by developing best-in-the-business practices, so that tomorrow we have a sustainable workplace. We will build an environment that promotes **inclusion**, **flexibility**, satellite working options and immersive communication tools. Our **empowered** team of people are future thinkers for our communities.

SUSTAINABILITY

We will continue to talk to, and listen to, customers. We will use their voice to improve the service we provide today, while planning for the future they need us for tomorrow.

We will **collaborate** across our sector working towards a sustainable, **affordable** and reliable energy system that serves the **long-term** interests of our communities.

Tomorrow, we'll have an innovative energy ecosystem. We'll partner with customers to support their energy choices, and to share energy resources.

OUR COMMUNITIES

We will remain focused on delivering our work programme and managing the network to meet the needs of customers, whilst growing our capacity and seeking alternative solutions.

We will work with **customers**, **contractors**, **industry peers**, and new market players to coordinate the network in new ways and support a range of energy choices.

LICENCE TO OPERATE

We will operate within the regulatory requirements, with accountability and in a socially and environmentally responsible way. We will strive to be the best in our day to day operations, ensuring we are a **valued**, **credible** and **respected** partner with our industry peers, stakeholders and community.

We will focus on ensuring we deliver value and appropriate return on investment for our shareholder. And together, we'll create cleaner, stronger and more connected communities.

EFFICIENT DELIVERY

New technologies support customer choices and promote a net-zero carbon future, innovating how we manage our electricity network. We are at the heart of, and central to, creating a shared, flexible and dynamic energy system, which is still grounded in the things we do now – delivering a **safe**, **reliable** and **efficient** power supply.

We will continue to review how we enhance our systems so that tomorrow, we are leaders in digital solutions that enable efficiency for our people and customers. We will be 'digital first' and Artificial Intelligence will continue to build on our automated processes.

Statistics for year in review

Our People, Our Place

157 PEOPLE EMPLOYED IN OUR DUNEDIN, CROMWELL AND CHRISTCHURCH LOCATIONS	**85%** STAFF SATISFACTION RATE HIGHER THAN 85%	**14** STAFF COMPLETED BI-CULTURAL COMPETENCY TRAINING
10 SENIOR MANAGERS COMMENCED A LEADERSHIP PROGRAMME	DIVERSITY AND INCLUSION POLICY LAUNCHED	**5** INTERNAL STAFF PROMOTIONS AND FIVE INTERNAL TRANSFERS

Efficient Delivery

53,628 POWER POLES ON OUR NETWORK	**7,317** DISTRIBUTION TRANSFORMERS ON OUR NETWORK	**$805.3M** TOTAL ASSETS
40 ZONE SUBSTATIONS ON OUR NETWORK	**309** MEGAWATTS NETWORK MAXIMUM DEMAND*	**1,435** GIGAWATT HOURS OF ELECTRICITY DISTRIBUTED ACROSS THE NETWORK*

*Figures relate to the regulatory year ended 31 March 2023; all others relate to the financial year ended 30 June 2023

Sustainability

$119.6M INVESTED IN RENEWING, MAINTAINING AND BUILDING OUR NETWORK	**8,031TCO2-E** ESTIMATED GHG EMISSIONS
2 VEHICLES REPLACED WITH HYBRID OR EV	OUR THREE FIELD SERVICE PARTNERS PROVIDED EMISSIONS CALCULATIONS TO INFORM AURORA ENERGY'S SCOPE 3 EMISSIONS PROFILE

Our Communities

94,723 CUSTOMER CONNECTIONS*	**1,278** NEW CONNECTIONS*	**6,635** SOCIAL MEDIA FOLLOWERS ACROSS FACEBOOK, LINKEDIN AND INSTAGRAM	**16,324** CUSTOMER CALLS DURING BUSINESS HOURS

Licence to Operate

$99.3M CAPITAL INVESTMENT	**$11.1M** NET PROFIT	**10** CUSTOMER COMPLAINTS RECEIVED BY THE INDEPENDENT DISPUTE RESOLUTION SERVICE

OUR YEAR IN REVIEW

Pole replacements near Cromwell

Aurora Energy is at the centre of a shared, dynamic and flexible energy system. We are proud to report another successful year of delivering multiple upgrade and maintenance projects across the electricity network to ensure future resilience and readiness for continuing electrification.

We are two years into a five-year customised price-quality path that commenced in 2021 following agreement from the Commerce Commission, and we continue to make good progress.

Aurora Energy thanks everyone involved in helping us deliver another successful year of work.

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Chair Steve Thompson and Chief Executive Richard Fletcher

Chair & Chief Executive's report

Tēna Kotou,

A year of solid performance and planning for the future

It is with great pleasure that we present our 2023 Annual Report for Aurora Energy. As we approach the mid-point in our five-year investment programme, we are pleased to report another year of successful delivery of our plan. This has included the completion of multiple upgrade and maintenance projects across the electricity network to ensure future resilience and readiness for continuing electrification.

The last year has been characterised by marked economic inflation, increasing the cost of labour and materials for both Aurora Energy and our field-based contracting partners. Despite these pressures, we remained committed to prudent financial management, delivering our investment priorities and our publicly stated service commitments. With some minor rephasing of our work plan, and the dedication of the Aurora Energy team and our delivery partners, we achieved this. Our positive end of year financial outcome reflects that effort.

This year, we hit a significant milestone when we cleared the backlog of higher risk 'red tagged' poles on our network. We also continued the transition to larger packages of work, which help us reduce both delivery costs and, importantly, the frequency of planned supply interruptions.

The continuing strong population increase in Queenstown and Wānaka has required us to accelerate several growth-related investments to ensure we meet stakeholder requirements. In partnership with Transpower, the National Grid owner, we announced a major capital investment to reinforce the network supplying Queenstown and surrounding areas. A $20 million plus project will upgrade two large transformers at the Frankton substation and increase grid capacity into the wider Wakatipu Basin by around 35%. This will ensure our electricity supply capacity will keep pace with growing electricity demand for the foreseeable future. Together with our recently commissioned 33 kV cable linking Frankton to Arrowtown, this work is supporting the region's commitment to enhancing its green credentials. It ensures we have a strong network to enable the transition to electric vehicles and local solar generation, as well as supporting the development of low carbon tourism.

Our ongoing collaboration with solarZero in the Upper Clutha is a demonstration of alternative ways to manage growth and capacity outside of traditional infrastructure investment.

Our Central Otago network serves communities in some of the most remote and rural areas of New Zealand. In these areas, reliability and resilience of supply is very important, often due to the reliance on a single line of supply. Our investment during the year has also been directed at improving the health of our rural networks and we have made good progress on developing a new zone substation at Omakau. This project will increase the reliability of electricity supply for Omakau and double the capacity of the substation, ensuring it can meet the future growth of that community.

In the Dunedin area, we have made good progress to strengthen the electricity supply in Andersons Bay and the lower Otago Peninsula area with the initiation of a major renewal and upgrade of the Andersons Bay zone substation. This $8 million plus renewal project will be completed in 2023.

> **"An increasing urgency to decarbonise New Zealand's economy is one of many factors leading to a dynamic and changing electricity sector.**

An increasing urgency to decarbonise New Zealand's economy is one of many factors contributing to a dynamic and changing electricity sector. Increased electrification, coupled with significant regional growth, places us in a unique but fortunate position, creating an opportunity for Aurora Energy to take a leading role in responding to these changes. Across our team, we are actively collaborating with industry peers to prepare for this future.

We are also committing considerable effort to better model the capability of our low voltage network to support the widespread uptake of electric vehicles and household solar generation. New analytical models are being developed with the support of the Government-funded innovation accelerator, Ara Ake, and we are working with electric vehicle charging operators to trial smart EV charging protocols. A collaboration

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Network upgrades in Glenorchy

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with the Energy Efficiency and Conservation Authority (EECA) is also helping us to better understand process heat electrification pathways on our network. This is essential to our long-term network planning. We are thinking differently about how to sustainably manage our network and business, and we are actively seeking innovative solutions and new technologies as we move into a more 'electrified' world.

Over the last year, we have brought Environmental, Social and Governance (ESG) principles into more prominence across both the business and our supply chain. A key part of this is our commitment to support a net carbon zero goal for our ultimate shareholder, Dunedin City Council. We have continued to assess and measure our greenhouse gas (GHG) emissions to build on the baseline work undertaken in 2021.

DEVELOPING OUR PEOPLE

As the demands on our industry increase and decarbonisation accelerates across the country, the market for skilled labour and talent will continue to be highly contested. Developing our existing talent, equipping staff with necessary skills and ensuring their wellbeing, all within a positive work environment, is non-negotiable. We actively support continuous learning, and we are empowering and supporting our staff to excel and develop new skills; at the same time, Aurora Energy is attracting top-tier people to the business.

In 2023, we implemented a new leadership programme and continued our emphasis on employee wellbeing. In line with our commitment to embracing diversity and inclusion, we have actively promoted the use of Te Reo Māori and reviewed our recruitment strategies to ensure we are well placed to keep attracting exceptional and diverse talent.

Planning for our future workforce is a strategic priority. We must identify emerging skills requirements and ensure the Aurora Energy team remains agile and capable of thriving in a dynamic and exciting future.

As advocates for collaboration within the electricity distribution sector, we recognise that harnessing the power of collective resources and expertise is pivotal. Our commitment to fostering collaboration will not only unlock economies of scale, but it will address inevitable skills shortages through the sharing of services. Collaboration will also fortify the wider industry during a period of change.

As a member of Electricity Networks Aotearoa, we are actively leading work on what a network of the future will look like and how it will better deliver for electricity consumers. More directly, Aurora Energy is collaborating with other electricity distribution businesses (EDBs) on several innovation initiatives. This will enable us to plan for how we can better support the widespread roll-out of electric vehicles and increased household solar production.

DELIVERING FOR CUSTOMERS

At the core, Aurora Energy is investing in its network and business to ensure we can deliver the services customers value. Providing timely information when power supply is interrupted remains a high priority. Through our efforts over the past few years, we have significantly improved the information available to customers, during both planned and unplanned outages. We have worked hard to improve our internal systems to support this effort.

We are pleased to see that our commitment to continuous improvement and focus on wider community and stakeholder engagement is being positively recognised. This has, no doubt, been reflected directly in the elevated level of our own staff satisfaction.

We are undertaking significant work on our network each year and we know that this can sometimes inconvenience customers. We try hard to minimise disturbances associated with our work and we thank the customers connected to our network for their ongoing understanding.

DIGITALLY ENABLING OUR BUSINESS

In a period of rapid technological advancement, we acknowledge the challenges and promising opportunities posed by the digital transition and new ways of working, including the development of artificial intelligence to enhance productivity and efficiency. We are working to a multi-year digital enablement programme.

The focus in the past year was on automating workflow for the delivery of capital and maintenance activities.

We are committed to our culture of innovation, and it is pleasing that our staff are positively embracing these digital changes.

LOOKING AHEAD

While we are meeting the challenges of today and supporting the region's growth, the Board and management are also planning ahead. We want to ensure the Aurora Energy electricity network is sufficiently flexible to respond to changing and often uncertain demands and, at the same time, facilitates a future where electricity consumers will demand far more from our network.

Decarbonisation, resilience and population growth are the key long-term drivers of investment in our business. Our role is to find the best solutions to optimise the network to meet these future demands. Our plans are well progressed, and details are publicly available on our website, in our annual Asset Management Plan.

We are a regulated business operating under the oversight of the Commerce Commission, which sets our annual revenue and expenditure allowances, and the Electricity Authority. Regulatory rules are complex but have largely been designed to regulate under stable and predictable circumstances. It is clear the electricity sector is operating in an environment that is far from stable, requiring

> **"Decarbonisation, resilience and population growth are the key long-term drivers of investment in our business.**

businesses like Aurora Energy to be flexible and adaptable to the changing dynamics. The regulatory rules must keep pace and flex to accommodate the investments we need to make. As part of a current review of the regulatory rules (input methodologies), Aurora Energy, alongside other EDBs, is advocating for the Commerce Commission to adjust its regulatory settings to better support our work to enable the transition to an electrified future.

Climate change is driving unpredictable and changing weather patterns, as evidenced by the catastrophic effects of Cyclone Gabrielle. This, together with the growing dependence on electricity as New Zealand's low carbon fuel of choice, means the subject of 'energy' resilience is now at the forefront of people's minds. Resilience forms a core part of our network investment planning. Building on shared learnings from the North Island events we, alongside many others in the sector, are reviewing our current business continuity and emergency readiness plans.

OUR THANKS

We are extremely proud to report another year of solid performance, which has positioned Aurora Energy well for the future. Our team of clever and passionate people are bringing innovation and future thinking to everything they do, and the benefits are flowing through to better service outcomes for electricity consumers.

We both know that our successes would not be possible without the hard work of our team and the support of our shareholder. Our thanks go to the Aurora Energy team, Board of Directors, and our field-based contracting partners for their continued support, dedication and passion.

Kā mihi nui

Stephen Thompson
Chair

Richard Fletcher
Chief Executive

Financials at a glance

Our financial statements for the year ended 30 June 2023 (FY23) again reflect substantial levels of capital investment and improved financial performance when compared with recent years.

CAPITAL EXPENDITURE 2023

$99.3M

↑

$83.0M

CAPITAL EXPENDITURE 2022

Capital expenditure of $99.3 million - compared to $83.0 million in 2022 - was directed to new network assets in the Dunedin, Central Otago/Wānaka and Queenstown Lakes areas during the year.

NET PROFIT 2023

$11.1M

↑

$7.8M

NET PROFIT 2022

The Company recorded a net profit after tax of $11.1 million (FY22: $7.8 million) compared with a forecast profit of $9.9 million. The positive result against forecast was driven by higher line revenues due to strong residential demand and the removal of some historical pricing structures from April 2023.

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STRATEGIC PILLAR

EFFICIENT DELIVERY

A safe, reliable and efficient power supply remains our priority. Aurora Energy is investing in network upgrades across the region while also positioning communities for the future.

53,628
POWER POLES ON OUR NETWORK

7,317
DISTRIBUTION TRANSFORMERS ON OUR NETWORK

$805.3M
TOTAL ASSETS

We are thinking differently about how to sustainably manage our network and business. We are committed to finding innovative solutions and new technologies to provide real-time information to support both our planning and our communications to consumers. The ongoing focus has been on maturing business intelligence and streamlined interfaces.

Delivering Aurora Energy's new asset management and workflow system (using the Maximo platform) has progressed well. Stage one (laying the foundation) is complete and Stage two (detailed designed and implementation) is underway. Maximo will help us gain visibility of the entire lifecycle of our 500,000 plus assets from the initial design process, through procurement to build, finance, and then the updating of 'as built' records in our system. It will provide a reliable source of information to support smart decision making across the business.

We have implemented a new Outage Management System (OMS) as part of our distribution management system. For the first time, we can now identify which customers are impacted by outages on the network in real time. As part of the new OMS system, our outage notification and variation processes were also redesigned to provide customers with improved notices of planned outages, or changes to previously notified interruptions.

We have improved our GIS data and the processes to maintain data integrity, and improved our cyber security by implementing a 24/7 Security Operations Centre.

Significant progress was made in developing fleet strategies and major project cost estimation improvements, enabling improved asset management decision-making and greater accuracy in our expenditure forecasting and budgets.

Clearing the backlog of higher risk poles was a significant milestone. This is enabling us to transition to larger work packages and minimise the cost impact of overheads such as traffic management and contractor site setup costs. Larger work packages have the added benefit of reduced planned outages for customers.

The team at Aurora Energy continues to review how systems and people skillsets need to be enhanced in order to become leaders in digital solutions that enable efficiency for both team members and consumers. The goal is to become 'digital first', with artificial intelligence and machine learning continuing to enhance automated processes. Launching a new Business Intelligence Team and a report library forms part of this.

As part of delivering a reliable power supply, Aurora Energy is proactively focusing on some localised areas of the network where the level of unplanned supply interruptions remains too high, and is targeting investment and operational focus in these reliability 'hotspots'. We have upgraded the critical systems that help us operate our network and keep customers informed of outages.

> **"Our new asset management and workflow system will provide a reliable source of information to support smart decision making across the business.**

40
ZONE SUBSTATIONS ON OUR NETWORK

309
MEGAWATTS NETWORK MAXIMUM DEMAND*

1,435
GIGAWATT HOURS OF ELECTRICITY DISTRIBUTED ACROSS THE NETWORK*

*Figures relate to the regulatory year ended 31 March 2023; all others relate to the financial year ended 30 June 2023

New zone substation at Andersons Bay (top and right)

Project highlights in each of our network areas over the last year are outlined on the following pages.

ŌTEPOTI DUNEDIN NETWORK

With over 56,500 ICPs, our Dunedin network is Aurora Energy's most densely populated network area. It has a resilient network configuration that has more switching options than other areas of the network. This means shorter unplanned outages due to a predominantly easy-to-access network. Like much of the region, network resilience is important to consumers, particularly ensuring our assets can withstand more frequent weather events.

In FY23:

- Aurora Energy invested $8.4 million to upgrade the Andersons Bay zone substation by replacing the current transformers and ageing equipment and building a new switch room. Work is progressing well, with the project due to be completed later in 2023.
- Work to replace 20 poles, 38 cross arms, two transformers, 3.2km of power lines and one air break switch was coordinated with the Otago Regional Council in late 2022, to align with their works on the Taieri River flood banks. This resulted in a positive outcome for both parties.
- Work on Waitati Valley Road was planned in three stages to minimise customer impact and was completed earlier in 2023. Aurora Energy replaced 19 poles, 10 cross arms, four transformers and 3.9km of power lines.

Bundled work in Cromwell

CENTRAL OTAGO/WĀNAKA NETWORK

This is a high growth area in terms of network development. There were over 580 new connections in Central Otago/Wānaka during the year. At the same time, this part of the network also includes some of our most remote and rural areas, with some long spans of line and proportionately few connections. Customers want assurance the network will be able to support decarbonisation and growth as well as to provide a reliable electricity supply. There are just over 23,000 ICPs in this area.

In FY23:

- Good progress was made on the new Omakau zone substation. Due to some delays on the final stages of the project, work is now scheduled to be completed at a slightly later date of 2024. This project will increase the reliability of electricity supply for Omakau and double the capacity of the substation, ensuring it is adequate to meet the demand growth of the community.
- In early 2023, we completed a bundled work package in Ettrick, which included replacing 45 poles, 12 cross arms, five distribution transformers, one air break switch and 7.2km of power lines. Customer disruption was minimised by installing generation where possible.
- Bundling work and engaging multiple contractors for a project in Cromwell meant we only needed two outage days to replace 19 poles and five cross arms and to install new voltage regulators, surge arrestors and a recloser bypass.
- A large project was completed in Alexandra, where we replaced 46 poles, 113 cross arms, 117 surge arrestors, 24 transformers and two air break switches. Aurora Energy's approach to bundling work and utilising multiple crews meant the work was condensed, with resources maximised and customer disruption minimised.

The new zone substation in Omakau

Work on the Arrowtown ring project

TĀHUNA QUEENSTOWN LAKES NETWORK

Queenstown remains an epicentre of tourism and business activity with strong growth trends and high expectations about resilience and capacity. Access to parts of this network can also be challenging due to the rugged terrain and environmental significance. Consumers want reassurance Aurora Energy is working alongside Transpower and the local Council to plan for energy resilience. The Queenstown Lakes network has just under 15,000 ICPs but a peak tourist population of over 110,000 people.

In FY23:

- We replaced a large number of assets on the line that supplies Arrowtown and surrounding areas throughout September and October 2022. This included replacing 45 power poles, 75 cross arms, two distribution transformers, approximately 2km of power lines and upgrading the voltage regulator.
- A year-long planning process was completed over the summer months in Gibbston to replace 15 poles, 1.8km of power lines and 500m of underground cable. Given the environmental significance of the area, we worked closely with Te Papa Atawhai/the Department of Conservation and Wildland Consultants to ensure the welfare of the local lizard population while the work was carried out.
- Aurora Energy is future-proofing the network and strengthening the electricity supply for over 2,600 consumers in the Queenstown area by upgrading the zone substation. Planning commenced for this project, which will include constructing a new control room and switchgear building, new indoor 11 kV switchgear and complete replacement of the electrical protection and control systems.

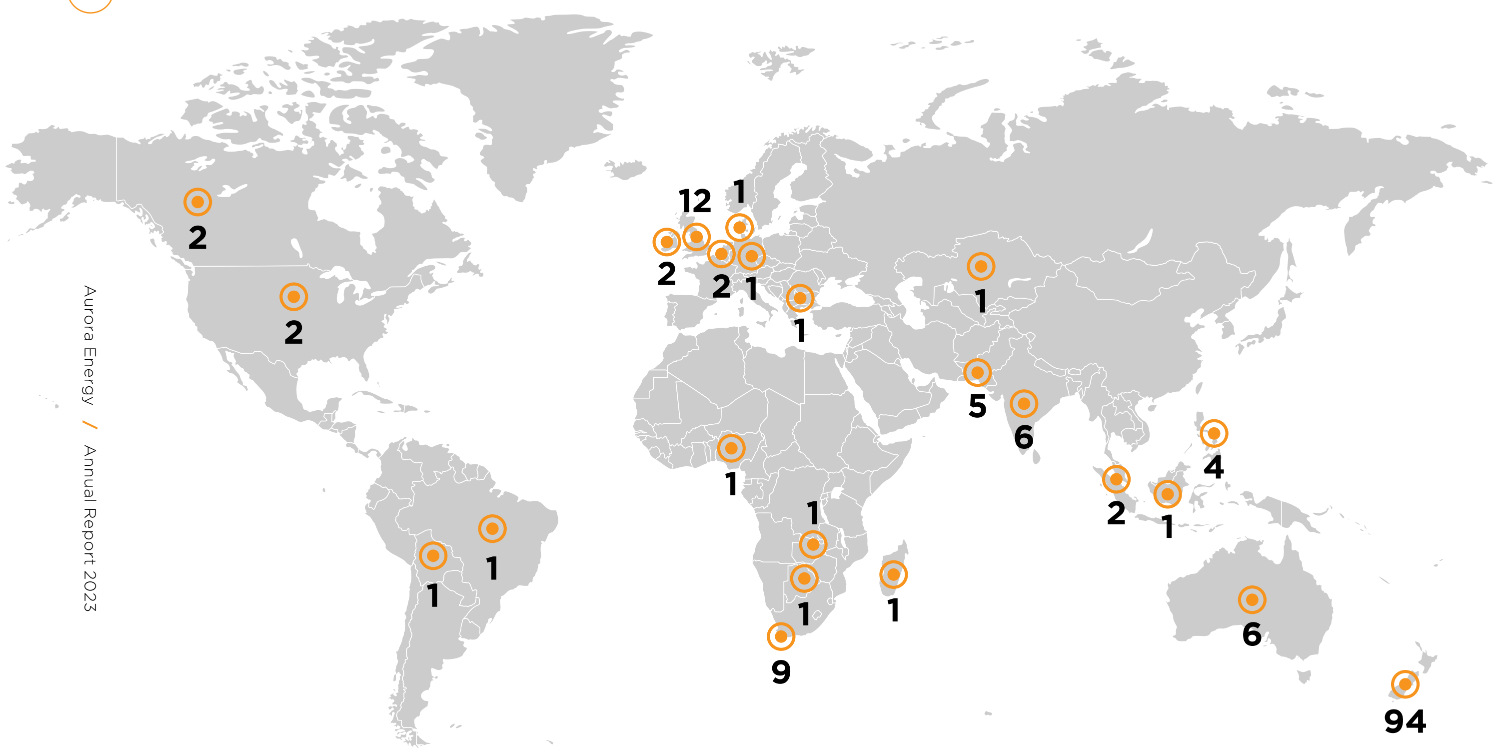

Upgrading the network in Gibbston Valley

STRATEGIC PILLAR

OUR PEOPLE, OUR PLACE

Aurora Energy prioritises wellbeing, flexibility, and being an inclusive and welcoming workplace that caters to a diverse workforce with different needs. This is reflected in having a stable and dedicated team that delivers work to a high standard and ongoing positive staff survey results, including a sustained satisfaction score of above 85%.

AURORA ENERGY EMPLOYEES BY COUNTRY OF BIRTH



KEEPING OUR PEOPLE SAFE

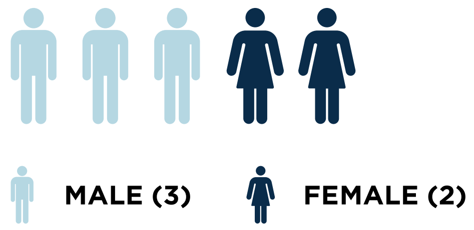
Safety remains the number one priority for Aurora Energy. We have continued to maintain our critical focus on improving the safety management of the network, the people working on it and members of the public.

In July 2022, an external audit found that Aurora Energy's Public Safety Management System was being effectively implemented in accordance with NZS 7901 and certification continued for a further twelve months.

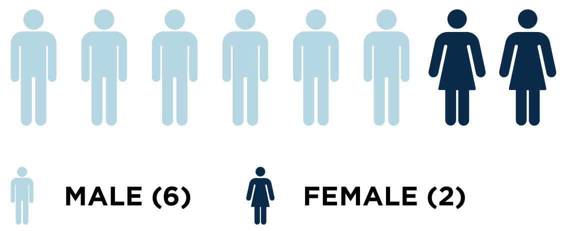
TALENT AND RETENTION

The company is focusing on leadership development because we recognise that well-equipped strong leaders are needed to meet the changes within a rapidly evolving electricity distribution sector. Attracting and retaining talent remains a priority in a competitive and evolving sector as well as future workforce planning to ensure Aurora Energy can continue to deliver to a high standard. This year, we launched a bespoke Emerging Leaders Programme designed to enhance the skills of our front-line leaders. The course also aimed to provide high performing staff with the opportunity to receive dedicated support and time to continue to build foundations as excellent leaders.

BOARD GENDER DIVERSITY



EXECUTIVE LEADERSHIP TEAM GENDER DIVERSITY DIVERSITY



SENIOR MANAGEMENT TEAM GENDER DIVERSITY

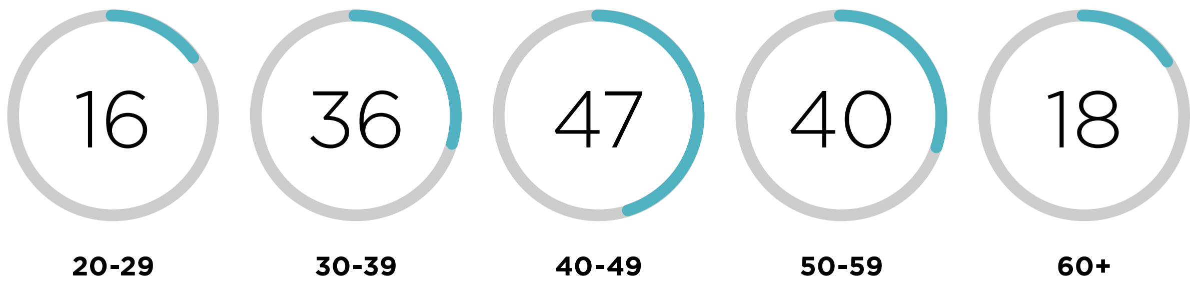
It is vital that Aurora Energy is well placed to support the changing electricity sector and meet the needs of a new network future. Skills and capability mapping was completed in the engineering team, along with an emerging strategy to share knowledge across the team and build new capability.

> "It is vital that Aurora Energy is well placed to support the changing electricity sector and meet the needs of a new network future.

FLEXIBLE WORK

The continuation of flexible work has added substantial benefits, enabling our staff to manage life's multiple needs while remaining productive and engaged. The hybrid model has also served as a talent attraction tool, with prospective candidates having the choice of multiple office locations and the ability to work from home for a portion of their work week. Growth of Aurora Energy's Christchurch office is testament to a choice of location enhancing our recruitment options.

AURORA ENERGY EMPLOYEES BY AGE RANGE



AURORA ENERGY EMPLOYEES BY LOCATION

WELLBEING

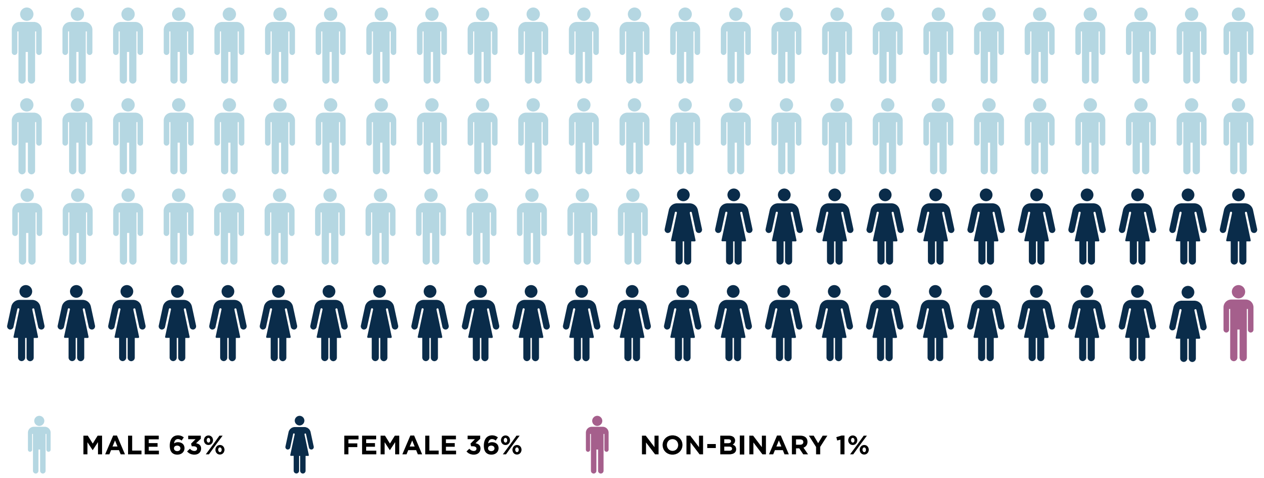
Aurora Energy continues its focus on the health, safety and wellbeing of staff and contractors. A Health, Safety and Wellbeing committee, with representatives from across the business, continues to provide valuable input into organisational wellbeing and safety.

An Inclusion and Diversity policy was launched, with initiatives planned to assist implementation across the business following a staff survey to identify priorities. This year, as part of our diversity implementation and staff feedback, Aurora Energy took steps to enhance our teams' working knowledge of te reo through Bi-Cultural Competency training and the formal introduction of te reo into our corporate communication.

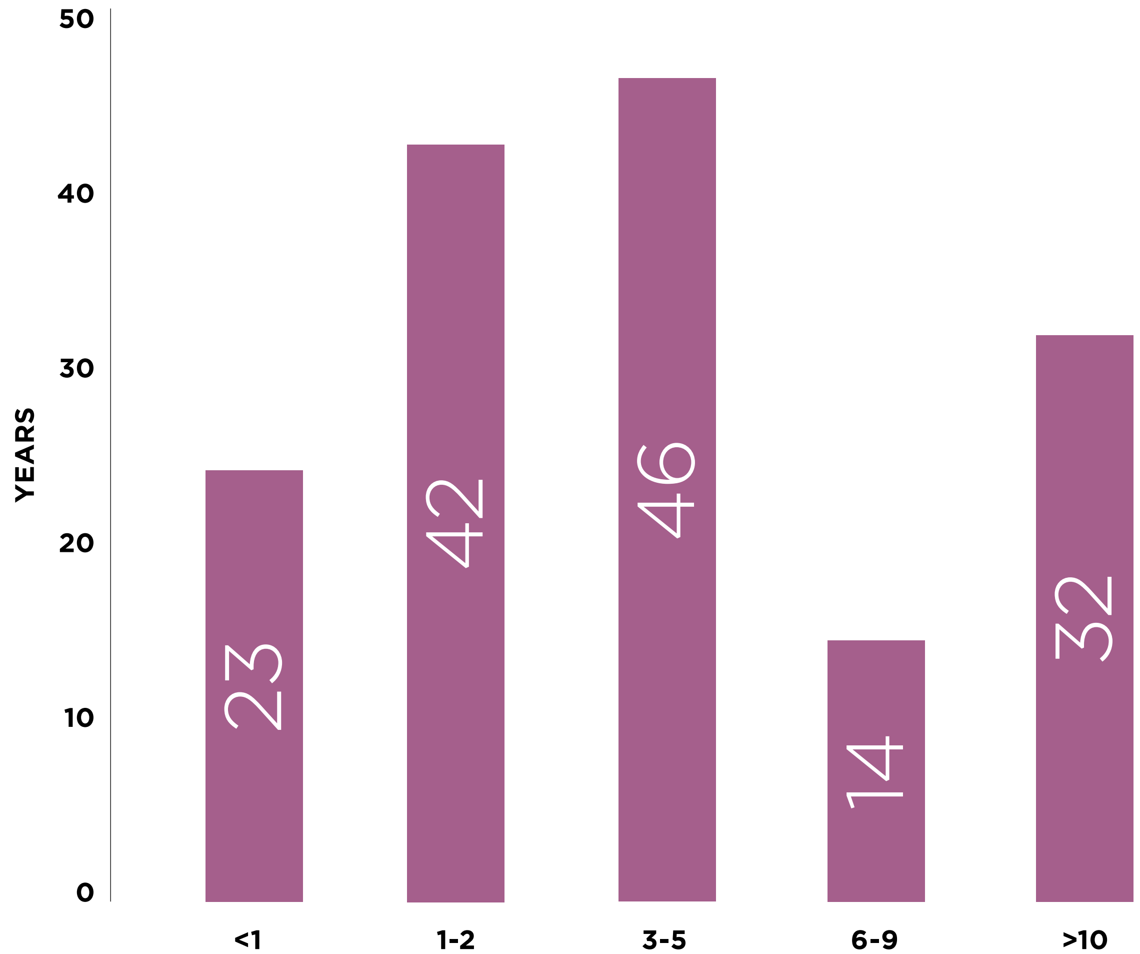
LIVING WAGE

As at 30 June 2023, 100% of the Company's employees were paid at or above the Living Wage (as calculated by the Living Wage Movement Aotearoa New Zealand).

AURORA ENERGY EMPLOYEES BY GENDER



AURORA ENERGY EMPLOYEES BY LENGTH OF SERVICE (YEARS)



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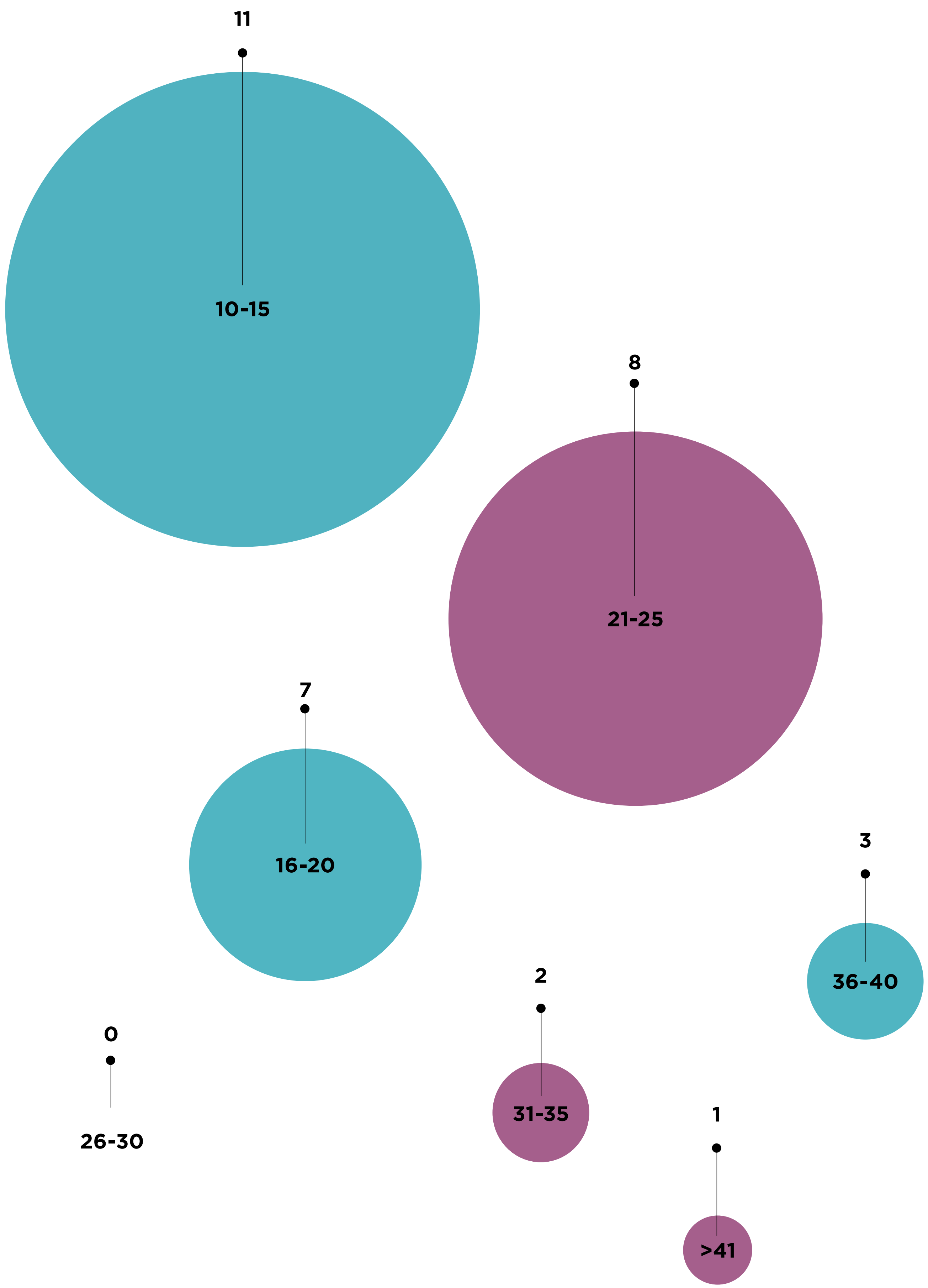
AURORA ENERGY LONG-SERVING EMPLOYEES (YEARS)



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STRATEGIC PILLAR

OUR COMMUNITIES

At Aurora Energy, we work hard to continue to improve relationships with our communities and stakeholders. Customers are at the centre of decision making to ensure we meet their needs, listen and respond to their concerns, and provide the level of service they expect – from both the network in terms of reliability and the business in terms of customer service levels.

Aurora Energy planting day on Quarantine Island Kamau Taurua in Otago Harbour

CUSTOMER EXPERIENCE

Improving customer experiences and engagement with consumers and stakeholders remains a high priority for Aurora Energy.

Consumers want a reliable electricity supply and up-to-date information if the power goes out. The main reason people visit our website is to find information about power outages. A new website is currently being developed that will improve outage information. The new website will be mobile friendly and, alongside improvements to how outage information is displayed, reflects feedback from consumers about the information they want to know.

In the past year, Aurora Energy conducted a comprehensive review of the current Customer Charter and Consumer Compensation Scheme. Based on valuable insights gathered from a customer satisfaction survey, we have proposed changes that better align with customer expectations. We will engage with the public on these later in 2023 before launching the new Customer Commitments.

Aurora Energy has minimum standards to meet in relation to power outages and interruptions that have been set by the Commerce Commission. Our planned and unplanned reliability performance tracked favourably against approved reliability limits for the year from 1 April 2022 to 31 March 2023.

OUTAGE PLANNING, MANAGEMENT AND COMMUNICATION

As mentioned earlier in this report, Aurora Energy has implemented a new outage management system. Combined with our new website, this will improve the information provided to customers about both planned and unplanned outages.

New customer outage guidelines introduced in October 2022 ensure that, where practical, work is planned around events, seasons and time of day to minimise the consumer impact when our service providers are planning outages.

ENGAGING WITH OUR COMMUNITY

As a result of the significant investment in reinforcing and upgrading our networks, some communities are experiencing a higher-than-usual number of planned outages while the necessary work is undertaken.

We always aim to support communities who are impacted by proactively informing them why the work needs to be done and providing additional support where relevant. This includes local/community hall generation in more isolated areas so people have somewhere they can charge devices and use bathroom and kitchen facilities while their power is out.

Aurora Energy's annual customer satisfaction survey provides valuable information on how we can better engage with consumers, improve customer experience, and build trust and confidence in the CPP investment plans. The second annual survey has been completed and results will be incorporated into future planning and decisions so we better meet customer expectations.

In the last year, we have been able to re-establish event attendance and hosting, and enjoyed speaking with the public at gala days and A&P shows around Otago, and hosting Business After Five events alongside Business South and the Queenstown Chamber of Commerce. These events are beneficial opportunities to speak directly with consumers and seek public feedback about Aurora Energy.

Aurora Energy sponsors the Otago Science and Technology Fair

STRATEGIC PILLAR

SUSTAINABILITY

We know a sustainable, secure and efficient energy supply is important to customers and we are continuing to prepare the network for decarbonisation. Network readiness will mean consumers can choose how and when they use electricity to reduce carbon emissions.

E-biking along Otago Harbour

Aurora Energy / Annual Report 2023

Aurora Energy is taking a leading role and collaborates with others in the sector to plan for the future of electricity distribution management, including innovative ways to manage capacity and peak demand.

During the year, we established a programme of work to better understand the capability of our low voltage networks to support the uptake of electric vehicles and household solar generation. New analytical models are being developed with the support of Ara Ake and in collaboration with ANSA and two peer electricity distribution businesses. A collaboration with Energy Efficiency and Conservation Authority (EECA) has also helped us better understand the process heat electrification pathways on our network.

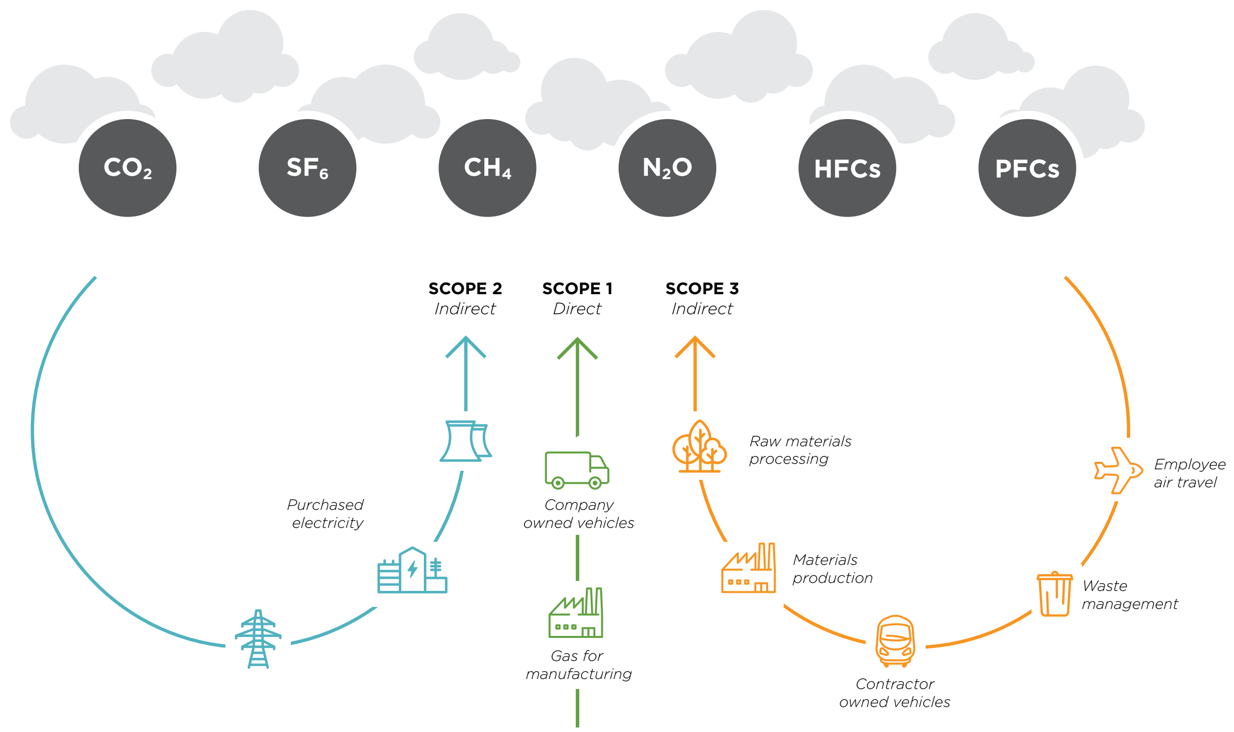
ENABLING THE ENERGY FUTURE OF OUR COMMUNITIES

Sustainability is a key driver of Aurora Energy to enable the energy future of our communities. This year, we have continued to assess and measure our greenhouse gas (GHG) emissions to build on the baseline work undertaken in FY21.

As in previous years, we have calculated our Scope 1 emissions from sources owned or controlled by Aurora Energy, along with indirect emissions from Scopes 2 and 3. This year we broadened Scope 1 to include emissions from diesel fuelled generators, which have previously not been measured, and expanded Scope 3 to include additional emission sources provided by our three field services contracting partners.

Scope 1	Direct emissions from sources owned or controlled by us (including vehicle fuel, SF6 leakage from network equipment and diesel fuelled generators)
Scope 2	Indirect emissions from the generation of purchased energy (including purchased electricity and emissions associated with electricity lines losses)
Scope 3	Staff travel for work, freight transport, staff working from home, waste, activities contractors undertake for us, embodied carbon, employee commuting and any other indirect sources we may identify

Figure 1: Source: New Zealand Business Council for Sustainable Development



$119.6M

INVESTED IN RENEWING, MAINTAINING AND BUILDING OUR NETWORK

2

VEHICLES REPLACED WITH HYBRID OR EV

OUR RESULTS EXPLAINED

Emissions are reported as tonnes (t) of Carbon Dioxide (CO_2) equivalent (e); or tCO_2-e. "Carbon dioxide equivalent" is a standard unit for counting greenhouse gas emissions regardless of whether they are from carbon dioxide or another greenhouse gas.

EMISSIONS BY SCOPE

Aurora Energy's total estimated GHG emissions for FY23 were 8,031 tCO_2-e, compared with 9,786 tCO_2-e calculated for the previous year. FY23 Scope 1 emissions from sources owned or controlled by Aurora Energy were 362 tCO_2-e, or around 5% of total estimated GHG emissions.

The GHG emissions reported this year include new emission categories for third party contractors and diesel generator usage that were previously not measured.

Aurora Energy's most material Scope 1 emissions include the fleet and generator usage across the network.

Table 1: Emissions by scope (yearly comparison)

Emissions	tCO2-e FY 2023	% of Total	FY 2022[1]	FY 2021 (base year)[1]
Scope 1	362	5%	384	246
Scope 2	5,078	63%	9,192	11,870
Scope 3	2,591	32%	210	151
Total	**8,031**	**100%**	**9,786**	**12,267**

1 To ensure consistency across the financial years, the FY21 and FY22 emissions have been restated for two changes: 1) an estimate of previously unreported diesel fuelled generator usage has now been included, and 2) The emissions from network lines losses have been recalculated based on updated conversion factors published by the Ministry for Environment.

EMISSIONS BY ACTIVITY

A detailed breakdown of Aurora Energy's emission sources is outlined in Table 2.

Table 2: Aurora Energy's top emissions by activity (yearly comparison)

Emission Source	tCO2-e FY 2023	% of Total	tCO2-e FY 2022	FY 2021 (base year)
Scope 1				
Generators	182	2%	182	23
Company Vehicles	107	1%	137	165
Fugitive Emissions – SF6	72	1%	64	57
Rental Cars	1	0%	1	1
Sub-total	**362**	**5%**	**384**	**246**
Scope 2				
Electricity Line Losses	5,015	62%	9,087	11,757
Purchased Electricity	63	1%	105	113
Sub-total	**5,078**	**63%**	**9,192**	**11,870**
Scope 3				
Third Party Contractors	2,279	28%	Not measured	Not measured
Employee Commuting	115	1%	93	Not measured
Flights	115	1%	35	79
Upstream Transportation (Freight)	46	1%	55	52
Waste to Landfill	15	0%	3	4
Accommodation	9	0%	5	6
Transmission & Distribution Losses (Consumption)	7	0%	10	10
Working From Home	5	0%	9	Not measured
Sub-total	**2,591**	**32%**	**210**	**151**
Total	8,031	100%	9,786	12,267

Figure 1: Emissions by Scope (pie chart % split)

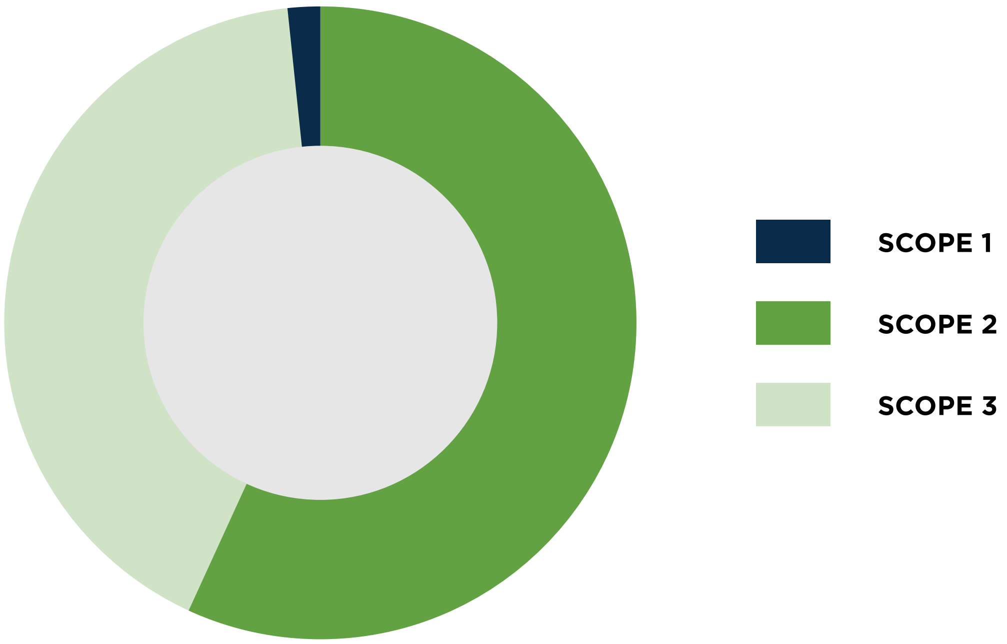
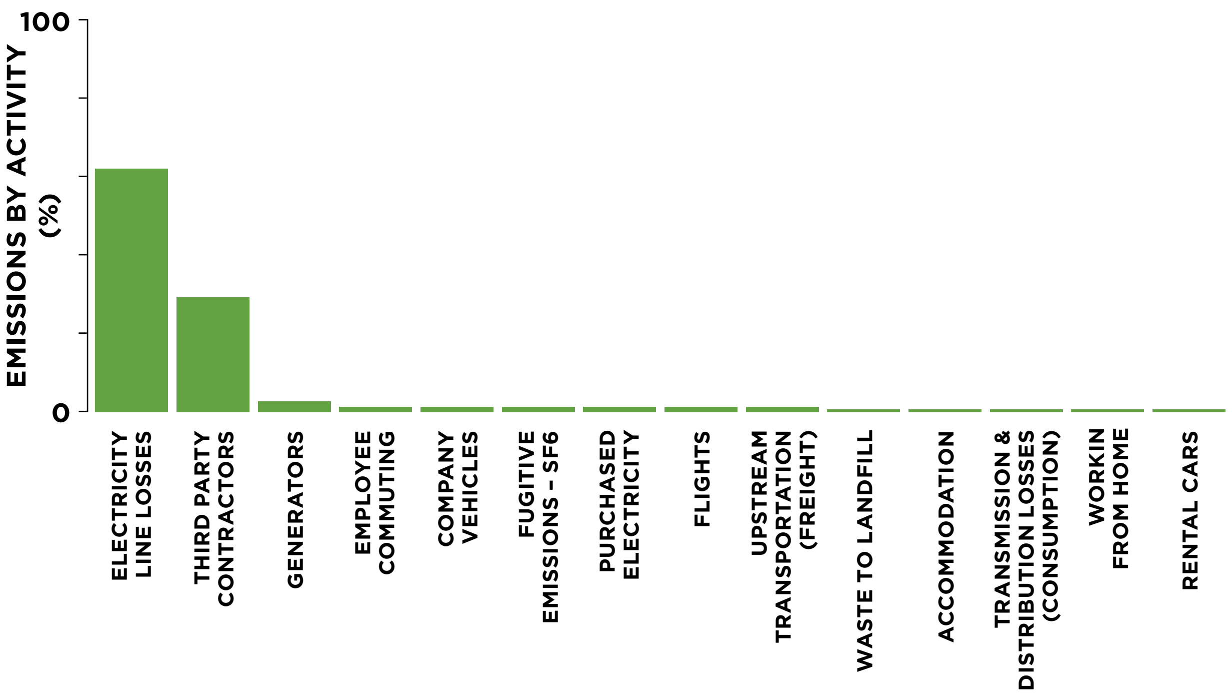


Figure 2: Emissions by Activity (Bar chart)



CARBON REDUCTION STRATEGY

Having established baseline emissions in FY21, in FY22 we then developed an emissions reduction strategy and associated targets.

Aurora Energy's Emissions Reduction Strategy set an emissions reduction target developed using the Science-based methodology.

Our emissions reduction target is to achieve around a 40% reduction in our absolute Scope 1 and Scope 2 emissions by 2030, excluding electricity line losses. Additionally, Aurora Energy set the goal to measure Scope 3 emissions of our three Field Services partners with the aim of setting a reduction target by 2024.

Our emissions reduction strategy focuses on gross emissions reduction, which is demonstrated through the strategy actions we have taken this year.

During FY23 we have focused on achievement of our initial activity-based targets. We have identified specific emissions reduction activities in key areas including carbon in design, supplier activity, Aurora Energy fleet emissions, and building energy.

This year, we progressed our fleet transition strategy to replace combustion engine vehicles with either a hybrid or EV upon lease renewal. In FY23 and due to a shortage in supply, 6 vehicles were placed on back order and 2 vehicles were procured. Our motor fleet policy reflects our emissions reduction strategy. Discussions with our building owner commenced with a view to identifying, agreeing and implementing energy efficiency improvements/low carbon opportunities for the office buildings in Dunedin and Cromwell.

Aurora Energy also aims to investigate and utilise lower carbon intensive materials and construction techniques. These will be considered up front at the new asset design stage. This year, specific enabling initiatives were progressed including adding a carbon emissions attribute into our New Equipment and Materials Assessment (NEMA) and conducting a standards review to ensure our design standards align with our emissions reduction strategy objectives.

> **Sustainability is a key driver of Aurora Energy to enable the energy future of our communities.**

Table 3. Carbon Emissions Reduction Strategy Progress

Emissions reduction opportunity	Description	Emissions reduction potential	Progress
EV vehicle fleet	Conversion of existing fleet to Hybrid or EV.	Medium to high	Achieved. All non-utility/towing vehicles replaced in FY23 swapped to either Hybrid or EV. Aurora Energy's motor vehicle policy reflects emissions reduction as a key procurement driver.
Emissions from supply chain partners	Work with key suppliers to understand their footprint when they work on Aurora Energy's network and then establish a requirement for them to reduce their footprint.	Significant	Partially achieved. Each of our primary and secondary field service partners provided emissions calculations relating to work performed on the Aurora Energy network. Further discussions to address possible reductions to carbon footprint to be undertaken in FY24.
Purchasing agreements	Build into the procurement process an assessment of the tenderer's carbon footprint, both their business and the capital goods they are providing to Aurora Energy.	Significant	Partially achieved. Carbon footprint assessments have been implemented initially as part of our primary and secondary field services tender processes. Further work to embed these processes to be undertaken in FY24.
Carbon in design	The embodied carbon within the infrastructure built on the network will be considered up front of the new asset design stage.	Significant	Not achieved. The development of a sustainability in design standard was deferred until FY24 due to design resource constraints.
Genset	Investigations to identify alternatives to the use of Genset diesel generators.	High	Partially achieved. Investigations have commenced to determine whether an alternative fuel generator or any new technology or methods are available to reduce our reliance on diesel generators. We expect the investigation to be completed in FY24.
Staff travel	Review of staff travel policy to ensure behaviors in place to minimise air travel to only times it is really needed.	Moderate	Partially achieved. Increased use of on-line training and virtual meeting technologies has reduced travel requirements. Further work is to be undertaken in FY24 to document the staff travel policy.
Building energy	Although not a significant emissions source, it is likely action can be taken especially considering the use of air-conditioning and fans.	Low	Partially achieved. Discussions held with building owner(s) in relation to efficient lighting solutions and planning for LED replacements has commenced. Further work to be undertaken in FY24.
Waste	Reduction of waste by contractors performing work on our network. Addressed in the separate Waste Reduction Strategy.	Low	Not achieved. See further details under Waste Reduction Strategy below.
Lines losses calculation	Review line loss calculations to ensure they represent an accurate view for Aurora Energy.	n/a	Achieved. Line loss calculations have been updated to reflect the latest conversion factors published by Ministry for Environment.

During the coming financial year Aurora Energy will be refining our strategy and targets.

We are continuing to work with Dunedin City Holdings Ltd and Dunedin City Council on how we are contributing towards the city's emission reduction goals.

Aurora Energy / Annual Report 2023

Line upgrades near Cromwell

WASTE REDUCTION STRATEGY

During FY23 we developed the company's Waste Reduction Strategy.

The waste reduction strategy ensures Aurora Energy takes responsibility for the correct disposal method of every item that is removed from the electricity network. To date, the primary focus has been on the company's emissions reduction plan with attention on waste reduction to come in 2024.

Our Commitment is to:

- Prioritise the responsible disposal of material from the network through its reuse or recycle.
- Incorporate a principle of waste minimisation within the network design and build standards.
- If we need to dispose of material to landfill, we will ensure it is treated and disposed of in a manner which reduces its impact on the environment.

We will achieve this by working with our contractors to ensure they adhere to the waste reduction strategy. Outlined below is Aurora Energy's approach to waste reduction.

Table 4: Waste Reduction Approach

Approach	**Define waste for Aurora Energy**	**Identify source of waste**	**Quantification of waste**	**Develop a reduction plan for waste streams**	**Implement and monitor**
Current progress	Waste has been defined for Aurora Energy in the Waste Reduction Strategy.	Contractor engagement in the planning phases to obtain their waste data (focus to date has been on emissions).		Some assets have a plan in place however a full review is needed to include all asset types.	Not Achieved

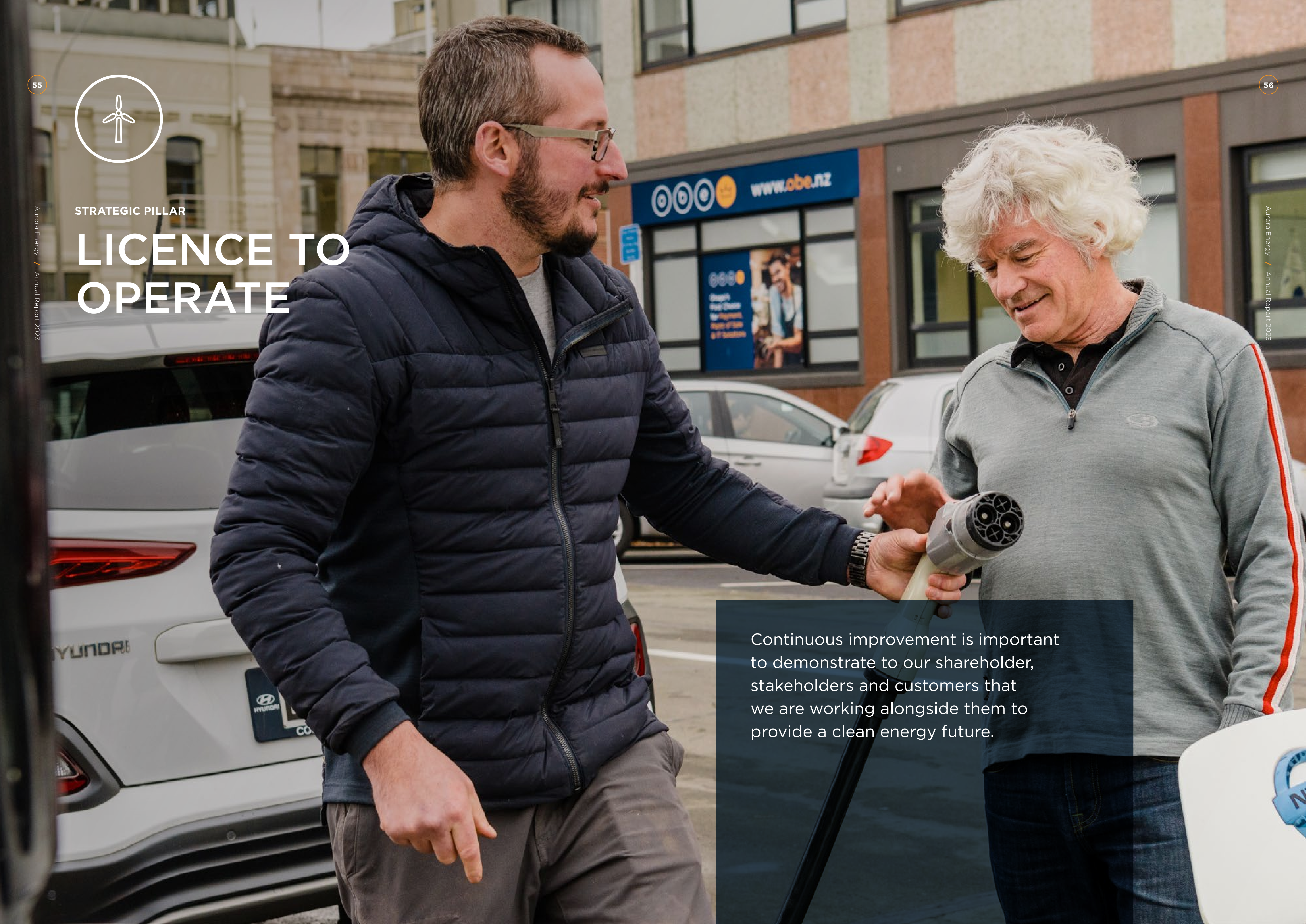
8,031TCO2-E

ESTIMATED GHG EMISSIONS

OUR THREE FIELD SERVICE PARTNERS PROVIDED EMISSIONS CALCULATIONS TO INFORM AURORA ENERGY'S SCOPE 3 EMISSIONS PROFILE

STRATEGIC PILLAR

LICENCE TO OPERATE



Continuous improvement is important to demonstrate to our shareholder, stakeholders and customers that we are working alongside them to provide a clean energy future.

Aurora Energy continues to make good progress on its five-year investment programme under the customised price-quality path (CPP), to meet stakeholder expectations. Our second Annual Delivery Report will be published in August 2023 and will provide an overview of progress against our CPP development and delivery plans for the year ended 31 March 2023. We have developed additional supporting material to share this update with our community and stakeholders. This will be integrated into our 'business as usual' communications to ensure a broad reach.

Aurora Energy continues to mature its risk management framework and is progressing well with the development of risk treatment plans for critical risks, both enterprise and health and safety.

As an essential service provider, it is vital Aurora Energy is well prepared to respond to emergency situations that can disrupt electricity supply, such as major storms or earthquakes. Our Business Continuity and Emergency Response framework is regularly reviewed and updated to make sure the company is well prepared to manage a major event. In light of the recent natural disaster events in the North Island, work has been expedited to ensure we are ready to respond should events of a similar nature unfold across our network area.

Building our reputation and ensuring the customer voice is heard is crucial to earning trust. Aurora Energy continues to work hard on incorporating customer feedback into decision making and ensuring we deliver what people expect and want from us as their electricity distributor, both now and into the future.

Continuous improvement is important to demonstrate to our shareholder, stakeholders and customers that we are working alongside them to provide a clean energy future.

> Aurora Energy continues to work hard on incorporating consumer feedback into decision making and ensuring we deliver what people expect and want from us.

$99.3M

CAPITAL INVESTMENT

$11.1M

NET PROFIT

Our leadership team

Kā mihi nui

The Board thanks all Aurora Energy staff and contractors for their ongoing commitment and dedication to the important work the business is undertaking on major network upgrades, ongoing business improvements and preparations for the new energy future of electrification and decarbonisation.

Board of Directors

STEPHEN (STEVE) THOMPSON

Non-Executive Chairman

Steve joined the Aurora Energy Board in June 2016 and was appointed Chair in December 2016. He is a professional director in the energy, construction, investment, manufacturing and professional services sectors.

WENDIE HARVEY

Non-Executive Director

Wendie joined the Aurora Energy Board in November 2018. She is a professional director with interests in strategy development, organisation change, infrastructure management and the promotion of health and safety in the workplace.

SIMON CLARKE

Non-Executive Director

Simon joined the Aurora Energy Board on 1 July 2021. He is a professional director with over 20 years' experience in the NZ utilities sector.

STEPHEN LEWIS

Non-Executive Director

Stephen joined the Aurora Energy Board on 1 July 2021. He is a company director and business consultant with over 45 years' experience in the electricity supply industry.

JANICE FREDRIC

Non-Executive Director

Janice joined the Aurora Energy Board on 1 July 2022. She is a professional director with over 20 years governance experience across commercial, public and not-for-profit sectors.

Executive Leadership Team

RICHARD FLETCHER

Chief Executive

Richard joined Aurora Energy as Chief Executive in January 2018. He has extensive international experience in engineering and management consulting and held senior roles in the New Zealand electricity supply sector.

GARY DIXON

Chief Financial Officer & General Manager - *Finance, Risk Assurance and Commercial*

Gary joined Aurora Energy in October 2011. He is responsible for the accounting and finance, risk assurance, regulatory and commercial administration functions of Aurora Energy.

GLENN COATES

General Manager - *Asset Management and Planning*

Glenn joined Aurora Energy in March 2018. He is responsible for asset management strategy and the associated growth and lifecycle management of our network assets. He also leads the Aurora Energy design and engineering teams that support the delivery of our network and customer-related projects.

MARK PRATT

General Manager - *Business Process Optimisation*

Mark joined Aurora Energy in 2018 and was initially appointed as General Manager Works Programming and Contracts in December 2018. He was responsible for the delivery of network programmes across Aurora Energy. In early June 2023, Mark moved into a new role as GM Business Process Optimisation, focusing on delivering future benefits and productivity improvements across the wider business.

SIAN SUTTON

General Manager - *People, Customer and Sustainability*

Sian joined Aurora Energy in February 2019. She is responsible for Aurora Energy's customer experience, stakeholder engagement, communication, human resource functions and employee safety. She also oversees the implementation of Aurora Energy's Carbon Emissions and Waste Reduction strategies.

TRACEY SAUNDERS

General Manager - *Digital Transformation*

Tracey joined Aurora Energy in January 2020. She is responsible for information technology strategy, digital transformation and operations and network technology development.

MATT SETTLE

General Manager - *Operations and Network Performance*

Matt joined Aurora Energy in January 2020 and was appointed General Manager Operations and Network Performance in December 2021. He is responsible for the operation of the network control centre, network access planning and operational performance.

RICHARD STARKEY

General Manager - *Service Delivery*

Richard joined Aurora Energy in November 2011 and was appointed General Manager Service Delivery in June 2023. He is responsible for the forward programming of network projects, network procurement, and delivery of contracted work programmes on the Aurora Energy network.

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Our service performance

Replacing multiple poles near Cromwell

Trend statement

YEARS ENDED 30 JUNE	NOTE		2023	2022	2021	2020	2019
Energy received into network	1	GWh	1,445	1,384	1,459	1,478	1,444
Energy received for delivery to consumers	1	GWh	1,368	1,305	1,405	1,415	1,401
Total revenue		**$000**	**142,787**	**126,680**	**116,254**	**110,953**	**103,229**
Operating profit (loss) before tax (before provision for network reliability performance breach provision)		**$000**	**16,112**	**10,965**	**1,653**	**(6,585)**	**(7,049)**
Provision for network reliability performance breach provision		$000	-	-	-	-	(5,000)
Net profit (loss) before tax		**$000**	**16,112**	**10,965**	**1,653**	**(6,585)**	**(12,049)**
Tax expense/(benefit)		$000	5,030	3,202	972	(2,388)	(1,106)
Net profit (loss) for the year		**$000**	**11,082**	**7,763**	**681**	**(4,197)**	**(10,943)**
Cashflow from operating activities		$000	44,455	36,800	28,860	14,488	16,887
Dividends paid		$000	-	-	-	-	-
Shareholder's equity		**$000**	**197,522**	**186,440**	**178,139**	**175,965**	**179,576**
Total assets		**$000**	**805,341**	**730,576**	**671,909**	**617,646**	**580,376**
Capital Expenditure (Property, plant and equipment)		**$000**	**99,294**	**82,990**	**76,640**	**53,648**	**62,731**
Return on average equity			6.0%	4.3%	0.4%	(2.4%)	(5.9%)
Equity to total assets			24.5%	25.5%	26. 5%	28.5%	30.9%

1 Energy received statistics for regulated years ended 31 March are reported under the Network Performance Summary on page 72.

Statement of service performance

FOR THE YEAR ENDED 30 JUNE 2023

OUR PEOPLE, OUR PLACE

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Zero serious harm events involving members of the public	Nil	Achieved	There were no serious harm events involving members of the public
Reduce levels of recordable harm	<3.75 total recordable injury frequency rate (TRIFR) per 200,000 hours worked	Not achieved	Aurora Energy and its network approved contractors recorded a TRIFR of 4.2 per 200,000 hours worked
Develop opportunities across the business that support the overall wellness of our team	A Board-approved Health, Safety and Wellbeing plan is in place. The Plan is reviewed and updated annually	Achieved	The health, safety and well-being strategy was reissued in April 2023. Regular updates were reported to the health, safety and well-being sub-committee
To create a motivated and satisfied team and to understand and action opportunities for improvement within our team environment	>75% staff satisfaction result on annual employee survey	Achieved	Over the three staff surveys conducted in August 2022, December 2022, and March 2023 the average satisfaction result was 89.4%
Ensure that all direct employees are paid the living wage or above	All direct employees are paid at living wage or above	Achieved	As at 30 June 2023, 100% of the Company's employees were paid at or above the Living Wage (as calculated by the Living Wage Aotearoa New Zealand)

ENABLING DECARBONISATION

Reliability Performance Targets (Statement of Intent Targets – Period Ended 31 March 2023)

SAIDI			
Class B Interruptions (Planned)	≤ 195.96 minutes	Achieved	110.34 minutes
Class C Interruptions (Unplanned)	≤ 124.94 minutes	Achieved	106.49* minutes

SAIFI			
Class B Interruptions (Planned)	≤ 1.11	Achieved	0.60 interruptions
Class C Interruptions (Unplanned)	≤ 2.07	Achieved	1.75* minutes

*Class C SAIDI and SAIFI are expressed as normalised figures. The Commerce Commission's price-quality framework allows for the effect of extreme events to be removed, resulting in normalised figures that are compared against target. The raw results for Class C SAIDI and SAIFI were 156.3 minutes and 2.48 interruptions respectively.

Statement of service performance (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Asset Management Maturity			
Implement process and capability improvements identified in CPP Asset Management Practices Development Plan (AMPDP)	Asset management development initiatives delivered in accordance with timetable in CPP AMPDP	Achieved	Significant progress has been made on the process and capability improvements outlined in the AMPDP. Further details are available in the Company's Annual Delivery Report dated 31 August 2023
Effective long-term planning for Aurora Energy's asset portfolio is in place	Annual and compliant Asset Management Plan is published as per regulatory requirements	Achieved	A full 10 year Asset Management Plan (AMP) was published on 31st March 2023
Future Energy			
Lead investigations into future South Island system operation models to ensure fit-for-future solutions for customers	Co-ordinate South Island electricity distribution business group initiative investigating future system operation models	Achieved	Aurora Energy played a lead role in the South Island electricity distribution group charged with the development of future system operation models. The outputs from this initiative are expected to feed into new workstreams within the ENA Future Network Forum (FNF)
Work collaboratively with the sector on green energy initiatives	Participate in South Island electricity distribution sector 'decarbonisation ready' collaboration group	Achieved	This collaboration initiative has adapted to respond to stakeholder priorities. The initial work helped the distribution sector to engage on decarbonisation initiatives. Further collaboration with EECA has led to the emergence of regional decarbonisation reports to better understand the network implications of process heat electrification

Statement of service performance (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Efficient Delivery			
Deliver work programme outcomes to scope, time and budget	Work programmes are delivered to Contractors on a rolling quarterly basis in accordance with Field Service contract terms	Achieved	Annual work and project plans are being delivered in accordance with Field Service contract terms Variations to budget are reported and addressed via delegated authorities
Implement new Aurora Energy data strategy and establish a structured approach to the utilisation of business intelligence	Data strategy approved and implemented, and appropriate business intelligence tools used to support decision making		The data strategy has been approved and the business intelligence framework has been implemented
Aurora Energy Risk Register is regularly reviewed & updated, and the risk profile is managed in accordance with Board approved risk tolerance levels	Risk Management Framework embedded as evidenced by:		
	- Risk registers reviewed regularly and up to date,	Achieved	Risks on our risk register are regularly reviewed and kept up to date
	- Risk treatment plans reviewed regularly and up to date,	Achieved	Risk treatment plans are in place and reviewed regularly by risk owners
	- Regular reporting to Board and Audit & Risk Committee	Achieved	Risk update reports are provided to the Board and Audit and Risk Committee on a regular basis
Our Communities			
Maintain community support through approved sponsorships and community initiatives	$10,000 of sponsorship and community initiatives	Achieved	In excess of $10,000 was provided to support community initiatives during the year. Aurora Energy's primary community sponsorship was the Otago Science & Technology Fair
To provide regular updates and consult with the community on the delivery of our CPP programme	Annual delivery reporting and regional community engagements are delivered in accordance with the approved CPP timeframe	Achieved	Published the 31 March 2022 Annual Delivery Report on 31 August 2022 Public engagement forums were held in each pricing region before 31 October 2022
Streamline customer service processes through enhanced outage information via the outage management system (OMS)	The OMS upgrade is complete and enabling the automation of outage data capture	Achieved	The OMS upgrade was completed in May 2023

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Statement of service performance (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Licence To Operate			
Develop corporate sustainability initiatives	A corporate sustainability framework is developed by 30 June 2023	Achieved	An environmental, social, and governance (ESG) framework was developed by the Aurora Energy executive team during the reporting period
Contribute to Council's Carbon Neutrality initiatives	Implement Aurora Energy's carbon emissions strategy developed in the 2022 financial year and achieve our FY2023 targets	Partially achieved	Work to implement Aurora Energy's carbon emissions strategy progressed during the year however some milestone dates were not achieved. There were no quantified emission targets for the reporting period
Minimise waste and the associated negative environmental impacts	Implement Aurora Energy's waste reduction strategy developed in the 2022 financial year, and achieve our FY2023 targets	Partially achieved	Work to implement Aurora Energy's waste reduction strategy progressed during the year however some milestone dates were not achieved. There were no quantified waste reduction targets for the reporting period
Implement opportunities to transition light motor fleet to electric vehicles where appropriate	Transition targets for electrification of the company's motor fleet achieved by 30 June 2023	Achieved	We have implemented a fleet transition plan to replace ICE vehicles with electric vehicles where fit for purpose electric options are available
Increase sustainability reporting and climate related disclosures in our Annual Report	Measure and publicly report our Greenhouse Gas (GHG) emissions, and progress towards our emissions and waste reduction strategies and targets in our Annual Report	Achieved	Sustainability reporting is again included in this year's 2023 Annual Report

Statement of service performance (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Shareholder			
Consult with the Shareholder at the earliest possible time on matters where conflict may or could result	No unnotified potential conflicts.	Achieved	There were no issues of potential strategic or operational conflict to be notified to the Shareholder
On a "no surprises" basis, advise the Shareholder promptly of any substantive matter that has the potential to impact negatively on the Shareholder and the Company with a particular focus on the media	All substantive matters reported within 24 hours	Achieved	All substantive matters were reported to the Shareholder within 24 hours

FINANCIAL OBJECTIVES

Financial results – NZD '000's	TARGET	OUTCOME	ACTUAL
EBITDA[1]	>57,383	Achieved	60,092
Net profit after tax	>9,942	Achieved	11,082
Shareholder's funds	>195,195	Achieved	197,522
Shareholder's funds to total assets	>25%	Achieved	25%
Cash flow from operations	>41,410	Achieved	44,455
Capital expenditure[2]	>79,418	Achieved	99,294
Capital expenditure per Board approved budget[2]	>89,369	Achieved	99,294
Term debt	≤486,200	Not achieved	494,635

1 EBITDA target and outcome calculations exclude asset disposals.

2 Transposition error in the 2023 Statement of Intent resulted in an incorrect FY23 capex number being disclosed.

Network performance

These statistics are generally as required to be disclosed by the Commerce Commission Information Disclosure Requirements.

12 MONTHS ENDED 31 MARCH		2023	2022	2021	2020	2019
System Physical Measures						
Average length of lines and cables	km	6,256	6,213	6,161	6,101	6,575[1]
Total capacity of distribution transformers	MVA	1,025	1,011	999	991	978
Distribution transformer capacity utilisation	%	30%	31%	30%	29%	31%
Consumer Measures						
Number of consumer connections		94,723	93,785	92,665	91,577	90,419
System maximum coincident demand	MW	309	309	299	283	299
Energy received for delivery[2]	GWh	1,435	1,382	1,385	1,431	1,419
Average load factor		53%	51%	53%	58%	54%
Average minutes off per interruption	CAIDI[3]	90	97	88	89	88
Average interruptions per annum	SAIFI[3]	2.4	2.3	2.1	2.1	2.1
Average minutes off per annum	SAIDI[3]	217	223	188	187	185

NOTES:

km - kilometres
MVA - megavolt amperes
MW - megawatts
GWh - gigawatt hours
CAIDI - Consumer Average Interruption Duration Index
SAIFI - System Average Interruption Frequency Index
SAIDI - System Average Interruption Duration Index

1 In the 2019 year we disclosed circuit length figures inclusive of street lighting circuit. We now report circuit length exclusive of street lighting circuit consistent with the Electricity Distribution Information Disclosure Determination 2012.

2 Energy received statistics for years ended 30 June are reported in the Trend Statement on page 65.

3 An uplift in planned works during the first two years of our customised price-quality path period drove an increase in the 2022 and 2023 SAIDI, SAIFI and CAIDI figures compared with recent years.

Directors' report

FOR THE YEAR ENDED 30 JUNE 2023

The Directors of Aurora Energy Limited are pleased to report on the financial results and associated matters for the year ended 30 June 2023.

PRINCIPAL ACTIVITIES OF THE COMPANY

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

RESULTS FOR THE YEAR ENDED 30 JUNE 2023	$000
Operating profit before income tax	16,112
Income tax expense	5,030
Net profit after tax	11,082

STATE OF AFFAIRS

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

DIVIDENDS

No dividends were declared or paid during the year.

Directors' report (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

REVIEW OF OPERATIONS

The Company made good progress on the delivery of risk-based asset management practices, improved operational performance and the further development of customer and community partnerships during the year.

Operating results compared favourably with performance targets for the reporting period.

FINANCIAL STATEMENTS

The audited financial statements for the year ended 30 June 2023 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 year ended 30 June 2023 or existed at that date are disclosed in the related parties section of this report.

DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

Stephen R Thompson	$99,151
Simon J Clarke	$49,575
Janice E Fredric	$49,575
Wendie N Harvey	$49,575
Stephen P Lewis	$49,575
	$297,451

EMPLOYEES' REMUNERATION

The number of employees and former employees whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2023 is listed below. Remuneration incudes all non-cash benefits and redundancy payments at total cost to the Company where applicable.

$100,000 – $109,999	14
$110,000 – $119,999	11
$120,000 – $129,999	11
$130,000 – $139,999	8
$140,000 – $149,999	9
$150,000 – $159,999	6
$160,000 – $169,999	2
$170,000 – $179,999	6
$180,000 – $189,999	5
$190,000 – $199,999	3
$260,000 – $269,999	3
$280,000 - $289,999	1
$310,000 – $319,999	1
$340,000 – $349,999	1
$560,000 – $569,999	1
	82

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Directors' report (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

AUDIT AND RISK COMMITTEE

Mrs Fredric, Mr Thompson and Mr Lewis were members of the Audit and Risk Committee throughout the year. The Audit and Risk Committee has the responsibility for agreeing the arrangements for audit of the Company's financial statements. Its responsibilities include ensuring that appropriate audit consideration is given to the following issues:

- effectiveness of systems and standards of internal control
- quality of management controls
- management of business risk
- compliance with legislation, standards, policies and procedures
- appointing and monitoring the internal audit function.

Specific areas for the Audit & Risk Committee's review were identified and a number of reviews were completed, with the results reported to the Board. Review of further areas is on-going and progress is satisfactory.

KPMG continued as internal auditor to the Company.

HEALTH, SAFETY AND WELLBEING COMMITTEE

Mr Lewis, Mr Thompson and Mrs Harvey were members of the Health, Safety and Wellbeing Committee throughout the year. The Committee's principal responsibility is to review and make recommendations to the Board on the appropriateness and effectiveness of the Company's health, safety and wellness strategy, performance and governance.

REMUNERATION (PEOPLE) AND TALENT COMMITTEE

Mrs Harvey, Mr Thompson and Mr Clarke were members of the Remuneration (People) and Talent Committee throughout the year. The Remuneration (People) and Talent Committee's role is to develop and implement policies relating to the remuneration and other terms and conditions of service of the Chief Executive and senior staff and to oversee remuneration practices.

AUDITOR

The Auditor-General is appointed Auditor pursuant to Section 45 of the Energy Companies Act 1992. The Auditor-General has contracted the audit to Audit New Zealand.

Directors' report (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

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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' BENEFITS

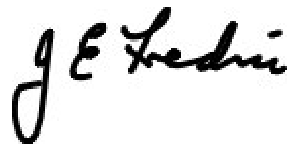
No Director has, since the end of the previous financial year, received or become entitled to receive a benefit other than a benefit included in the total remuneration received or due and receivable by the Directors shown in the financial statements.

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

There were no significant post balance date events other than those disclosed in the notes to the financial statements.

For and on behalf of the Board of Directors



Stephen Thompson
CHAIR

19 September 2023

Janice Fredric
DIRECTOR

Information on directors

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS AS AT 30 JUNE 2023
Stephen R Thompson Non-Executive Chairman	BCom, FCA (PP), CF.Inst.D.	June 2016	Chair and Shareholder – Thompson Bloodstock Limited
			Director and Shareholder – Passmore Consulting Services Limited
			Director and Shareholder – Logistics Property Limited
			Director – F.S. Investments Limited
			Director and Shareholder – Keano's Trustee Company Limited
			Director – Sarita Holdings Limited (ceased 25 May 2023)
			Director – Wānaka Bay Limited
			Director and Shareholder – Lakes Realty Limited (previously Whangamata Water 2 Limited)
			Partner – Queensberry Hills Development
			Director and Shareholder – Best View Limited
			Shareholder – McKenzie Architects Limited
			Shareholder – Owhiro River Limited
			Shareholder – Cerise Orchard Limited
			Shareholder – OB Horn Company Limited (ceased 20 October 2022)
			Shareholder – Renaissance Holdings (NZ) Limited
			Shareholder – Richard E Shackleton Architects Limited
			Director and Shareholder – Anreca Investments Limited (Director effective 21 June 2023)
			Shareholder – Lake McKay GP Limited
			Shareholder – Airtime New Zealand Limited
			Shareholder – The Gin Company Limited
			Shareholder – Julian Smith Investment Trust Custodian Limited
			Shareholder – Julian Smith Family Trust Custodian Limited

Information on directors (cont.)

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS AS AT 30 JUNE 2023
Wendie N Harvey Non- Executive Director	LLB	November 2018	Director – Eastland Group Limited
			Director – Eastland Port Limited
			Director – Eastland Network Limited (ceased 28 February 2023)
			Director – Eastland Generation Limited
			Director – Gisborne Airport Limited
			Board member – Fire and Emergency New Zealand (ceased 8 December 2022)
			Chair - Hawke's Bay Airport Limited
			Director – Hawke's Bay Airport Construction Limited
			Director and Shareholder – Excellence in Business Solutions Limited
			Director – TAB
			Director – Port Taranaki (effective 5 April 2023)
			Director – Hawke's Bay Regional Recovery Agency (effective 21 April 2023)
			Director – Firstlight Network Limited (ceased 31 March 2023)
Stephen P Lewis Non-Executive Director	CM.Inst.D. FIET MIAM	July 2021	Director – Greenpower New Zealand Limited (ceased 12 May 2023)
			Director – Mt Cass Windfarms Limited (ceased 12 May 2023)
			Director – MainPower New Zealand Limited
			Director – Electricity Invercargill Limited
			Director – Pylon Limited

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Information on directors (cont.)

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS AS AT 30 JUNE 2023
Simon J Clarke Non-Executive Director	LLBBArts CM.Inst.D.	July 2021	Non-Executive Chair – Priority One (Western Bay of Plenty Economic Development Agency)
			Non-Executive Chair – Bay Venues Limited
			Director – New Zealand Post
			Director – New Zealand Post Trustee Limited
			Owner/Director/Shareholder – Matua Governance Limited
			Advisor to Queensland Investment Corporation (QIC) on potential acquisition of NZ metering business (advised Jan 2023)
			Director – NZ Holdco Limited (effective 30 June 2023)
Janice E Fredric Non-Executive Director	BCom, CA, MBA(Dist), CFInstD	July 2022	Chair – Civil Aviation Authority of New Zealand
			Chair – Aviation Security Service
			Director – National Institute of Water and Atmospheric Research
			Director – NIWA Vessel Management Limited
			Council Member – Lincoln University
			Director – Mainpower New Zealand Limited
			Director – Greenpower New Zealand Limited (ceased 12 May 2023)
			Director – Mt Cass Windfarm Limited (ceased 12 May 2023)
			Director – Unity Credit Union (ceased 28 October 2022)
			Independent Member of Audit & Risk Committee – Timaru District Council
			Trustee – New Zealand Shipwreck Welfare Trust
			Trustee – Treygynon Charitable Trust

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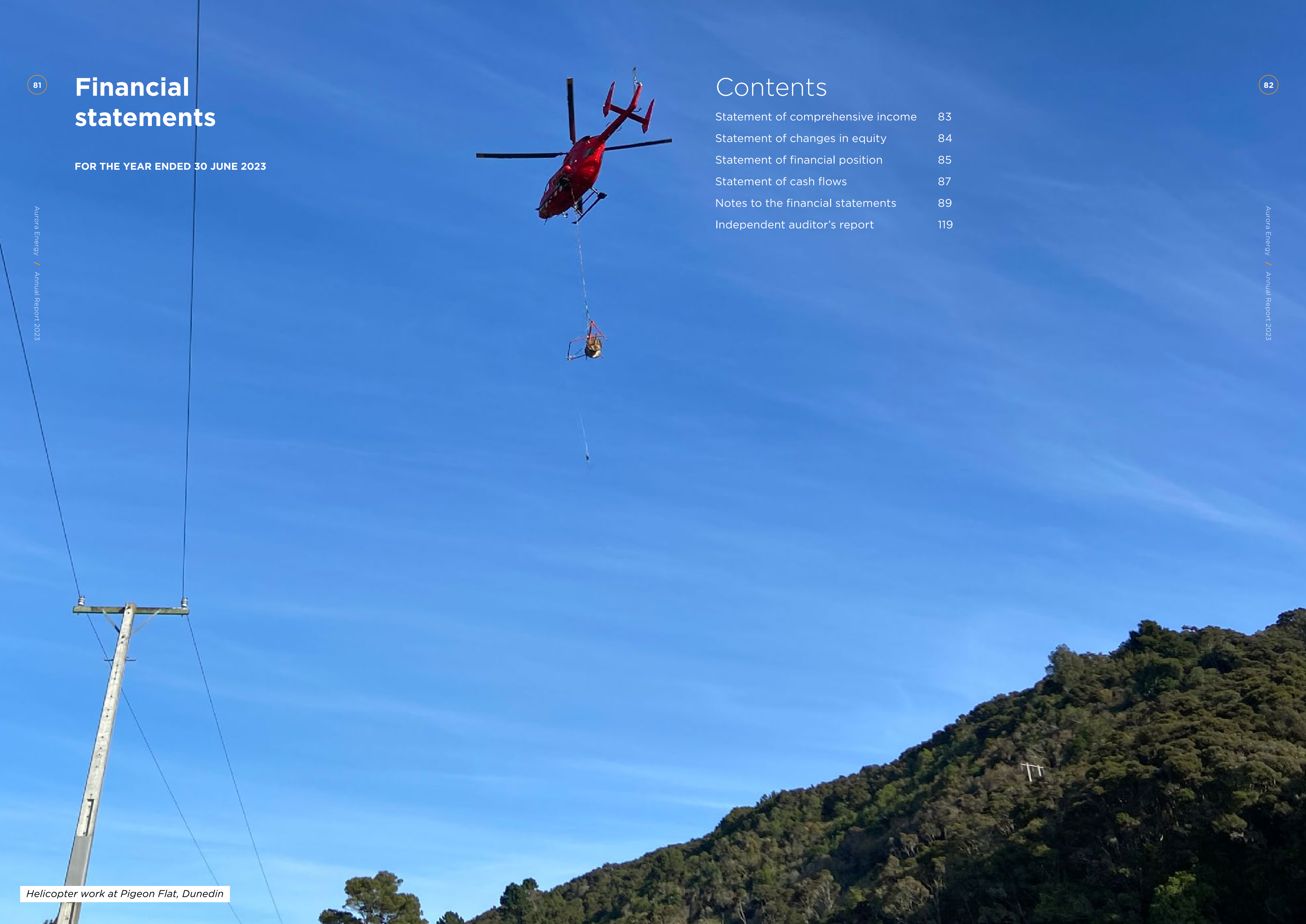
Financial statements

FOR THE YEAR ENDED 30 JUNE 2023



Helicopter work at Pigeon Flat, Dunedin

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Statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $000	2022 $000
Operating revenue	3	142,773	126,672
Financial revenue	4	14	8
Total revenue		**142,787**	**126,680**
Less expenses			
Operating expenses	5	109,396	104,855
Financial expenses	6	17,279	10,860
Total expenditure		**126,675**	**115,715**
Profit before tax		**16,112**	**10,965**
Income tax expense	9	5,030	3,202
Net profit after tax for the year		**11,082**	**7,763**
Other comprehensive income			
Gain on cashflow hedges		-	538
Total other comprehensive income for the year		-	538
Total comprehensive income for the year		**11,082**	**8,301**

Note: The accompanying notes and accounting policies form an integral part of these audited financial statements.

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2023

	Share Capital $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Equity as at 1 July 2022	10,000	-	176,440	186,440
Profit after tax	-	-	11,082	11,082
Comprehensive income	-	-	-	-
Equity as at 30 June 2023	**10,000**	**-**	**187,522**	**197,522**
Equity as at 1 July 2021	10,000	(538)	168,677	178,139
Profit after tax	-	-	7,763	7,763
Comprehensive income	-	538	-	538
Equity as at 30 June 2022	**10,000**	**-**	**176,440**	**186,440**

Note: The accompanying notes and accounting policies form an integral part of these audited financial statements.

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Statement of financial position

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $000	2022 $000
EQUITY			
Share capital	11	10,000	10,000
Cash flow hedge reserve	12	-	-
Retained earnings	13	187,522	176,440
Total equity		**197,522**	**186,440**
CURRENT LIABILITIES			
Lease liabilities	7	949	1,023
Trade and other payables	14	17,855	16,772
Contract liabilities	15	1,556	809
Borrowings	18	1,525	1,722
Other current liabilities	16	-	77
Employee provisions	17	1,874	1,872
Total current liabilities		**23,759**	**22,275**
NON-CURRENT LIABILITIES			
Lease liabilities	7	2,318	1,932
Employee provisions	17	337	313
Borrowings	18	494,635	438,210
Contract liabilities	15	-	-
Deferred tax liability	19	86,770	81,406
Total non-current liabilities		**584,060**	**521,861**
Total liabilities		**607,819**	**544,136**
TOTAL EQUITY AND LIABILITIES		**805,341**	**730,576**

Note: The accompanying notes and accounting policies form an integral part of these audited financial statements.

Statement of financial position (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $000	2022 $000
CURRENT ASSETS			
Cash and cash equivalents	20	120	64
Trade and other receivables	21	17,095	15,545
Inventories	23	2,294	1,601
Other current assets	16	55	-
Taxation receivable		720	2,313
Total current assets		**20,284**	**19,523**
NON-CURRENT ASSETS			
Investments	22	24	22
Intangible assets	25	3,824	3,660
Deferred tax asset	19	1,286	2,237
Property, plant and equipment	24	776,737	702,273
Right of use assets	7	3,186	2,861
Total non-current assets		**785,057**	**711,053**
TOTAL ASSETS		**805,341**	**730,576**

For and on behalf of the Board of Directors

Stephen Thompson
CHAIRMAN

Janice Fredric
DIRECTOR

19 September 2023

Note: The accompanying notes and accounting policies form an integral part of these audited financial statements.

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Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $000	2022 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Receipts from customers		141,326	124,414
Interest and dividends received		7	8
Intra group tax loss/subvention receipt		2,879	3,844
		144,212	128,266
Cash was disbursed to			
Payments to suppliers and employees		81,707	82,665
Interest paid		18,043	9,027
Net GST (received)/paid		7	(226)
		99,757	91,466
Net cash inflows from operating activities	27.1	**44,455**	**36,800**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from			
Sale of property, plant and equipment including intangible assets		446	1,245
		446	1,245
Cash was disbursed to			
Purchase of property, plant and equipment including intangible assets		100,175	85,349
		100,175	85,349
Net cash (outflows) from investing activities		**(99,729)**	**(84,104)**

Note: The accompanying notes and accounting policies form an integral part of these audited financial statements.

Statement of cash flows (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 $000	2022 $000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from			
Proceeds from borrowings		99,700	112,575
		99,700	112,575
Cash was disbursed to			
Repayment of borrowings		43,275	64,105
Lease liability repayment		1,095	1,152
		44,370	65,257
Net cash inflows from financing activities	27.2	**55,330**	**47,318**
Net increase/(decrease) in cash, cash equivalents and bank overdraft		**56**	**14**
Cash and cash equivalents at beginning of the year		64	50
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	**120**	**64**

Note: The accompanying notes and accounting policies form an integral part of these audited financial statements.

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Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2023

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 Company, incorporated in New Zealand under the Companies Act 2013, is a wholly owned subsidiary of Dunedin City Holdings Limited. Dunedin City Holdings Limited is wholly owned by Dunedin City Council.

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 annual financial statements are general purpose financial reports which have been prepared in accordance with NZIAS1, 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 19 September 2023.

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 and notes.

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.

Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. The Statement of Cash Flows is exclusive of GST.

SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Impairment of Assets

At each balance 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.

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 statement of comprehensive income.

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 statement of comprehensive income.

Financial Instruments

Financial instruments are contracts that give rise to financial assets and financial liabilities that are recognised on the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Comparatives

Certain prior period adjustments have been reclassified between functional categories for consistency with the current period. The adjustments relate to revenue, expenditure, income tax, trade payable, and related parties.

Changes in Accounting Policies

There have been no new accounting policies adopted in the year to 30 June 2023.

Standards amended or issued during the year

During the period, there were no new or amended accounting standards which materially affected the Company or its reporting.

Standards issued but not yet effective

Amendments to NZ IAS 1 – Disclosure of Accounting Policies are effective for annual reporting periods beginning on or after 1 January 2023. This amendment requires entities to disclose their material accounting policy information rather than their significant accounting policies. The company did not early adopt these amendments.

There are no other new or revised standards issued but not yet effective that will have a material impact on the financial reporting of the Company.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

3 OPERATING REVENUE

	2023 $000	2022 $000
Line charges	100,468	82,113
Pass-through and recoverable cost revenue	32,202	31,345
Customer contributions	8,717	11,301
Total revenue	**141,387**	**124,759**
Other income	1,386	1,913
Total revenue and other income	**142,773**	**126,672**

Line charges and pass-through and recoverable cost revenue is recognised at the fair value of services provided. These revenue streams relate to the provision of distribution services for electricity. Prices are regulated and customers are charged through a mix of fixed charges which are recognised on a straight line basis and variable charges which are recognised based on the volume of distribution services provided. Consistent with NZ IFRS 15 this revenue is recognised during the period in which the service is delivered.

Customer contribution revenue relates to contributions received from customers towards the costs of reticulating electricity to new connections, constructing uneconomic lines and relocating existing network assets. Revenue is generally recognised at the time the new connection is fully constructed and livened. For contracts with multiple performance obligations revenue is recognised at the point in time when each performance obligation is satisfied.

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.

Having considered the revenue recognition criteria of NZ IFRS 15, the Company has determined that line charges and customer contributions received during the reporting period continue to meet the requirements for recognition as up-front revenue.

Impact of 2021 Customised Price-Quality Path Determination on revenue recognition

The Commerce Commission's Customised Price-Quality Path Determination for Aurora Energy included a 10% limit on the annual increase in line charge revenue in order to reduce the price impact on consumers. Combined with the impact of volume driven revenue variances the total deferred revenue for year ended 31 March 2023 is $39.315 million (2022: $13.417 million). This deferred revenue will be recovered from consumers in future financial years.

4 FINANCIAL REVENUE

	2023 $000	2022 $000
Interest and dividends received	14	8

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.

5 OTHER EXPENSES

Included in the operating expenses of the Company are the following items:

Audit fees		
- for audit of financial statements	164	106
- for audit services in relation to regulatory (information disclosure) reporting	56	46
- for audit services in relation to price and quality thresholds and other regulatory reporting	35	30
- for audit of annual delivery report	65	38
Total audit fees	**320**	**220**
Transmission costs	31,972	31,068
Depreciation and amortisation	24,812	22,730
Depreciation – leases	1,009	1,064
Maintenance costs	20,287	20,767
Employee remuneration and benefits	16,249	15,386
Directors' fees & disbursements	310	317
Bad debts written off	232	85
Loss on sale / disposal of fixed assets	936	2,259
Increase / (decrease) in expected credit losses	(105)	(40)

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

6 FINANCIAL EXPENSES

	2023 $000	2022 $000
Interest – other	6	4
Interest – related parties	17,649	11,167
Interest – capitalised	(450)	(400)
Interest – leases	74	89
Total financial expenses	**17,279**	**10,860**

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. The interest rate used to calculate borrowing costs in the year to 30 June 2023 was 3.79% (2022: 2.5%). This was the interest rate applicable to new project financing in the reporting period.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

7 LEASES AND RIGHT OF USE ASSETS

Leases are classified as right-of-use assets except where lease payments that are short-term or low value are recognised as an expense on a straight-line basis over the term of the lease.

Lease liability payments are allocated between interest expense and reduction of the lease liability over the term of the lease.

Capitalised right-of-use assets are depreciated over the shorter of the estimated useful life of the assets and the lease term if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Lease liabilities

Leases entered into and identified by the Company include property leases, communication access rights, and vehicle leases. In assessing whether an arrangement is, or contains a lease, the Company considers whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group assesses whether:

- the contract involves the use of an identified asset;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and the Company has the right to direct the use of the asset.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

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7 LEASES AND RIGHT OF USE ASSETS - continued

LEASE MATURITY ANALYSIS AS AT 30 JUNE 2023	Minimum Lease Payments $000	Interest $000	Present Value $000
Payable within one year	964	15	949
Payable between one to five years	1,936	240	1,696
Payable later than five years	714	92	622
Total			**3,267**
Current Portion			949
Non-current Portion			2,318
			3,267

LEASE MATURITY ANALYSIS AS AT 30 JUNE 2022	Minimum Lease Payments $000	Interest $000	Present Value $000
Payable within one year	1,035	12	1,023
Payable between one to five years	1,646	141	1,505
Payable later than five years	502	75	427
Total			**2,995**
Current Portion			1,023
Non-current Portion			1,932
			2,955

	2023 $000	2022 $000
Cashflow		
Total cash outflow in relation to leases	1,389	1,416
Lease expenses included in profit and loss relate to		
Short term leases	297	260
Interest on leases	74	89

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

7 LEASES AND RIGHT OF USE ASSETS - continued

RIGHT OF USE ASSETS

MOVEMENTS IN YEAR ENDED 30 JUNE 2023	Buildings $000	Network $000	Plant & Equipment $000	Motor Vehicles $000	Total $000
Opening net book value	2,173	-	612	76	2,861
Additions	419	-	937	41	1,397
Disposals	-	-	(63)	-	(63)
Depreciation charge	(615)	-	(332)	(62)	(1,009)
Closing net book value	1,977	-	1,154	55	3,186
As at 30 June 2023					
Cost	4,019	-	2,666	851	7,536
Accumulated depreciation	(2,042)	-	(1,512)	(796)	(4,350)
Net book value	**1,977**	**-**	**1,154**	**55**	**3,186**

MOVEMENTS IN YEAR ENDED 30 JUNE 2022	Buildings $000	Network $000	Plant & Equipment $000	Motor Vehicles $000	Total $000
Opening net book value	2,187	-	969	230	3,386
Additions	491	-	35	19	545
Depreciation charge	(505)	-	(392)	(173)	(1,070)
Closing net book value	2,173	-	612	76	2,861
As at 30 June 2022					
Cost	3,600	-	1,792	810	6,202
Accumulated depreciation	(1,427)	-	(1,180)	(734)	(3,341)
Net book value	**2,173**	**-**	**612**	**76**	**2,861**

Right of use (ROU) assets are initially recognised at cost, comprising the initial amount of the lease liability less any unamortised lease incentives. ROU assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In considering the lease term, the Company applies judgment in determining whether it is reasonably certain that an extension or termination option will be exercised.

As at 30 June 2023 the lease renewal options in relation to office premises were not fully recognised in lease terms on the basis that it was less than certain all rights of renewal would be exercised.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

8 DIVIDENDS

No dividend was declared or payable for the year ended 30 June 2023 (2022: Nil).

9 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 statement of comprehensive income 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 date.

	2023 $000	2022 $000
Income Tax		
Operating profit/(loss) before income tax	16,112	10,965
Tax thereon at 28% (2022: 28%)	4,511	3,070
Plus / (Less) the Tax Effect of Differences		
Expenditure (deductible)/non-deductible for taxation purposes	10	(441)
Consolidated group adjustment	369	339
Under/(over) tax provision in prior years	140	234
Tax effect of differences	519	132
Tax expense	**5,030**	**3,202**
Represented by		
Current tax provision	(722)	(1,835)
Under/(over) current tax provision in prior year	(562)	234
Deferred tax provision	5,612	5,127
Under/(over) deferred tax in prior year	702	(324)
Total income tax	**5,030**	**3,202**

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

9 TAXATION - continued

During the 2023 income year, Aurora Energy has removed from its cost of assets for tax depreciation purposes the identified profits arising on the construction of those assets supplied by DCHL subsidiary, Delta Utility Services Limited. These profits have also been deducted from the calculation of taxable income of the consolidated tax group. For accounting purposes, the group has decided to recognise the adjustment to remove the profit component of these assets and reflect a current year tax compensation payment of $369,000 from Delta to Aurora. This approach has been adopted since 1 July 2015. The removal of the profit component from the 2023 assets acquired has also increased the current year's deferred tax charge.

Imputation credit account

The Company is a member of an income tax consolidated group and has access to the income tax consolidated group's imputation credit account.

10 EARNINGS PER SHARE

	2023	2022
Number of shares		
Weighted average number of ordinary shares	10,000,000	10,000,000
Basic earnings per share in dollars	**1.11**	**0.83**

11 EQUITY - SHARE CAPITAL

	2023 $000	2022 $000
Issued capital - 10,000,000 ordinary shares	10,000	10,000

12 CASH FLOW HEDGE RESERVE

Balance at beginning of the year	-	(538)
Net revaluations	-	747
Deferred tax arising on hedges (note 19)	-	(209)
Balance at end of the year	-	-

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.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

13 RETAINED EARNINGS

	2023 $000	2022 $000
Balance at beginning of the year	176,440	168,677
Net profit/(loss) for the year	11,082	7,763
Balance at end of the year	**187,522**	**176,440**

14 TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost and include:

Trade payables	17,855	16,772
	17,855	**16,772**

The Directors consider that 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 CONTRACT LIABILITIES

Contract liabilities relate to customer prepayments on capital contribution projects that have not been completed. The current portion reflected in the note below represents the total value of customer contributions received on projects we expect to be complete within one year of balance date.

Current	1,556	809
Non-current	-	-

16 OTHER CURRENT ASSETS/(LIABILITIES)

GST receivable/(payable)	55	(77)
	55	**(77)**

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

17 EMPLOYEE PROVISIONS

	2023 $000	2022 $000
(i) Current Liabilities		
Annual leave	1,770	1,758
Long service leave	68	82
Gratuities	36	32
Balance at end of the year	**1,874**	**1,872**
(ii) Non-current liabilities		
Long service leave	216	183
Gratuities	121	130
Balance at end of the year	**337**	**313**

A provision is recognised in the statement of financial position 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.

Entitlements to salary and wages and annual leave are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date at current rates of pay.

Entitlements to long service leave and retirement gratuities are calculated on an actuarial basis and are based on the reasonable likelihood that they will be earned by employees and paid by the Company.

The Company recognises a liability for sick leave to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The calculation is based on the value of excess sick leave taken within the previous twelve months.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

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18 BORROWINGS (SECURED)

	2023 $000	2022 $000
Dunedin City Treasury Limited - Term	494,635	438,210
Dunedin City Treasury Limited – Current	1,525	1,722
	496,160	**439,932**

The term borrowings are secured by a General Security Agreement over all the assets of the Company. At balance date, the Company had a term debt facility limit of $500 million.

The weighted average interest rate for the loan inclusive of any current portion, was 3.79% (2022: 2.71%).

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 statement of comprehensive income 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.

Current borrowings reflect interest accrued on the Dunedin City Treasury Limited (DCTL) Term Loan as at balance date.

On 28 June 2023, DCTL provided its conditional approval of an increase in Aurora's term debt facility limit to $550 million (+$50.0 million). Unconditional approval was subsequently approved on 12 September 2023.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

19 DEFERRED TAX

	Opening Balance $000	Charged to Equity $000	Charged to Income $000	Closing Balance Assets $000	Closing Balance Liabilities $000	Closing Balance $000
YEAR ENDED 30 June 2023:						
Property, plant and equipment	(72,728)	-	(4,837)		(77,565)	(77,565)
Provisions	(6,929)	-	(989)	1,286	(9,205)	(7,918)
Tax losses	488	-	(488)	-	-	-
Revaluations of interest rate swaps	-	-	-	-	-	-
Balance at end of the year	**(79,169)**	**-**	**(6,314)**	**1,286**	**(86,770)**	**(85,483)**
YEAR ENDED 30 June 2022:						
Property, plant and equipment	(68,229)	-	(4,499)	-	(72,728)	(72,728)
Provisions	(6,618)	-	(311)	1,749	(8,678)	(6,929)
Tax losses	481	-	7	488	-	488
Revaluations of interest rate swaps	209	(209)	-	-	-	-
Balance at end of the year	**(74,157)**	**(209)**	**(4,803)**	**2,237**	**(81,406)**	**(79,169)**

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 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 statement of comprehensive income in the financial year that the movement occurs, except when it relates to items charged or credited directly to equity.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

20 CASH AND CASH EQUIVALENTS

	2023 $000	2022 $000
Cash and bank	120	64
	120	**64**

Cash and cash equivalents is composed 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 with borrowings in current liabilities in the statement of financial position.

The carrying amount of these assets or liabilities approximate their fair value.

21 TRADE AND OTHER RECEIVABLES

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

Trade receivables	16,925	15,567
Dunedin City Council and Group entities	29	61
	16,954	**15,628**
Less expected credit loss	(456)	(561)
	16,498	**15,067**
Prepayments	597	478
	17,095	**15,545**

The Directors consider that the carrying amount of the trade and other receivables approximates their fair value. The expected credit loss is established when there is objective evidence of the Company's debtors being unable to make the required payments. The Company not only provides for those debts in excess of 90 days but also assesses debtor amounts that are past due when calculating the impairment.

In the year ended 30 June 2023 $232,000 of Trade receivables were written off (2022: $85,000).

Debtor ageing		
Current	16,424	14,974
Past due 0 to 30 days	126	123
Past due 31-60 days	14	28
Past due 61-90 days	16	54
90+ days plus	374	449
	16,954	**15,628**

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Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

22 INVESTMENTS

Investments are comprised of long-term equity instrument holdings which are available for sale. Investments are measured at fair value. Any gains or losses are recognised in the statement of comprehensive income for the period in which they occur.

	2023 $000	2022 $000
Investments – listed companies	24	22
	24	**22**

The Company has acquired small shareholdings in several listed electricity-sector companies. These holdings are considered long-term.

23 INVENTORIES

Network spare parts	8	8
Materials and stores	2,286	1,593
	2,294	**1,601**

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

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

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24 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 assets are stated at cost less any subsequent accumulated depreciation and any accumulated impairment losses.

Self-constructed assets include the direct cost of construction, direct labour and an allowance for overheads, 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.

	Rate	Method
Land	no depreciation charged	
Buildings	1% to 10%	straight line
Electricity network assets	1% to 20%	straight line
Plant and equipment	2% to 50%	straight line
Motor vehicles	5% to 25%	straight line
Office equipment and fittings	4% 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 derecognised 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 statement of comprehensive income in the year the item is derecognised.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

24 PROPERTY, PLANT AND EQUIPMENT - continued

	Land $000	Buildings $000	Network $000	Plant and Equipment $000	Motor Vehicles $000	Office Equipment $000	Optical Fibre Network $000	Construction in Progress $000	Total $000
YEAR ENDED 30 June 2023:									
Cost									
Balance at beginning of year	5,679	18,094	872,637	7,360	220	1,151	4,981	34,640	944,762
Purchases	-	-	-	-	-	-	-	99,294	99,294
Transfers	157	679	92,869	1,228	-	56	-	(94,989)	-
Disposals	-	-	(3,455)	(1)	-	-	-	-	(3,456)
Total cost	**5,836**	**18,773**	**962,051**	**8,587**	**220**	**1,207**	**4,981**	**38,945**	**1,040,600**
Accumulated depreciation									
Balance at beginning of year	-	2,989	233,492	3,794	145	330	1,739	-	242,489
Depreciation	-	321	22,265	803	11	90	141	-	23,631
Disposals	-	-	(2,257)	-	-	-	-	-	(2,257)
Total accumulated depreciation	**-**	**3,311**	**253,500**	**4,596**	**155**	**420**	**1,881**	**-**	**263,863**
Balance at end of year	**5,836**	**15,461**	**708,552**	**3,991**	**65**	**785**	**3,100**	**38,945**	**776,737**

Property, plant and equipment assets of $737.792 million (2022: $667.633 million) are the subject of a debenture held as security for DCTL borrowings on behalf of the DCC consolidated group.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

24 PROPERTY, PLANT AND EQUIPMENT - continued

	Land $000	Buildings $000	Network $000	Plant and Equipment $000	Motor Vehicles $000	Office Equipment $000	Optical Fibre Network $000	Construction in Progress $000	Total $000
YEAR ENDED 30 June 2022:									
Cost									
Balance at beginning of year	6,295	18,094	788,033	6,836	220	858	4,981	39,736	865,053
Purchases	-	-	-	-	-	-	-	82,990	82,990
Transfers	92	-	87,169	532	-	293	-	(88,086)	-
Disposals	(708)	-	(2,565)	(8)	-	-	-	-	(3,281)
Total cost	**5,679**	**18,094**	**872,637**	**7,360**	**220**	**1,151**	**4,981**	**34,640**	**944,762**
Accumulated depreciation									
Balance at beginning of year	-	2,713	212,828	3,205	134	260	1,598	-	220,738
Depreciation	-	276	20,921	592	11	70	141	-	22,011
Disposals	-	-	(257)	(3)	-	-	-	-	(260)
Total accumulated depreciation	**-**	**2,989**	**233,492**	**3,794**	**145**	**330**	**1,739**	**-**	**242,489**
Balance at end of year	**5,679**	**15,105**	**639,145**	**3,566**	**75**	**821**	**3,242**	**34,640**	**702,273**

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

24 PROPERTY, PLANT AND EQUIPMENT - continued

The carrying amounts of the Company's property, plant and equipment are reviewed at each balance date to determine whether there is any indication of impairment. If such impairment exists, the recoverable amount of assets is estimated to determine the extent of any impairment loss. The recoverable amount is the higher of an asset's net selling price and value in use. An impairment loss is recognised whenever the carrying amount of assets exceeds its recoverable amount. Impairment losses are recognised in the statement of profit and loss.

In assessing the recoverable amount of the Company's electricity network related assets, the Directors have reviewed the results of impairment testing undertaken by management with assistance from Deloitte as at 30 June 2023. The impairment testing was performed on a "no growth" basis in accordance with NZ IAS 36 Impairment of Assets.

The impairment testing used the discounted cashflow (DCF) methodology to arrive at an estimated valuation range based on Free Cash Flows (FCF) for a 10-year period from 1 July 2023. The key assumptions utilised in the impairment testing were that:

- For the 10 years from 1 July 2023, the network forecasts are derived from the Commerce Commission final CPP decision allowances for the period ended 31 March 2026 and Building Blocks Allowable Revenue (BBAR) forecasts. In calculating the BBAR forecast from 1 April 2026, it is assumed that the Company reverts to a Default Price-Quality Path from the 2026/27 regulatory year and the Company's DPP4 operating expenditure allowance is determined by reference to actual expenditure during the 2024/25 regulatory year.
- Capital expenditure will mirror the 10-year expenditure forecasts included in the Company's 2023 Asset Management Plan.
- Operating expenditure will mirror the 10-year expenditure forecasts included in the Company's 2023 Asset Management Plan. It is assumed that Aurora Energy's DPP4 operating expenditure allowance will be determined by reference to actual expenditure in the 2024/25 regulatory year.
- In applying the DCF methodology the Company considered a range of discount rates from 6.00% to 7.00%. The discount rate is a matter of professional judgement.
- In determining the discount rate for year-end impairment testing, the 10-year Government bond rate at valuation date was used as a basis for the risk-free rate. The risk-free rate was used in conjunction with a view of an appropriate post-tax market risk premium.
- The discount rates used in the impairment testing were based on the same level of asset beta and similar level of leverage as set by the Commerce Commission for the 5-year regulatory period from 1 April 2020.

Sensitivity analysis showed a 0.25% decrease/(increase) in the DCF discount rate used for impairment testing would increase/(decrease) the indicative value range by about $18 million.

On reviewing the DCF analysis the Directors assessed that there was no impairment to the carrying value of the network assets as at 30 June 2023.

The value of the assets is fundamentally linked to the Company's ability to operate within the future expenditure allowances approved by the Commerce Commission.

FOR THE YEAR ENDED 30 JUNE 2023

25 INTANGIBLES

Software is amortised on a straight line basis over its estimated useful life – a maximum period of four years.

YEAR ENDED 30 JUNE 2023

	Software $000	Work in Progress $000	Total Cost $000
Cost			
Balance at beginning of year	4,344	2,602	6,946
Transfers	1,841	(1,841)	-
Purchases	-	1,345	1,345
Total cost	**6,185**	**2,106**	**8,291**
Accumulated amortisation			
Balance at beginning of year	3,286	-	3,286
Amortisation	1,181	-	1,181
Total amortisation	**4,467**	**-**	**4,467**
Closing balance	**1,718**	**2,106**	**3,824**

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Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

25 INTANGIBLES - continued

YEAR ENDED 30 JUNE 2022

	Software $000	Work in Progress $000	Total Cost $000
Cost			
Balance at beginning of year	4,299	820	5,119
Transfers	45	(45)	-
Purchases	-	1,827	1,827
Total cost	**4,344**	**2,602**	**6,946**
Accumulated amortisation			
Balance at beginning of year	2,566	-	2,566
Amortisation	720	-	720
Total amortisation	**3,286**	**-**	**3,286**
Closing balance	**1,058**	**2,602**	**3,660**

Software assets of $1.718 million (2022: $1.058 million) are the subject of a debenture held as security for DCTL borrowings on behalf of the DCC consolidated group.

26 CAPITAL COMMITMENTS

	2023 $000	2022 $000
Expenditure contracted for at balance date but not provided for in the financial statements	44,789	39,808
	44,789	**39,808**

The Company is party to three field services agreement contracts. The value of total committed expenditure under these contracts is $30 million for the 31 March 2024 regulatory year.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

27 CASH FLOWS

27.1 Reconciliation of net profit for the year to cash flows from operating activities

	2023 $000	2022 $000
Net profit for the year	11,082	7,763
Items not involving cash flows		
Depreciation and amortisation	25,821	23,794
Increase/(decrease) in deferred tax	6,315	5,012
Non-cash component of finance costs	(377)	(311)
Non-cash component of investing activities	(2)	3
Other non-cash items	-	(210)
Impact of changes in working capital items		
(Increase)/decrease in trade and other receivables	(1,550)	(1,970)
Increase/(decrease) in trade and other payables	886	(1,048)
Increase/(decrease) in provision for tax	1,593	2,246
Increase/(decrease) in contract liabilities	747	(1,695)
(Increase)/decrease in other current assets	(132)	775
(Increase)/decrease in inventories	(693)	(450)
Increase/(decrease) in other liabilities	26	183
Items classified as investing or financing activities		
Capital creditors in accounts payable	(153)	986
Loss on write down of capital projects	-	-
Net (gain)/loss on sale property, plant and equipment	892	1,722
Net cash inflows/(outflows) from operating activities	**44,455**	**36,800**

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Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

27 CASH FLOWS - continued

27.2 Reconciliation of changes in liabilities arising from financing activities

	30 June 2022 $000	Cashflows $000	Non-cash Movement $000	30 June 2023 $000
Long term borrowings	438,210	56,425	-	494,635
Short term borrowings	1,722	-	(197)	1,525
Lease liabilities	2,995	(1,095)	1,367	3,267
Total liabilities from financing activities	**442,927**	**55,330**	**1,170**	**499,427**

	30 June 2021 $000	Cashflows $000	Non-cash Movement $000	30 June 2022 $000
Long term borrowings	389,740	48,470	-	438,210
Short term borrowings	651	-	1,071	1,722
Lease liabilities	3,479	(1,152)	668	2,995
Total liabilities from financing activities	**393,870**	**47,318**	**1,739**	**442,927**

28 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. Comparative figures have been restated to include a $13.306 million related party commitments and $1.994 million of related party accruals which were not included in previous reporting. During the period, the Company provided services and traded with Dunedin City Council Group in respect of the following transactions:

YEAR ENDED 30 JUNE	2023 $000	2022 $000
Purchases of goods and services from Dunedin City Council:		
Rates and property leases	932	878
Capital Work / other	21	50
	953	**928**

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

28 RELATED PARTY TRANSACTIONS - continued

YEAR ENDED 30 JUNE	2023 $000	2022 $000
Purchases of goods and services from other Dunedin City Council Group entities:		
Capital work	33,249	27,910
Network management and operation	17,386	18,652
Interest/facility fees	17,649	11,167
Contracting services	185	287
Lease of meters	-	20
Rent	500	470
	68,969	**58,506**

At period end the amounts payable by Aurora Energy Limited to Group entities:	**2023 $000**	**RESTATED 2022 $000**
Dunedin City Council Group entities	503,179	446,888
	503,179	**446,888**

Sales of services to Dunedin City Council:	**2023 $000**	**2022 $000**
Contribution in respect of Capital Works	-	-
	-	**-**

Sales of services to Dunedin City Council Group entities:		
Rent	161	161
Sales of stock & other	160	154
Subvention / tax loss offset receipt	2,879	3,844
Tax compensation	369	339
Consulting & sundry services	13	1
Contribution in respect of capital works	114	-
Corporate shared services	-	16
	3,696	**4,515**

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

28 RELATED PARTY TRANSACTIONS - continued

At period end, the amounts receivable by Aurora Energy Limited from Dunedin City Council Group entities are:

Dunedin City Council	-	-
Other Dunedin City Council Group entities:	1,187	400

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

Aurora Energy Limited undertakes transactions with other related parties.

YEAR ENDED 30 JUNE	2023 $000	RESTATED 2022 $000
Commitments with other Dunedin City Council Group entities:		
Expenditure contracted for at balance date but not provided for in the financial statements	12,637	13,306
	12,637	**13,306**

The Company is party to a field services agreement with Delta Utility Services Limited. The value of total committed expenditure under this contract is $17 million for the 31 March 2024 regulatory year.

Transactions with companies in which Directors have an interest:

Mr Thompson is a Director and Shareholder of Passmore Consulting Services Limited. During the financial period covered by this report services of $99,151 were purchased from Passmore Consulting Services Limited (2022: $98,000). No monies were outstanding as at 30 June 2023 (2022: nil). Mr Thompson is a Shareholder in The Gin Factory Limited. During the financial period covered by this report, capital contributions of $140,539 were received from The Gin Factory Limited (2022: nil).

Mrs Harvey is a Director and Shareholder of Excellence in Business Solutions Limited. During the financial period covered by this report services of $49,575 were purchased from Excellence in Business Solutions Limited (2022: $49,000). No monies were outstanding as at 30 June 2023 (2022: nil).

Mr Clarke is a Director and Shareholder of Matua Governance Limited. During the financial period covered by this report services of $49,575 were purchased from Matua Governance Limited (2022: $49,000). No monies were outstanding as at 30 June 2023 (2022: nil).

Mr Clarke is a Director of New Zealand Post Limited. In the ordinary course of business during the financial period covered by this report, services valued at $385 were purchased from New Zealand Post Limited (2022: $337). $343 was outstanding at 30 June 2023 (2022: $4).

DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was $297,451.

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

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28 RELATED PARTY TRANSACTIONS - continued

KEY MANAGEMENT PERSONNEL REMUNERATION

	2023 $000	2022 $000
Short term employment benefits	2,405	2,482
Post-employment benefits – employees	87	91
Short term benefits – Directors (as above)	299	294
Termination benefits	-	139
	2,791	**3,006**

During the financial period under review, key management personnel in addition to Directors were directly employed by the Company.

Total remuneration paid to the Chief Executive was $566,192. No short or long term incentive arrangements are in place.

29 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 credit risk and liquidity risk.

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 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	120	64
Trade and other receivables	16,498	15,545
Term investments	24	22
	16,642	**15,631**

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

29 FINANCIAL INSTRUMENT RISK - continued

CREDIT QUALITY OF FINANCIAL ASSETS

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings (if available) or to historical information about counterparty default rates.

Counterparties with credit ratings	2023 $000	2022 $000
Cash and cash equivalents	120	64
AA-		
Trade and other receivables	22	61
AA		
Counterparties without credit ratings		
Trade and other receivables	16,932	15,567
Existing counterparties with no defaults in the past		
Investment	24	22
Existing counterparties with no defaults in the past		

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 shortfalls.

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.

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.

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

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

29 FINANCIAL INSTRUMENT RISK - continued

The following table analyses the exposure of the Company's financial assets and liabilities to liquidity risk as at 30 June 2023:

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
Financial assets							
Financial assets measured at amortised cost							
Cash and cash equivalents	120	-	-	-	-	-	120
Trade and other receivables	16,498	-	-	-	-	-	16,498
Taxation receivable	-	-	720	-	-	-	720
Financial assets at fair value through profit and loss							
Long term investments	-	-	-	-	-	24	24
	16,618	**-**	**720**	**-**	**-**	**24**	**17,362**
Financial liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	17,855	-	-	-	-	-	17,855
Borrowings	1,525	-	-	-	-	494,635	496,160
Current liabilities	-	-	-	-	-	-	-
	19,380	**-**	**-**	**-**	**-**	**494,635**	**514,015**

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

29 FINANCIAL INSTRUMENT RISK - continued

The following table analyses the exposure of the Company's financial assets and liabilities to liquidity risk as at 30 June 2022:

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
Financial assets							
Financial assets measured at amortised cost							
Cash and cash equivalents	64	-	-	-	-	-	64
Trade and other receivables	15,545	-	-	-	-	-	15,545
Taxation receivable	-	-	2,313	-	-	-	2,313
Financial assets at fair value through profit and loss							
Long term investments	-	-	-	-	-	22	22
	15,609	**-**	**2,313**	**-**	**-**	**22**	**17,944**
Financial liabilities							
Financial liabilities measured at amortised cost							
Trade and other payables	16,772	-	-	-	-	-	16,772
Borrowings	1,722	-	-	-	-	438,210	439,932
Current liabilities	77	-	-	-	-	-	77
	18,571	**-**	**-**	**-**	**-**	**438,210**	**456,781**

Notes to the financial statements (cont.)

FOR THE YEAR ENDED 30 JUNE 2023

29 FINANCIAL INSTRUMENT RISK - continued

SENSITIVITY ANALYSIS

The table below illustrates the potential profit and loss and equity (excluding retained earnings) impact for the reasonably possible market movements, with all other variables held constant, based on the Company's financial instrument exposures at the balance date.

Based on historic movements and volatilities, market interest rate movements of plus or minus 1% (100bps) have been used in this analysis.

	Carrying Amount at Balance Date	+100BPS		-100BPS	
	$000	Profit $000	Equity $000	Profit $000	Equity $000
Financial liabilities					
Borrowings (unhedged)	494,635	(4,946)	-	4,946	-

30 SEGMENT REPORTING

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

31 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.

32 CONTINGENT LIABILITIES

There were no known material contingent liabilities at balance date.

33 EVENTS AFTER BALANCE DATE

On 12 September 2023 Dunedin City Treasury Limited confirmed its unconditional approval of an increase in the Company's term debt facility to $550 million (+$50 million).

There were no other significant post balance date events.

Independent Auditor's Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Aurora Energy Limited's financial statements and statement of service performance for the year ended 30 June 2023

The Auditor-General is the auditor of Aurora Energy Limited (the company). The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company on his behalf.

Opinion

We have audited:

- the financial statements of the company on pages 83 to 118, that comprise the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the statement of service performance of the company on pages 66 to 70.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2023; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards; and
- the statement of service performance of the company presents fairly, in all material respects, the company's achievements measured against the performance targets adopted for the year ended 30 June 2023.

Our audit was completed on 19 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the statement of service performance, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the statement of service performance

The Board of Directors is responsible on behalf of the company for preparing the financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the company for preparing the statement of service performance that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare the financial statements and the statement of service performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of service performance, the Board of Directors is responsible on behalf of the company for assessing the company's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the auditor for the audit of the financial statements and the statement of service performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of service performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of service performance.

Aurora Energy / Annual Report 2023

Independent Auditor’s Report (cont.)

For the performance targets reported in the statement of service performance, our procedures were limited to checking that these agreed to the company’s statement of intent.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of service performance.

As part of an audit in accordance with the Auditor-General’s Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of service performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported service performance within the company’s framework for reporting its service performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements and the statement of service performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the statement of service performance, including the disclosures, and whether the financial statements and the statement of service performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independent Auditor’s Report (cont.)

Other information

The Board of Directors is responsible for the other information. The other information is defined as all information in the annual report other than the financial statements and the statement of service performance, and our auditor’s report thereon.

Our opinion on the financial statements and the statement of service performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of service performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of service performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the company in accordance with the independence requirements of the Auditor-General’s Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit and the assurance engagements disclosed in note 5 to the financial statements, we have no relationship with, or interests in, the company.

Julian Tan
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand

Company directory

AS AT 30 JUNE 2023

Building the new substation at Andersons Bay, Dunedin

Directors

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

Management

Chief Executive – Richard Fletcher
Chief Financial Officer – Gary Dixon
General Manager Asset Management and Planning – Glenn Coates
General Manager Operations and Network Performance – Matt Settle
General Manager Business Process Optimisation – Mark Pratt
General Manager People, Customer and Sustainability – Sian Sutton
General Manager Digital Transformation – Tracey Saunders
General Manager Service Delivery - Richard Starkey

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