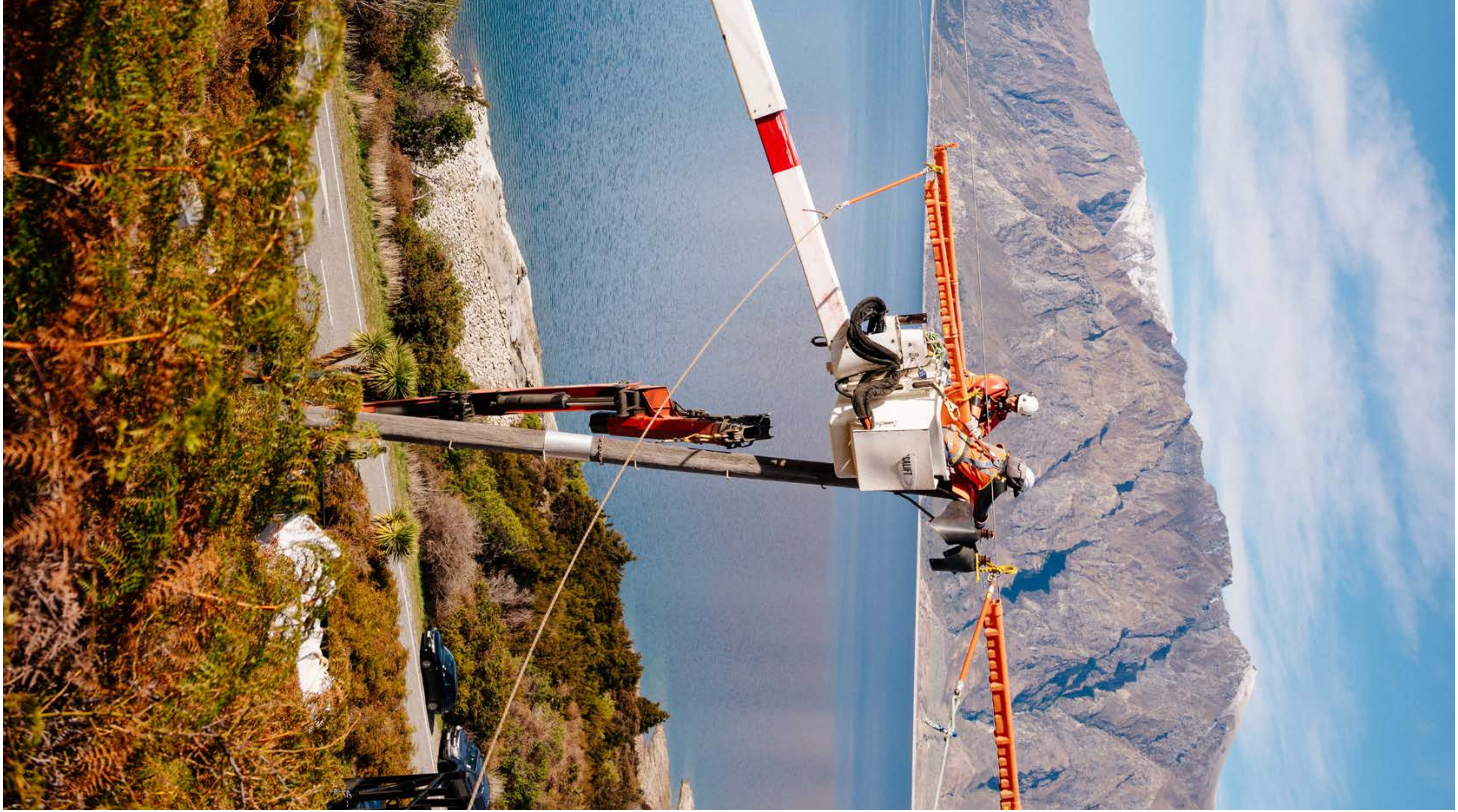


Aurora
ENERGY

Annual Report
for the year ended 30 June 2021

2021

Contents

About this report

This report reviews Aurora Energy's financial and operational performance for the year ended 30 June 2021. The financial statements have been prepared in accordance with appropriate accounting standards and have been independently audited.

The report draws from a wide range of information sources. This includes our stakeholders, customers, communities, sustainability framework, value drivers, risk register, board reports, asset management plan, financial statements and operational reports. Throughout, we have focused on what matters most to our stakeholders and customers. Care has been taken to ensure all information in this report is accurate.

Who we are...

Aurora Energy owns and operates the electricity network in Dunedin, Central Otago and Queenstown Lakes. We own the poles, lines and equipment that distribute electricity from Transpower's national grid to more than 92,665 homes, farms and businesses. We are responsible for maintaining and renewing infrastructure. The safety and reliability of electricity supply is a critical driver across all elements of our business.

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

Our vision...

To be a respected local partner recognised for providing essential electricity services to support the future growth and wellbeing of our communities.

Our mission...

To deliver electricity to our communities when and where it is needed; safely, reliably and efficiently.

Our values...

Safety first

"Safety first means people come first"

Solutions focused

"We step up and own it"

One team

"We're better together"

Learning & innovation

"We love light bulb moments"

Integrity

"We do the right thing"

Statistics for Year Under Review

92,665
CUSTOMER CONNECTIONS [R]

53,969
POWER POLES ON OUR NETWORK

$96.3m
INVESTED IN RENEWING, MAINTAINING AND BUILDING OUR NETWORK

7,140
DISTRIBUTION TRANSFORMERS ON OUR NETWORK

$671.9m
TOTAL ASSETS

39
ZONE SUBSTATIONS ON OUR NETWORK

299
MEGAWATTS NETWORK MAXIMUM DEMAND [R]

188
AVERAGE MINUTES OF NETWORK OUTAGES PER CUSTOMER IN A YEAR [R]

*Figures denoted R relate to the regulatory year ended 31 March 2021.

150
PEOPLE EMPLOYED IN OUR DUNEDIN AND CROMWELL LOCATIONS

1,385
GIGAWATT HOURS OF ELECTRICITY DISTRIBUTED ACROSS THE NETWORK [R]

278,625
PAGE VIEWS ON OUR CORPORATE WEBSITE

4,362
SOCIAL MEDIA FOLLOWERS ACROSS FACEBOOK, LINKEDIN AND INSTAGRAM

4,722
APPLICATIONS RECEIVED IN THE NEW CUSTOMER INITIATED WORKS PORTAL

10
CUSTOMER COMPLAINTS RECEIVED BY THE INDEPENDENT DISPUTE RESOLUTION SERVICE

11,927
CUSTOMER CALLS DURING BUSINESS HOURS

Chairman and Chief Executive's Report

> "Network upgrades and asset renewals have proceeded at good pace this year.

This was a defining year for Aurora Energy. We submitted our Customised Price-Quality Path (CPP) application and successfully secured a revenue pathway, enabling us to address safety and reliability risk across our network. We are grateful for the community feedback and engagement that helped shape this process.

For the year ended 30 June 2021 (FY21), our financial statements again reflect substantial levels of capital investment and improved financial performance.

Total FY21 capital expenditure increased to $76.6 million (FY20: $53.6 million) and we are pleased to report that after a significant uplift in customer connections revenue and lower transmission costs, the Company recorded a net profit after tax of $681,000 (FY20: loss $4.2 million) compared with a forecast loss of $9.1 million. The positive result against forecast was driven by higher growth-related customer contributions and below budget non-network operating expenditure.

Our Board and shareholder agreed it was prudent to forego a dividend as we continue to focus on the substantial network maintenance and renewal programme that our community expects of us.

INVESTMENT PATHWAY SECURED

Following our CPP application to the Commerce Commission in June 2020, the final decision was announced in March 2021. We were given approval to invest $563 million over five years – split between $327 million of capital expenditure on new assets and network improvements, and $236 million of operational and maintenance expenditure. In its decision, the Commission said the spend was required to bring the network's performance up to safe and reliable standards following historic under-investment.

Aurora Energy worked hard to consult on a detailed and comprehensive application to the Commerce Commission. The Commission's approval to invest 92% of our proposal demonstrates the strength and credibility of the case made. The good news was tempered by our revenue increases being limited to 10% per annum. This decision by the Commerce Commission pushes our cost-recovery out over a longer timeframe, and into the next regulatory period from 2026 onwards.

DELIVERING PROJECTS AND UPGRADING OUR NETWORK

Network upgrades and asset renewals have proceeded at good pace this year. Designs, plans, contracts and orders for new equipment have transformed into new physical assets on the ground and these long-awaited improvements visibly demonstrate value to our communities. Three new submarine cables were installed on the Otago Harbour seabed between Port Chalmers and Portobello, new lines and steel poles were erected along the Waipori line in Dunedin, and lines and poles were carefully helicoptered in to begin work creating an alternative power supply for Clyde. Further information on our projects is shown later in this report.

Maintaining quality information about our assets, including their condition, is a priority as we develop our new asset management system. In late 2020, Aurora Energy selected BPD Zenith as our preferred partner to implement our IBM Maximo enterprise asset management system.

Technology is also assisting us to assess the condition of assets in hard-to-reach places. For the first time, we used the bird's eye view of drones to inspect our assets and a resulting maintenance programme is now under way. Work is progressing to upgrade and maintain lines, poles and transformers in the more rural communities that we service, including Omakau, Roxburgh and the northern end of Otago Peninsula.

Challenges remain to ensure faults are not caused by trees and vegetation impacting lines and poles, and to protect assets from wildlife.

We are grateful for the expertise of staff in both our control room, which is staffed around the clock, and our contractors in the field who work in all weather conditions. These are the people we rely on to keep the lights on, 24/7.

KEEPING PEOPLE SAFE

Safety is our number one priority. We work hard both within Aurora Energy and across our supply chain to embed safety in our culture and thinking. This year we have observed an improved level of health and safety awareness, engagement and compliance. Of particular note is an improvement in the critical risk management on sites. This follows the launch of a suite of health and safety management system standards throughout 2020, and ongoing collaboration and engagement with our contractors. Please see the relevant section in this report for further details.

PREPARING FOR A ZERO-CARBON FUTURE

In the upper Clutha area (Wānaka and Hawea), Aurora Energy tendered for the first non-network solution to help meet future energy demands stemming from population growth. We established a commercial arrangement with solar energy specialists solarZero to supply us with a lower-cost alternative to building new network infrastructure in the area, using solarZero's smart battery storage technology.

We are working to support the development of a virtual power plant system that will enable third parties to deploy solar power from home solar units during periods of peak demand. This will hopefully allow us to defer the need for major expenditure on new infrastructure. This is a first for New Zealand and holds great promise. It is a credit to the innovation of our Asset Management and Planning team.

FOCUS ON RELIABILITY

Media and community interest in network reliability remained high during the year. Electricity is a necessity and our customers depend on us. Following the historic under-investment in Aurora Energy's network, reliability issues and unplanned outages will take time to stabilise. With our investment programme now approved, Aurora Energy's network reliability is expected to remain at current levels before gradually improving over time. The Commerce Commission has set minimum standards for power outages and interruptions that we must meet.

We are pleased to report that our planned and unplanned reliability performance for the period 1 April 2020 to 31 March 2021 tracked ›

> We are grateful for the expertise of staff in both our control room, which is staffed around the clock, and our contractors in the field who work in all weather conditions. These are the people we rely on to keep the lights on, 24/7.

favourably against the reliability limits set by the Commerce Commission.

FOCUS ON AFFORDABILITY

The take-home message for Aurora Energy during CPP public meetings in Dunedin, Central Otago and Queenstown was the need for fairness in the way we apportion line charges.

In new prices set from 1 April 2021, we reflected community concern and adjusted the allocation of maintenance and administrative costs to each of our three pricing areas. The effect was a modest decrease in the share of operating costs that customers pay in Central Otago and Queenstown, with the reduction recovered from customers in Dunedin. A further allocation review will occur this coming year.

Our regional pricing reflects our three pricing areas and follows guidelines for cost reflective distribution pricing principles set by the Electricity Authority, our sector regulator.

ENGAGING WITH CUSTOMERS

We have put considerable effort into improving customer experience and have made significant headway in both engaging with our customers and becoming more responsive to their needs. We have a more proactive approach to community engagement and consulting our customers before we undertake work, and improved outage planning is resulting in enhanced communications when we need to shut down supply to carry out work.

In May, we engaged a new contact centre provider, Telnet, to answer customer enquiries and to update our website and social media with information on power cuts overnight and at weekends. We also implemented a new online portal for simple/standard new connections to the network, simplifying the process for both customers and contractors.

To connect with and demonstrate value to our communities, we published two newsletters which provided updates on key asset renewal projects. We also shared our stories in mainstream and social media. We attended summer A&P shows, and sponsored the Wānaka Festival of Colour and the Otago Regional Science and Technology Fair to support community events.

In the year ahead we will main our focus on further improving customer experience.

COVID-19 PANDEMIC IMPACT

The impact of the Covid-19 pandemic on our operation was less than predicted in 2020. Rather than decline, new customer connections were healthy, with 1,284 new connections during the financial reporting year. ›

> "The climate change challenges ahead of us all are clear. New Zealand will be unable to meet its climate change commitments without further electrification of its economy from low carbon emissions and renewable electricity.

This is attributed to construction throughout Otago, particularly Queenstown, Wānaka and Lake Hawea, but also Dunedin. We are incredibly proud of the stellar efforts made by our team as they adapted to the impacts the pandemic had on both Aurora Energy and our nation.

CARING ABOUT OUR PLANET

At Aurora Energy, minimising the impact of our carbon footprint is important to us. In 2020, we set a benchmark by assessing and measuring our greenhouse gas (GHG) emissions for the first time. We categorised our emissions as: Scope 1 - direct emissions that are operationally controlled by Aurora Energy; Scope 2 - indirect emissions from imported energy; and Scope 3 - indirect emissions that occur in the value chain, including upstream transport, business travel, accommodation and waste generated by our offices. Our measured GHG emissions for the year ended June 2021 were 10,294 tCO2-e (tonnes of carbon dioxide equivalent).

The major contributor was Scope 2 emissions relating to network losses - 9,943 tCO2-e, or 96.6%. Network losses are the difference between the total energy entering the network and the total energy consumed by our customers. Losses are common for all lines companies, as some energy is lost as heat due to the resistance of line and cable conductors.

Our second biggest contributing activity was mobile combustion associated with the use of company vehicles (164 tCO2-e or 0.02%). You can read more about our GHG emissions later in the report.

We intend to measure and manage our footprint on an ongoing basis and set meaningful reduction targets. Next steps include improving the accuracy of our calculations, broadening the extent of the Scope 3 emissions that we track, and implementing measures to reduce our emissions.

LOOKING TO THE FUTURE

Aurora Energy has come a long way since it was established as a stand-alone business in 2017, and we're in good shape. In the coming year, we will progress improvements and stay focused on our priorities.

We need to operate within our regulated expenditure allowances, and investment spent now on organising ourselves to be more efficient will set us up well to deliver against these targets. We are confident our performance as a network will continue to improve, given the future certainty we now have in relation to regulatory allowances.

The climate change challenges ahead of us all are clear. New Zealand will be unable to meet its climate change commitments without further electrification of its economy from low carbon emissions and renewable electricity.

A renewables future, supported by innovation and new technologies such as the widespread roll-out of electric vehicles, wind and solar generation and battery storage, will open up more energy choices for consumers, and in some cases new value-creating opportunities.

For our customers, the Aurora Energy electricity distribution network will be at the heart of the decarbonisation opportunity.

Our business needs to be able to continue to supply electricity from the grid when it is needed, under any future scenario, but it also needs to enable new technologies to connect to our network and in some cases push electricity back into it. We are preparing for this challenge both in terms of the investments we are now making across our network, in our leading-edge network planning and through a number of sector- wide collaborations; where it makes sense to pool our resources and coordinate our thinking. An example is the work that Aurora Energy is undertaking with the other South ›

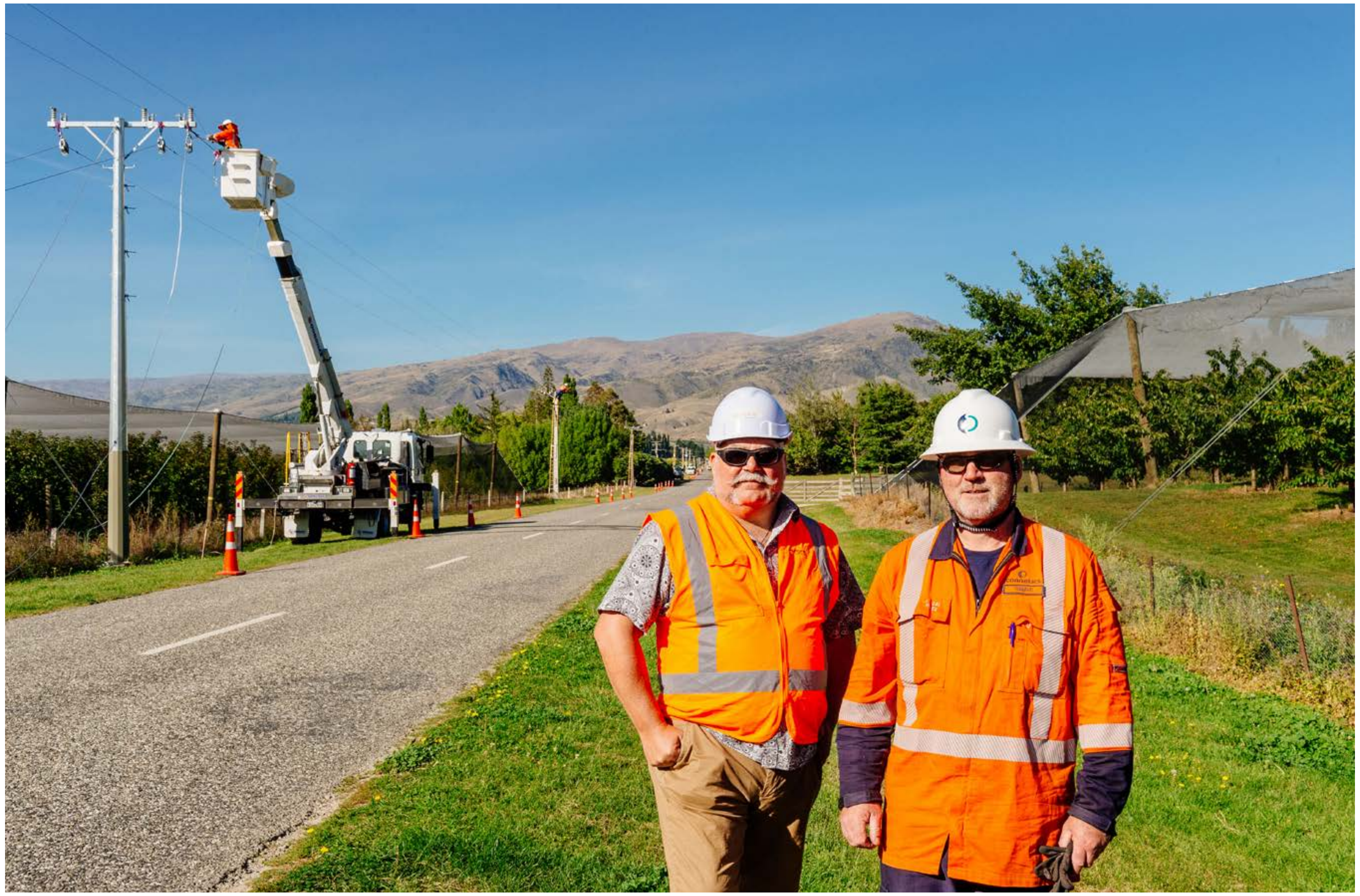
Island electricity distribution businesses (EDBs). We are jointly progressing an investigation to ensure that there is a common understanding of what customers will expect from our networks as we transition to wider electrification and how our services, our networks, our commercial arrangements and new operating models might need to evolve. It is important that we plan early and invest on time and efficiently so that we can continue to meet community expectations around a safe, secure and sustainable electricity network.

This Annual Report proudly showcases our achievements for the financial year to 30 June 2021. We acknowledge the superb efforts across the business, from staff responding to calls, through to financial management, network planning and design, project management, works scheduling, community and public engagement, and governance, along with our very able and highly skilled contractors who ensured the safe, efficient and timely execution of our projects, and kept the lights on. Our executive leadership team also stood up to the task, putting in a supreme effort to set the direction of the business and keep the team focused on delivery against our commitments. And as always, we appreciate the support of our shareholder and wider community.

Aurora Energy's commitment is to demonstrate value and deliver the agreed network improvements. Additionally, as we mature we will have a sustained focus on our people and their wellbeing, aspiring to be diverse and representative of our community, and being an employer of choice. Our work would not be possible without our hard-working and dedicated Aurora Energy team.

Stephen Thompson
Chairman

Richard Fletcher
Chief Executive



Financials at a glance

Our financial statements for the year ended 30 June 2021 (FY21) again reflect substantial levels of capital investment and improved financial performance when compared with recent years.

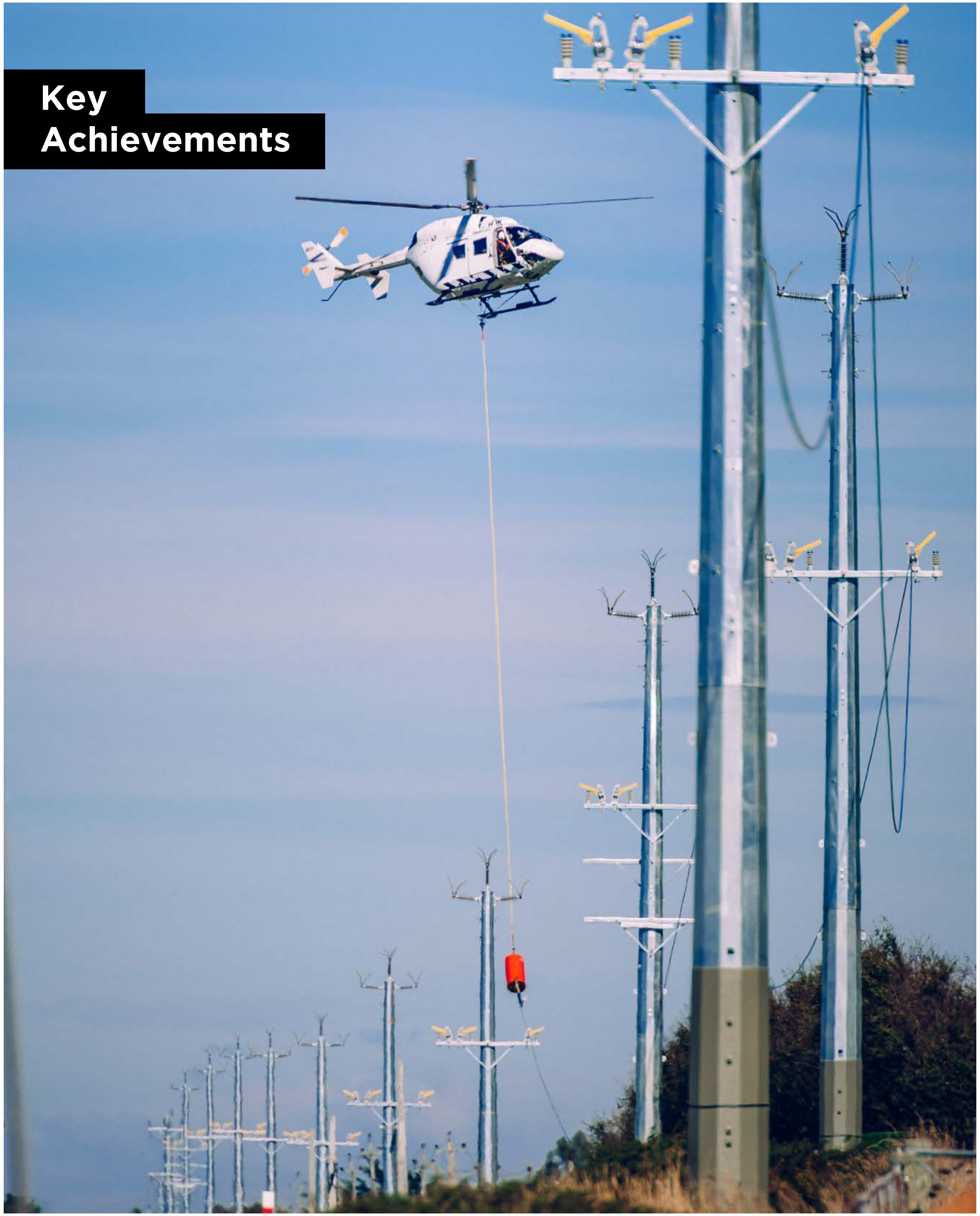
Capital expenditure of $76.6 million – compared to $53.6 million in 2020 – was directed to new network assets in the Dunedin, Central Otago and Queenstown Lakes areas during the year. Network operations and maintenance costs increased by $1.9 million to $19.6 million (FY20: $17.7 million).

The Company recorded a net profit after tax of $681,000 (FY20: loss $4.2 million) compared with a forecast loss of $9.1 million. The positive result against forecast was driven by higher growth-related customer connections revenue and below budget non-network operating expenditure.

Prior to receiving our new CPP regulatory allowances from 1 April 2021, the Company invested strongly in its network at levels exceeding the expenditure allowances in the Commerce Commission's default price-quality path regime.

"…our financial statements again reflect substantial levels of capital investment and improved financial performance.

Key Achievements



As growth in Otago continued, our customer base grew from 91,577 homes, businesses and farms to 92,665 customers. In the financial year under review, Aurora Energy delivered a substantial lift in the number of completed projects across the region; there are now many new and upgraded assets to service customers. In the background, the Aurora Energy team also focused on improving our internal IT systems and processes. This work enhances efficiency, with more modern and easily-accessed asset management information.

We are proud to outline below some key project highlights from the year in review. >

> "In the financial year under review, Aurora Energy delivered a substantial lift in the number of completed projects across the region.

SNAPSHOT OF MAJOR UPGRADES

Our focus on safety and reliability of assets on the network means much has been accomplished this year. Moreover, we are achieving this work with staff safety and wellbeing top of mind. An external maturity assessment of our contracting market in June 2021 found that the field services agreements now in place are having a positive impact on improving the way work is being delivered.

- **NEW WAIPORI LINES**
  In March/April 2021, we completed replacing lines and poles on a section of the ageing line between Outram and Berwick. On average, for every three poles removed, one taller pole replaced them – increasing the line span and benefitting both safety for motorists and the visual appearance of the area.

- **NEW CROMWELL ZONE SUBSTATION**
  In December 2020, we completed refurbishment of the Cromwell zone substation and associated upgrades of its transformers. Two new 16/24 MVA power transformers replaced two smaller transformers in service since 1981. New assets to improve environmental and safety protection were also installed. Aurora Energy can now meet the growth needs of this community into the future.

- **ST BATHANS POLE REMOVAL AND LINES UNDER-GROUNDING**
  Power lines on the St Bathan's Loop Rd were under-grounded during the year, with ageing poles and lines removed; restoring the original look of the town. Some metal poles have been retained for their historic value, at the community's request.

- **OTAGO PENINSULA LINES REPLACEMENT**
  Most of the work upgrading lines running from Portobello, past Harrington Point, to the end of the Peninsula and around the back of Allan's Beach Reserve and Hoopers Inlet was completed by May 2021. Safety and reliability of power in this area will be significantly improved once this work is completed next year.

- **NEW OTAGO HARBOUR CROSSING ASSETS**
  We are proud to report that a significant proportion of the work replacing ageing power lines spanning Otago Harbour took place in May/June 2021 – on time and within budget. The harbour crossing project involves replacing six old lattice towers and lines across the Otago Harbour with new submarine cables. Two cables were successfully laid on the harbour floor between Port Chalmers and Portobello in May/June. Each cable can carry 300-350 amps compared to 150 amps for an existing, older submarine cable. A third, smaller submarine cable has also been laid between Quarantine Island and Portobello. The project is due to be completed by October 2021.

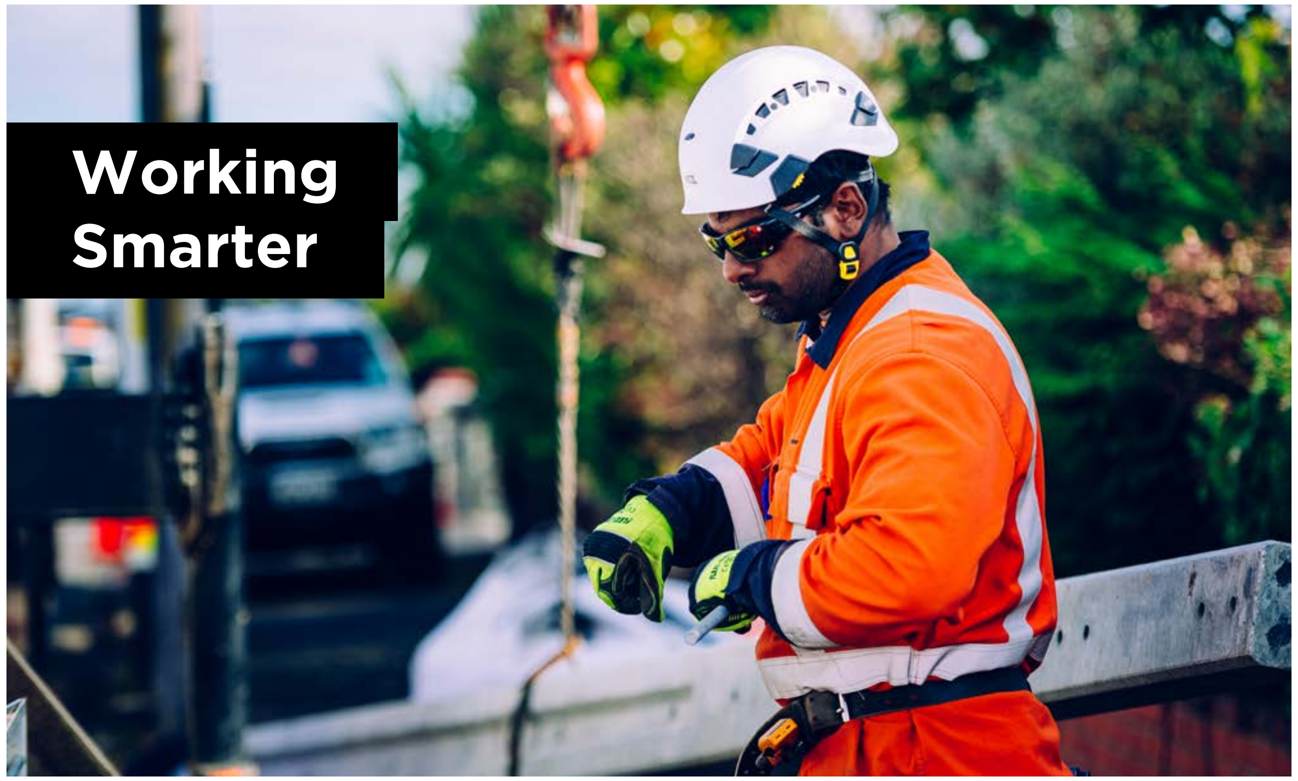
  The main benefit of this project is improving security of power supply to Otago Peninsula suburbs (currently 728 customers and growing), while providing wider benefits for shipping, tourism and wildlife. The overhead lines are a barrier to some vessels entering Dunedin's upper harbour and once removed, the lines and towers will no longer be a hazard for seabirds.

- **CLYDE REINFORCEMENT AND MUTTON TOWN ALTERNATIVE POWER SUPPLY**
  We made headway on installing an alternative supply route for Clyde township and surrounds last autumn. We commissioned a new 11kV line between Alexandra and Clyde, which allows the Alexandra network to take on Clyde township power loadings during planned and unplanned outages. There is now a second power supply into the town from the north; an alternative supply in a fault or when maintenance work is required.

- **OUTRAM ZONE SUBSTATION UPGRADE**
  Outram zone substation was upgraded this year. The existing transformers and associated equipment, which had reached their end of life, have been replaced with larger and higher-capacity transformer equipment. The zone substation converts high voltage electricity at 33 kV from the Waipori A, B & C overhead lines into lower voltage at 11kV, and supplies 3MVA of load around Outram and the Taieri Plain, including Dunedin Airport.

UPCOMING PROJECTS:

- New Omakau zone substation
- Andersons Bay zone substation renewal
- Ettrick zone substation renewal



Working Smarter

BETTER CUSTOMER EXPERIENCE

This year, the Aurora Energy team trialled a new works delivery approach of bundling multiple jobs into larger work packages, and using multiple contractors to expedite jobs and reduce the overall number of interruptions to customers. Bundled works packages containing multiple pole replacements, crossarm and line renewals were trialled in Roxburgh and Omakau. Overall, benefits were per-unit cost reductions, improved customer service (fewer outages and street/traffic disruption) and better up-front customer engagement.

Together with our ability to deliver more effectively, we also enhanced our forward planning capability in 2021, with advanced 'shelf-ready' work scopes and 'project ready' designs in place to ensure substitute projects are available when needed to maintain solid workflow.

AN INNOVATIVE OUTSOURCED SOLUTION

Our network is at the forefront of increasing customer uptake of distributed energy resources such as rooftop solar, electric vehicles and battery storage. In preparation for changing patterns of electricity use, we have a network evolution plan to support the transition to a low-carbon future and customer choice in adopting new technologies. Over the coming years, the plan anticipates research, development and testing of several new and innovative network and non-network solutions. One such project that advanced significantly this year allowed us to defer a large investment in the upper Clutha region (Wānaka/Lake Hawea). It involved using a distributed energy resource solution to address a capacity constraint without compromising service delivery. By partnering with a third party, solarZero, to install a solar-generated battery storage solution for use at times of high power loading, we expect to defer the costly construction of new sub-transmission lines to meet increased electricity demand in the area.

STREAMLINING WORKS PROCESSES

We have introduced a new safety-in-design standard to support contractors with the delivery of safe and reliable infrastructure for both our workers and the public. We have also introduced a portal for contractors to provide feedback on continuous improvement opportunities for our design standards and our list of approved network equipment and materials. We have made improvements to our internal processes and scoping templates for the handover of work between the Planning and Works Delivery teams, thereby improving the lead time and quality of project scopes to contractors for pricing and scheduling.

MONITORING OUR NETWORK'S PERFORMANCE

Reliability performance is influenced by the weather, in particular the number and severity of wind and snowstorm days. Reliability results for the 2020/21 year showed an improvement over the previous year, which is partially attributable to a lower level of storm activity. However, there are signs of performance stabilising due to the asset replacement and maintenance activities over the past three years. We continue to develop our reliability performance reporting and analytics capability. This is in preparation for reliability-targeted planning and investment.

During 2020, we worked to better understand network power quality and improve our response to customer power quality enquiries. The installation of modern protection system relays and targeted low voltage monitoring equipment has begun to inform the quality of power on the network. We will use this data to identify emerging trends, such as voltage dips and harmonic disturbances on the network. A newly developed customer power quality dashboard enables us to track customer enquiries to completion, report on response times of our contractors and internal staff, and to spot trends around the root cause of power quality issues on the network, whether they be network or customer-related factors.

KNOWLEDGE IS POWER

We have chosen the vendor for our new Asset Management System (AMS) - an IBM product, Maximo. We have partnered with multi-national IT company BPD Zenith to implement the system. It will enable us to keep information on all Aurora Energy assets in one place so we can understand their attributes and where in the life cycle they sit. The benefits are many. The AMS will drive greater efficiencies by replacing and consolidating a series of systems that duplicate data and will make information easier to locate.

Our Geographical Information System (GIS) has been upgraded in the past year. GIS is a spatial tool that allows us to see where assets are and how they are connected. The integration of an improved Outage Management System (OMS) with streamlined work processes is now under way. This work will help the Operations team improve its efficiency in managing outages and enable network status information to be more readily available to customers on our website.

An automated Customer-Initiated Works (CIW) portal is being implemented in phases. Simple and standard connection applications are now easier to submit and process with the removal of paper forms and the move to an easier-to-navigate online process for customers. Our technology team is working on ways to improve the process for more complex new connections.

Other initiatives are being planned to streamline technology and systems services. During last year's Covid-19 response, Aurora Energy completed its implementation of an electronic signature system, moving towards a more environmentally-friendly and efficient paperless business.

FAIR PRICING

In March this year, we published our pricing strategy and roadmap towards more cost-reflective and service-based pricing. Later this year, we will consult with our customers on our pricing strategy. The consultation will ask for customers' views on refinements to how we allocate costs to regional pricing areas, to ensure that charges fairly reflect the investments in each pricing regional area and do not result in cross subsidies.

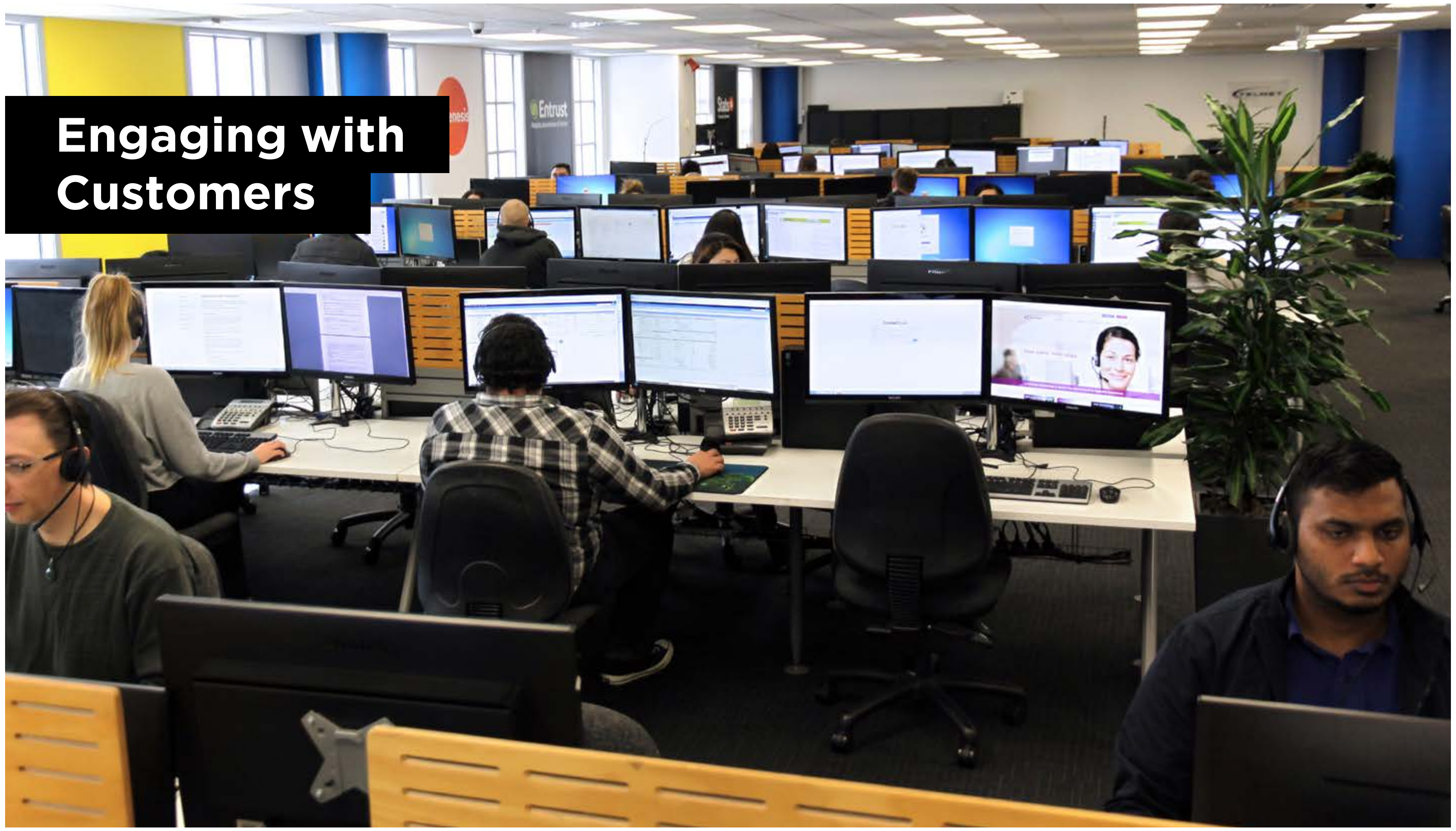
REFINING OUR OPERATIONAL PERFORMANCE

We acknowledge that turning off power to our customers to safely complete work on the network is disruptive and should be kept to a minimum. Our focus this year has been to better plan and deliver on the work we say we will do. Aurora Energy's Operations team schedules outages and coordinates the safe delivery of real-time work on the network.

As well as improving the way we plan outages, we continue to update our existing systems and processes. Throughout the year, we tracked every planned outage overrun and underrun against the outage plan. This provided us with useful insights for improvement. We also completed a 'readiness initiative' to prepare Aurora Energy for implementing our new OMS. On commissioning the OMS this coming year, we plan to work with our contractors to better coordinate works and embed and integrate the improvements across our business systems.

Aurora Energy / Annual Report 2021

Engaging with Customers



"Based in New Zealand, Telnet brings experience in managing emergency and fault calls for other electricity sector and utility clients. This partnership has enabled more professional customer call-handling, as well as new data and analytics to regularly assess our performance and ensure we have customer experience performance measures in place.

During CPP consultation, we heard clearly that customers wanted better service from Aurora Energy. Over the past financial year, we have improved customer access to power outage information by making it more visible on our website. A further upgrade to our website is planned for 2022. We have also modernised our visual brand to make our content more reflective of the service we offer, showcasing the great work across our network through video, web and social media channels.

During an emergency, we recognised that Aurora Energy had limited capability to manage high call volumes and this year we moved to a larger after-hours service provider to manage our calls. Based in New Zealand, Telnet brings experience in managing emergency and fault calls for other electricity sector and utility clients. This partnership has enabled more professional customer call-handling, as well as new data and analytics to regularly assess our performance and ensure we have customer experience performance measures in place.

TAKING CARE SCHEDULING MAINTENANCE AND UPGRADES

We have made significant strides in engaging with our community and becoming more responsive to their needs. In late 2020, Aurora Energy initiated community and stakeholder meetings in Clyde, Bannockburn, Omakau and Queenstown. Our staff listened to concerns about unplanned outages and future work requirements in these communities. With the assistance of a team of customer outage planners, and a strengthened community relations role, planned power outages for major upgrades are now more carefully scheduled with communities and businesses, and their needs considered, especially for outages that involve consecutive days or sensitive businesses.

For some of our larger and more involved projects, we will brief customers via letter drops and telephone calls. Community support during outages has included providing generator power to public spaces such as cafes and halls during longer periods when power is out. Feedback on these new initiatives has been excellent.

REACHING OUT TO OUR COMMUNITY

Throughout the year, the Aurora Energy team attended and hosted a number of community events. During the summer months we hosted business-after-5 (BA5) events, and had stalls at A&P shows across the region, with staff available to discuss projects of interest. Customers expressed their appreciation for the opportunity to talk directly with Aurora Energy staff.

We are also building on relationships across the region with our key stakeholders and customers, with several information sessions and discussions held with city and district councils. Aurora Energy started producing newsletters to reach into communities with news about our work. Two instalments of "Your Network, Your News" were distributed to over 70,000 households, covering projects and initiatives completed or under way in each pricing area. We had growth across all our social media channels and engagement remained high. In 2021, our overall channels grew by 61%, with over 59,000 engagements, reactions, shares, comments and clicks. Visits to our website sat at 23,000 visits per month.

Aligned with our strategy to keep customers informed across diverse channels, we produced and distributed 18 video productions showcasing our major projects, people and public safety messaging.

We have also taken steps to ensure that both proactive and reactive media reports have been more positive in the second half of this year, making every effort to promote our projects in the audience-rich free media. This has had a flow-on effect to staff morale as they see their stories told in the public arena in a more positive light.

Our People

SAFETY - OUR TOP PRIORITY

Keeping our staff and contractors safe while they perform necessary work on the network is our number one priority. We have continued to improve management of safety and wellbeing to meet our obligations under the Health and Safety at Work Act.

This year, we have implemented new governance standards that improve our approach to incident management, contractor management, asbestos management, and health and wellbeing.

In addition, our public safety management system was reviewed and audited to ensure it complies with New Zealand standards and identifies further opportunities to reduce or mitigate public safety risks. A revised health and safety compliance auditing approach on worksites has resulted in clearer understanding by field crews of the specific safety controls required. Working collaboratively, we have delivered a more consistent approach to managing health and safety, as evidenced by fewer repeat non-conformances.

The asbestos management project has seen all Aurora Energy's zone substations now assessed and labelled. A new asbestos induction programme for contractors accessing zone substations was well received, increasing staff engagement with this process and resulting in contractors reporting suspected cases of asbestos well in advance of work commencing.

The implementation of our new incident management software, Vault, has enabled more sophisticated safety data analysis. All safety incidents are now recorded in Vault, which will lead to better trend identification and insights into where more focus is needed as we continue to make improvements.

'Visible Leadership' has been a strong focus of the Aurora Energy health and safety strategy, recognising that excellent health and safety relies on strong leadership. A group of Aurora Energy leaders and employees recently completed the Sentis 'Zero Incident Process' programme.

> "With high work demands and intense public scrutiny, it remains important for our teams to feel supported and cared for.

WELLBEING IS KEY

Throughout the year, we held various initiatives to keep our workforce engaged and to maintain a firm focus on wellbeing. With high work demands and intense public scrutiny, it remains important for our teams to feel supported and cared for. During the year, we conducted regular staff surveys and our net promoter score of 7 remained largely consistent. We also held regular Wellbeing Committee meetings and facilitated several staff events, from social gatherings through to sporting opportunities.

RECRUITING FOR SUCCESS

During the course of the year, we were able to attract diverse talent from across New Zealand in what can only be characterised as an extremely tight labour market. We worked to automate our recruitment and onboarding processes and developed a new induction process to make new staff feel welcome and equipped with the knowledge to begin their new roles with confidence.

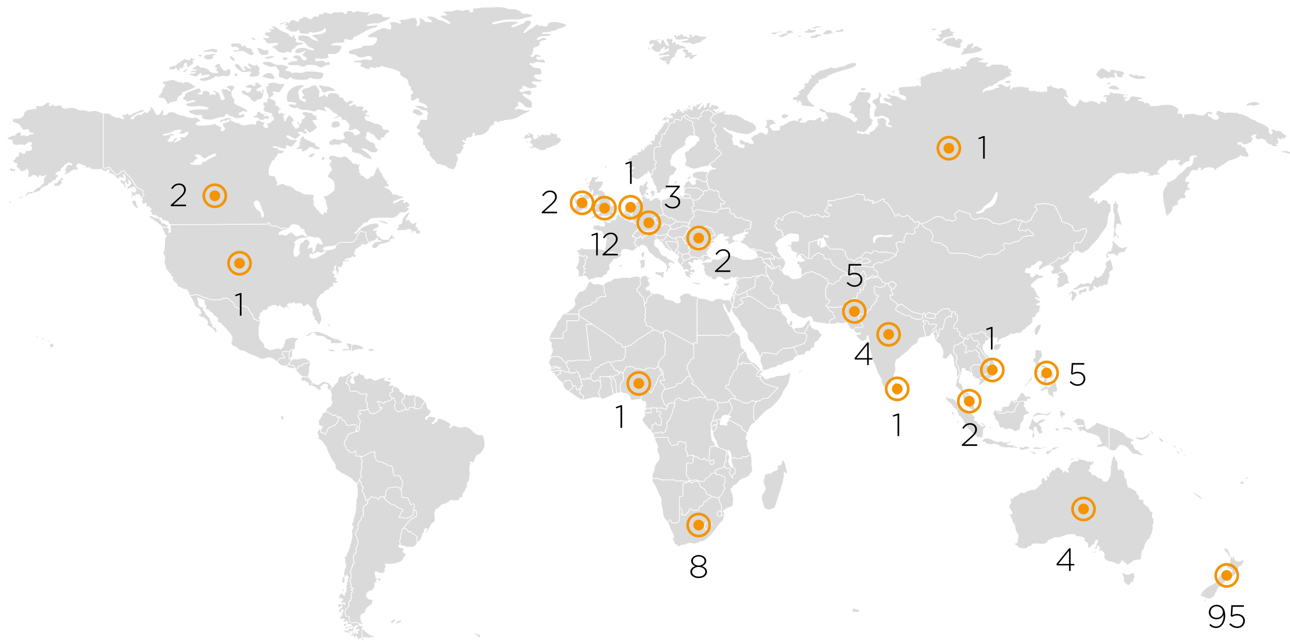
We also refreshed our values and behaviours as an initiative to support our culture. The refresh is a visible way of putting our values and new behaviour statements front of mind and reminding ourselves how we want to operate as a team, the culture we want at Aurora Energy, and what it looks like when we all work together. At the end of this reporting period, Aurora Energy has a staff workforce of 150, up by one on the 2020 reporting year. Attracting new talent and specialist skills to the region remains challenging in this industry, and in particular with the labour market constricted due to the ongoing border closure. However, we are incredibly fortunate to have a relatively stable workforce based in Dunedin and Cromwell.

PEOPLE, CULTURE AND DEVELOPMENT

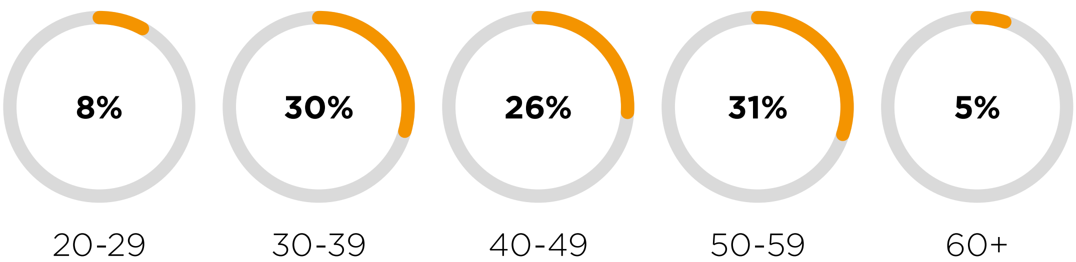
The ongoing development and upskilling of our people remains a high priority. This year we launched our online learning portal for all staff to enable them to participate in self-directed learning. We matured our performance and development processes to ensure that our teams are clear about what they need to deliver and that we are able to support their development goals to achieve success.

With the CPP process now completed and with more business certainty as a result, the culture at Aurora Energy will be a priority for the management team as we continue to define the kind of workplace we want to be now and into the future. Set against a backdrop of a tight labour market, our employee experience is an important focus area to ensure we can attract, retain, and develop high calibre Aurora Energy team members. We are proud of our diverse workforce and remain focused on building a culture of inclusiveness.

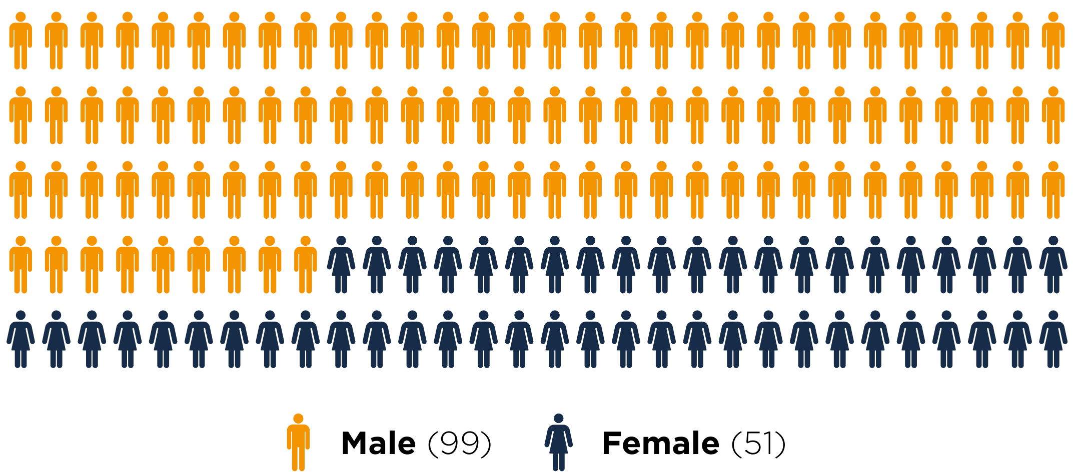
Aurora Energy employees by country of birth



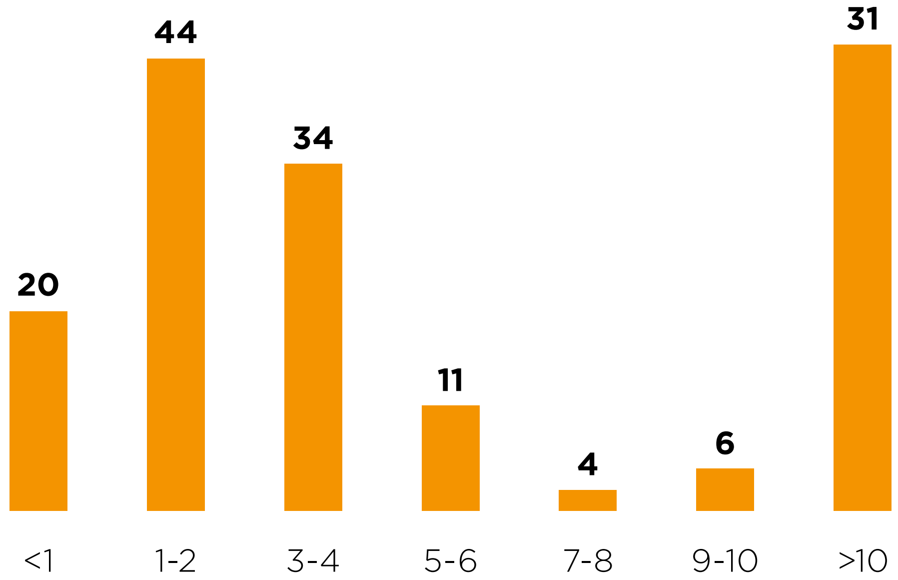
Aurora Energy employees by age range



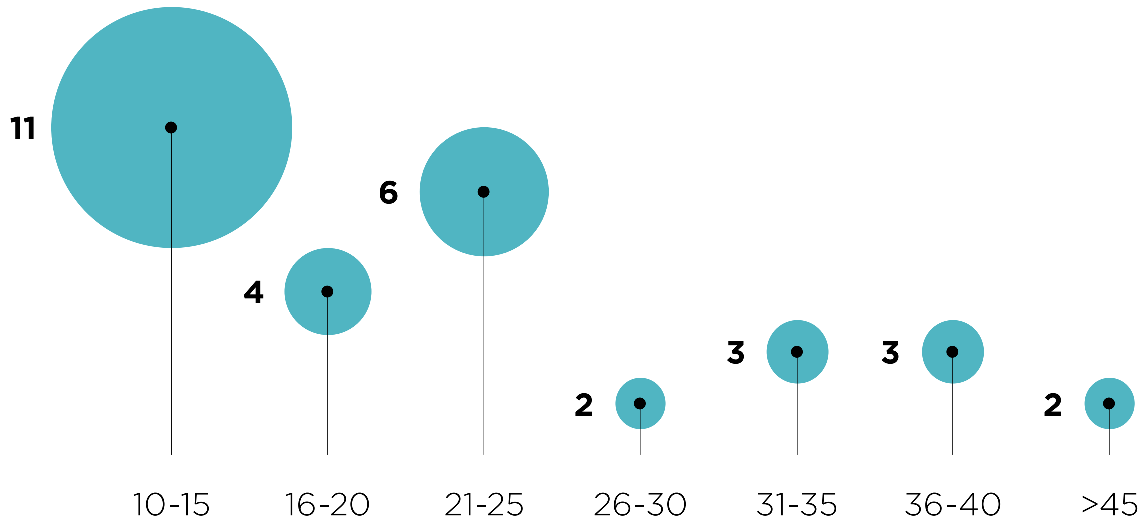
Aurora Energy employees by gender



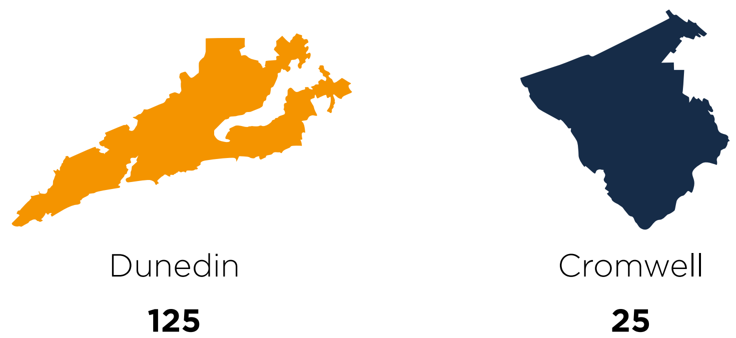
Aurora Energy employees by length of service (years)



Aurora Energy long serving employees (years)



Aurora Energy employees by location

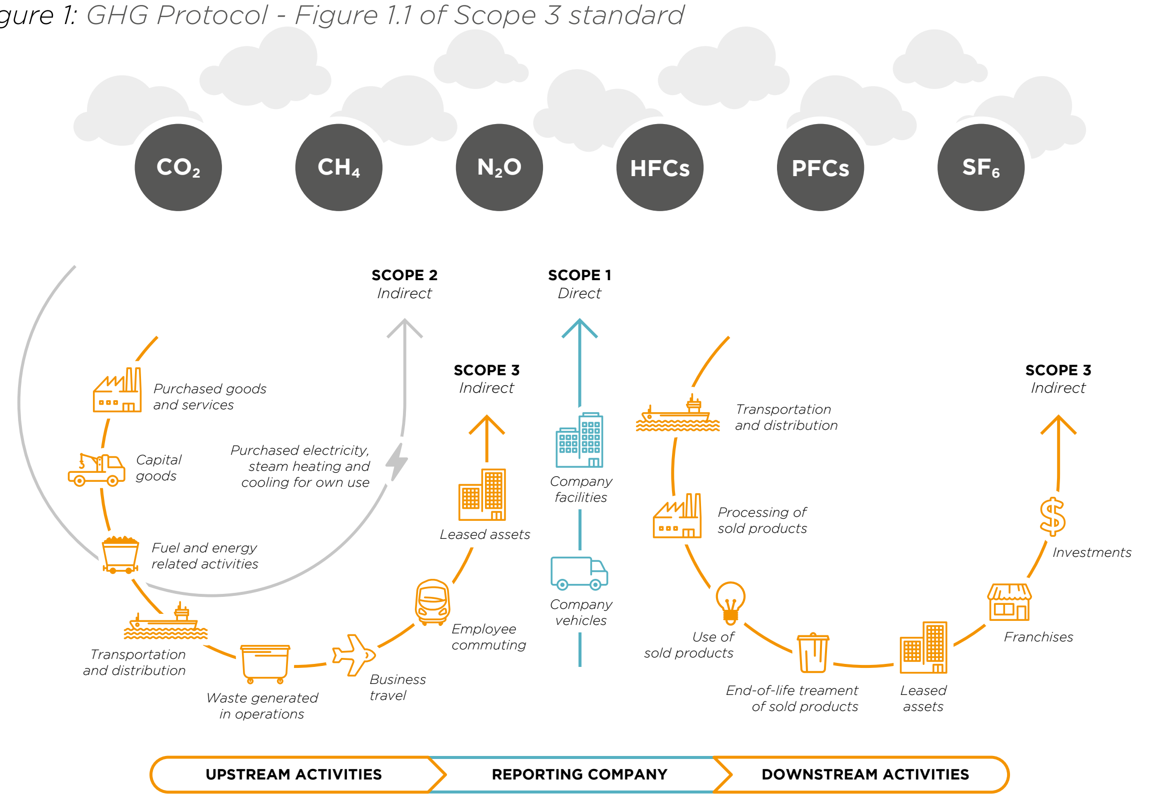


Our Sustainability

GREENHOUSE GAS EMISSIONS SUMMARY

During the year we have, for the first time, assessed and measured our greenhouse gas (GHG) emissions. We completed this process with the assistance of external advisors and in accordance with the requirements of the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004) and ISO 14064-1:2006 Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. At this stage we have focused on measuring our Scope 1 and 2 emissions and an agreed selection of Scope 3 (indirect, or value chain) emissions.

Figure 1: GHG Protocol - Figure 1.1 of Scope 3 standard



Scope 1 emissions are direct emissions that are operationally controlled by Aurora Energy, including:

- Mobile consumption emissions related to vehicles owned or operated by Aurora Energy
- Fugitive emissions, primarily sulphur hexafluoride (SF6), which is used in switchgear

Scope 2 emissions are indirect GHG emissions from imported energy, including:

- GHG emissions related to electricity losses within our distribution network.
- Purchased electricity that is consumed at sites we operate.

The Scope 3 emissions: To provide alignment across the Dunedin City Holdings Limited (DCHL) group of companies, a consistent set of Scope 3 emission categories have been applied, which are waste, travel and freight.

Our Scope 3 emissions include the following:

- Upstream transportation (the freighting of goods purchased)
- Business travel (primarily flights and accommodation)
- Waste generated in our offices
- Electricity transmission and distribution losses

At this stage we have not captured emissions relating to suppliers and contractors carrying out work on our network. We will review which Scope 3 emissions are relevant and appropriate on an ongoing basis, as we continue to measure and report our carbon footprint.

RESULTS

Emissions are reported as tonnes (t) of Carbon Dioxide (CO2) equivalent (e); or tCO2-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 measured GHG emissions for the year end June 2021 are 10,294 tCO2-e. As is typical of lines companies, our primary source of emissions is Scope 2 emissions relating to network losses.

Network losses refers to the difference between the amount of electricity that enters the Company's network at Grid Exit Points and the total amount of electricity measured at customers' premises. The losses occur primarily due to physical energy loss as electricity passes through transformers and other equipment. The emissions associated with network losses are calculated using a national grid factor for electricity, which takes account of the mix of electricity generation across New Zealand. The national factor does not differentiate for the different mixes of renewable and thermal (fossil fuel) generation between South Island and North Island grids.

The grid factor used to calculate emissions from network losses is expected to fall as a greater portion of New Zealand's electricity is generated from renewable sources. However, the electrification of transport and industrial processes together with population growth will likely increase the volume of electricity distribution within the Company's network (and therefore network losses).

In practice, it will be challenging for Aurora Energy itself to influence the emissions associated with network losses, in either a proportional or absolute sense, however on balance we would expect to see an overall reduction over time.

Table 1: Emissions by scope

Scope	tCo2-e	% of Total
Scope 1	221	2.1%
Scope 2	9,943	96.6%
Scope 3	130	1.3%
Total	10,294	100.0%

Figure 2: Emissions by scope

GHG EMISSIONS BY SCOPE

SCOPE 1 - 2.1% (**tCo2-e:** 221)

SCOPE 2 - 96.6% (**tCo2-e:** 9,943)

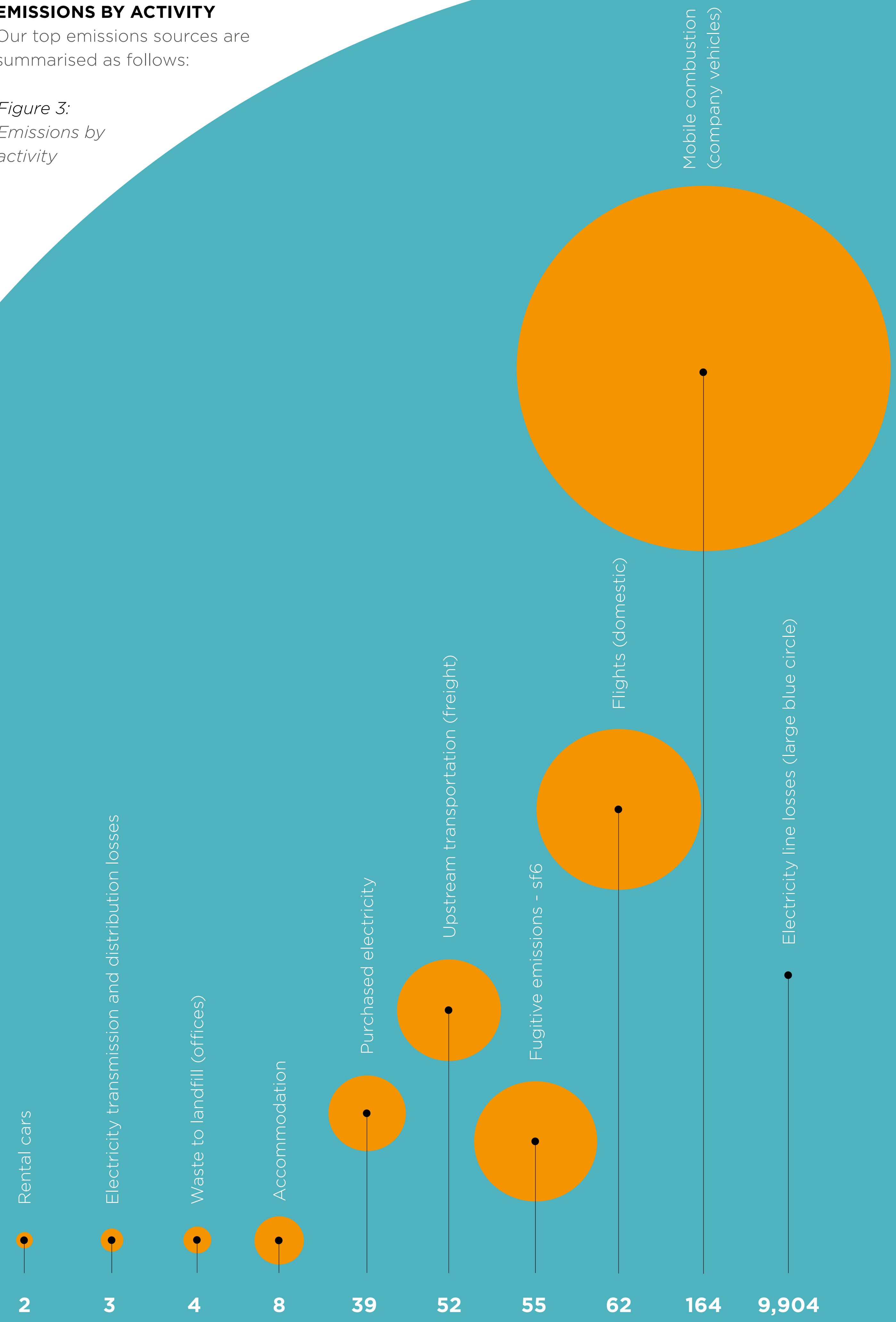
SCOPE 3 - 1.3% (**tCo2-e:** 130)

Total tCo2-e: 10,294

EMISSIONS BY ACTIVITY

Our top emissions sources are summarised as follows:

Figure 3: Emissions by activity



As this is our first footprint evaluation, a number of assumptions and estimates have been made when calculating our emissions. It is our intention to measure and manage our footprint on an ongoing basis and to set meaningful reduction targets. Next steps include improving the accuracy of our calculations, giving consideration to the most relevant Scope 3 emissions that we track, and implementing measures to reduce our emissions.

ELECTRIC VEHICLES

Through our partnership with ChargeNet, Aurora Energy is supporting the installation of public rapid electric vehicle (EV) chargers at key driving locations and the switch to electric, emission-free transport. ChargeNet are the builders of a nationwide network of public rapid DC chargers, which typically allow EV owners to recharge their vehicle within 10-30 minutes. Aurora Energy is planning for the growth of EV take up to ensure we have the infrastructure in place to support these new and emerging technologies into the future.

In addition, to support the availability of EV rapid chargers on the Aurora Energy network, we are covering the network connection costs under that agreement. There are now 13 charging stations across the Aurora Energy network, including stations at the following locations:

- University of Otago
- Mosgiel New World
- Water Street in Central Dunedin
- Pak'n Save in South Dunedin
- The Warehouse in South Dunedin
- Harvey Street in Omakau
- Roxburgh
- Alexandra
- Cromwell
- Wānaka
- Lower Shotover
- Queenstown
- Glenorchy

Future charging stations are planned for our network, including one at Arthurs Point (Shotover Jet) that is under construction, along with chargers at Makarora and Tarras.

Thanks from our leadership team

The achievements outlined in this report wouldn't be possible without the efforts of our Aurora Energy team and the contractors who work across our network, 24 hours a day, every day of the year. We would like to acknowledge our very able and highly skilled contractors Delta Utility Services, Unison Network Services, Connetics, ElectroNet Services, Network Waitaki, Network Electrical Services, Independent Electrical Inspectors Otago and Neutral Inspections Services, who helped us ensure our projects came to fruition efficiently, safely and on time.

Everyone plays an important role in delivering electricity to our communities when and where it's needed, and for that we are enormously grateful. We also thank the many community stakeholders and customers who engaged with us throughout our successful CPP process, and who assisted us to find a path toward improved safety and reliability of the network. We look forward to continuing to work with you as respected partners. We would like to thank Brenden Hall, who retired from the Board in June 2021, for his contributions to Aurora Energy over his years of tenure.

We have since welcomed Stephen Lewis and Simon Clarke as new Directors. Both bring extensive experience in governance and leadership roles and we look forward to their contributions moving forward.

Board of Directors and Executive Leadership Team

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.

MARGARET DEVLIN
Non-Executive Director

Margaret joined the Aurora Energy Board in July 2017. She is a professional director operating primarily within the infrastructure sector with a focus on audit and risk and promoting diversity within the infrastructure sector.

BRENDEN HALL
Non-Executive Director

Brenden joined the Aurora Energy Board in July 2017. He is an independent director and business advisor with over 30 years' experience across multiple industries. Brenden retired from the Board in June 2021.

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.

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 and General Manager - ***Accounting and Finance***

Gary joined Aurora Energy in October 2011. He is responsible for the accounting and finance, risk assurance and corporate 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 who support the delivery of our network and customer-related projects.

ALEC FINDLATER
General Manager - ***Regulatory and Commercial***

Alec joined Aurora Energy in 1999 and was appointed General Manager Regulatory and Commercial in February 2017. He is responsible for network pricing, commercial development, regulatory affairs and resource management for the Aurora Energy network.

MARK PRATT
General Manager - ***Work Programming and Delivery***

Mark joined Aurora Energy in 2018 and was appointed General Manager Work Programming and Delivery in December 2018. He is responsible for the forward programming of physical works and managing contractor service delivery on the Aurora Energy network.

SIAN SUTTON
General Manager - ***Customer and Engagement***

Sian joined Aurora Energy in February 2019. She is responsible for Aurora Energy's customer experience, stakeholder engagement, communication and human resource management functions.

TRACEY SAUNDERS
General Manager - ***Digital Transformation***

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

JOHN CAMPBELL
General Manager - ***Operations and Network Performance***

John joined Aurora Energy in March 2015 and finished his tenure in August 2021. He was responsible for network operations, operation of the 24/7 network control centres, operational network performance and network safety.

The Board and Chief Executive thank John for his contribution to the Aurora Energy Executive team.

Trend Statement

YEARS ENDED 30 JUNE	Note		2021	2020	2019	2018	2017
Energy received into network		GWh	1,459	1,478	1,444	1,451	1,441
Energy received for delivery to consumers	1	GWh	1,405	1,415	1,401	1,417	1,390
Total revenue		$000	**116,254**	**110,953**	**103,229**	**106,501**	**102,868**
Operating profit (loss) before tax (before subvention payments and provision for network reliability performance breach provision)		$000	**1,653**	**(6,585)**	**(7,049)**	**1,197**	**11,278**
Provision for network reliability performance breach provision		$000	-	-	(5,000)	-	-
Net Profit (loss) before tax before subvention payments		$000	**1,653**	**(6,585)**	**(12,049)**	**1,197**	**11,278**
Tax expense/(benefit)		$000	972	(2,388)	(1,106)	772	2,572
Net Profit (loss) for the year (after subvention payments)	2	$000	**681**	**(4,197)**	**(10,943)**	**425**	**7,294**
Cashflow from operating activities		$000	28,860	14,488	16,887	18,448	20,981
Dividends paid		$000	-	-	-	-	1,500
Equivalent dividends (actual dividends plus after-tax value of subvention payments		$000	**-**	**-**	**-**	**-**	**1,500**
Shareholder's equity		$000	**178,139**	**175,965**	**179,576**	**190,819**	**190,432**
Total assets		$000	**671,909**	**617,646**	**580,376**	**535,549**	**472,619**
Capital expenditure (Network)		$000	**76,640**	**53,648**	**62,731**	**78,421**	**45,152**
Return on average equity (before after-tax value of subvention payments)			0.4%	(2.4%)	(5.9%)	0.2%	3.9%
Equity to total assets			26.5%	28.5%	30.9%	35.6%	40.3%

GWh = gigawatt hours

NOTE:

1. Energy received statistics for regulated years ended 31 March are reported under the Network Performance Summary on page 47.
2. In the year ended 30 June 2017, Aurora Energy made a post-tax subvention of $1.4 mil which had no effect on the Company's profit for the year. Aurora Energy has not made any subvention payments in the years ended 30 June 2018, 2019, 2020 or 2021.

Statement of Service Performance

For the year ended 30 June 2021

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Health and Safety			
Zero serious harm events involving members of the public	Nil	Achieved	There were no serious harm events involving members of the public
To ensure contractor and staff safety	≤4.00 total recordable injury frequency rate (TRIFR) per 200,000 hours worked	Not Achieved	Aurora Energy and its largest contractors recorded a TRIFR of 5.7 per 200,000 hours worked
Customer Orientation			
Maintain community support through sponsorships and community initiatives including the street art programme on Aurora Energy assets	$20,000 of sponsorship per annum	Achieved	$35,000 was spent in support of community initiatives during the year. Aurora Energy's primary community sponsorships were the Southern Lakes Festival of Colour and the Otago Science & Technology Fair
Streamline the process for customers wanting to connect to the Aurora Energy network	Establish and embed new customer connection processes including:		
	- Simple connection process improvements in place by July 2020	Achieved	Simple connection process improvements delivered by July 2020
	- Standard connection process improvements in place by 31 December 2020	Partially Achieved*	Customers can initiate application enquiries via website, however automated process is yet to be fully deployed
	- Strategic connection process improvements in place by 31 December 2020	Partially Achieved*	Customers can initiate application enquiries via website, however automated process is yet to be fully deployed
	- Distributed Generation connection process improvements in place by 31 December 2020	Partially Achieved*	Distributed Generation connection process improvements implemented in April 2021

NOTE:
*Achievement of the above partially achieved targets is now expected within the FY22 financial year.

Statement of Service Performance (cont.)

For the year ended 30 June 2021

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Our Team			
To develop a high performing team. Support development opportunities for each team member	Learning and development plans in place for >75% of team members by year-end	Achieved	88.2% of staff had a performance and development plan in place at year-end
To create a motivated and satisfied team. Understand opportunities for improvement within our team environment	>75% staff satisfaction result on annual employee survey	Achieved	At May 2021, 81.5% were 'very satisfied' or 'satisfied' in working for Aurora Energy
To create an environment that supports overall individual and team wellness. Develop opportunities across the business that support the overall wellness of our team	A Board-approved Wellbeing Programme is in place	Achieved	Wellbeing programme in place and was presented to the Board in July 2020
Sustainability			
Promote uptake of electric vehicles	At least 5 public charging facilities connected to Aurora Energy network	Achieved	There are at least ten public fast chargers connected to the network
Contribute to Council's Strategic Framework and Climate Change and Carbon Neutrality initiatives	Establish systems for measuring and publicly reporting carbon emissions by end of FY2021, in a cost effective manner, with a view to then identifying and setting emissions reduction targets	Achieved	Annual monitoring framework of carbon emissions established and reported. We are currently working with an external provider to establish emissions reduction targets for 2022
Asset Management Maturity			
Implement process and capability improvements identified as necessary to enhance asset management practice	A detailed roadmap for the implementation of an asset management system is in place and implementation is underway by 30 June 2021	Achieved	The asset management system implementation is on track. Testing of asset migration to date has been successful

Statement of Service Performance (cont.)

For the year ended 30 June 2021

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Asset Management Maturity (continued)			
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	On 31 March 2021 we published a short form Asset Management Plan (AMP) update including all compliance related schedules. Given that a full AMP was submitted in June 2020, the Commerce Commission provided an exemption from a full AMP in 2021 with the condition that a full AMP will be published on 31st March 2022
Operational Performance			
Improve Aurora Energy's work programme scheduling to ensure forward-looking work programmes are in place	Work programmes are delivered to Contractors on a rolling quarterly basis in accordance with Field Service contract terms	Achieved	Annual Works Plan and Project Work Plans are being delivered in accordance with Field Service contract terms
Enhance Aurora Energy's work planning and delivery performance and embed mature approaches for planning and delivering the annual work plan	New Portfolio Project Management solution is implemented and utilised to manage the annual work plan	Achieved	New Portfolio Project Management solution (Sentient) was implemented in November 2019. This has been used to deliver the annual work plans
Aurora Energy Risk Register is regularly reviewed and 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 - No. of outstanding risk treatment plans reviewed regularly and up to date - Regular reporting to Board and Audit & Risk Committee	Achieved	Risk update reports are provided to the Board and Audit & Risk Committee on a regular basis

Statement of Service Performance (cont.)

For the year ended 30 June 2021

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Operational Performance (continued)			
Aurora Energy is prepared and able to respond appropriately to emergencies	Annual test of Aurora Energy's emergency response is completed and actions for improvements are documented	Partially Achieved	An independent review of the Company's Covid-19 response was undertaken in August 2020. The report was positive and found Covid-19 had not impacted significantly on key controls considered by the review. Improvement opportunities have since been documented
Maintain full compliance with the Resource Management Act	No breaches	Not Achieved	A 25 year air discharge permit lapsed in May 2021, giving rise to a technical breach of the RMA in respect of our continued use of emergency generation equipment as a lifeline utility. A renewal of the permit has since been obtained
Network Reliability (Statement of Intent Targets - Period Ended 31 March 2021)			
SAIDI			
- Class B interruptions planned	≤195.96 minutes	Achieved	102.73 minutes
- Class C interruptions unplanned	≤146.29 minutes	Achieved	85.39* minutes
SAIFI			
- Class B interruptions planned	≤1.11	Achieved	0.68 interruptions
- Class C interruptions unplanned	≤2.51	Achieved	1.46* interruptions

* Class C SAIDI and SAIFI are expressed as normalised figures. Regulatory reporting 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 113.8 minutes and 1.54 interruptions respectively.

Statement of Service Performance (cont.)

For the year ended 30 June 2021

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Shareholder Objectives			
Engage with the Shareholder annually on opportunities for the Company to contribute, or assist where possible, with Council's community outcomes (as listed in the Annual Plan). Consult with the Shareholder on matters to be included in the Company's Statement of Intent	Shareholder approval of the Company's Statement of Intent	Achieved	2020-2021 Statement of Intent was submitted and approved
Bring to the attention of the Shareholder any strategic or operational matters where there may be a conflict between the Council's community outcomes and those of the Company and seek Shareholder's view on these	No unnotified potential conflicts	Achieved	There were no issues of potential strategic or operational conflict to be notified to the Shareholder
Keep the Shareholder informed of all substantive matters	All substantive matters reported within 24 hours	Achieved	All substantive matters were reported to the Shareholder within 24 hours

As at 30 June 2021, 100% of the Company's permanent employees were paid at or above the Living Wage (as calculated by the Living Wage Movement Aotearoa New Zealand).

FINANCIAL OBJECTIVES

Financial results - NZD '000's

• EBITDA[1]	≥23,314	Achieved	35,659
• Net surplus after tax	≥(9,131)	Achieved	681
• Shareholder's funds	≥163,538	Achieved	178,139
• Shareholder's funds to total assets	≥24%	Achieved	27%
• Capital expenditure	≥75,917	Achieved	76,640
• Term debt	≤412,050	Achieved	389,740
• Cash flow from operations	≥8,241	Achieved	28,860

[1] EBITDA target and outcome calculations exclude asset disposals.

Network Performance

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

12 MONTHS ENDED 31 MARCH		2021	2020	2019	2018	2017
System Physical Measures						
Average length of lines and cables	km	6,161	6,101	6,575(5)	6,683(5)	6,135
Total capacity of distribution transformers	MVA	999	991	978	962	953
Distribution transformer capacity utilisation	%	30%	29%	31%	31%	31%
Consumer Measures						
Number of consumer connections		92,665	91,577	90,419	89,199	87,771
System maximum coincident demand	MW	299	283	299	300	291
Energy received for delivery(4)	GWh	1,385	1,431	1,419	1,400	1,364
Average load factor		53%	58%	54%	53%	53%
Average minutes off per interruption	CAIDI	88	89	88	79(3)	73(3)
Average interruptions per annum	SAIFI	2.1	2.1	2.1	3.2(3)	1.5
Average minutes off per annum	SAIDI	188	187	185	253(2)	109(1)

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) A number of events affected the reliability of the network in the 2017 year including; a logging contractor felling a tree across 33kV lines at Green Island contributing 10 SAIDI minutes, snow related outages on 12 October 2016, affecting Arrowtown and Glenorchy contributing 15 SAIDI minutes, and a fire at Rat Point, Lake Wakatipu on 11 January 2017 contributing 5 SAIDI minutes.

(2) 2018 and 2019 results were significantly driven by Aurora's asset renewal programme, which required a high proportion of de-energised work compared to previous years.

(3) In 2019 we identified an error in the way in which we calculated SAIFI. The SAIFI and CAIDI figures, together with any SAIDI figures that have been impacted, have been corrected and differ from those in previous annual reports.

(4) Energy received statistics for years ended 30 June are reported in the Trend Statement on page 41.

(5) In the 2018 and 2019 years 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.

Directors' Report

For the year ended 30 June 2021

The Directors of Aurora Energy Limited are pleased to report on the financial results and associated matters for the year ended 30 June 2021.

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 2021	**$000**
Operating profit before income tax	1,653
Income tax expense	972
Net profit after tax	681

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.

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

	$000
Cash flow hedge reserve - to (from)	1,493
Retained earnings - to (from)	681

Directors' Report (cont.)

For the year ended 30 June 2021

REVIEW OF OPERATIONS
The Company continued to build and develop asset management, operational and service delivery capabilities during the period under review.

Operating results compared favourably with performance targets for the year aided by strong use of system revenues, a significant increase in customer contribution revenues and below budget non-network expenditure.

The Company continued to invest in its network at levels which exceeded the expenditure allowances for which it is currently compensated under the Commerce Commission's regulatory price-quality path regime.

In March 2021, the Commerce Commission released its final decision on our customised price-quality path (CPP) application. The Commission has approved 92% of the expenditure forecasts included in our CPP investment proposal.

At balance date the Directors assessed the year-end valuation of the network assets and determined that the recoverable amount of those assets was not less than the current carrying value.

FINANCIAL STATEMENTS
The audited financial statements for the year ended 30 June 2021 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 2021 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	$115,708
Margaret P Devlin	$62,971
Brenden J Hall	$62,971
Wendie N Harvey	$62,971
	$304,621

Directors' Report (cont.)

For the year ended 30 June 2021

EMPLOYEES' REMUNERATION
The number of employees and former employees whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2021 is listed below. Remuneration incudes all non cash benefits and redundancy payments at total cost to the Company where applicable.

$100,000 - $109,999	9
$110,000 - $119,999	14
$120,000 - $129,999	5
$130,000 - $139,999	11
$140,000 - $149,999	6
$150,000 - $159,999	7
$170,000 - $179,999	1
$180,000 - $189,999	3
$230,000 - $239,999	1
$240,000 - $249,999	1
$250,000 - $259,999	1
$260,000 - $269,999	1
$280,000 - $289,999	1
$300,000 - $309,999	1
$320,000 - $329,999	1
$520,000 - $529,999	1
	64

AUDIT AND RISK COMMITTEE
All Directors 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 and Risk Committee's review were identified and a number of reviews have been completed, with the results reported to the Board. Review of further areas is ongoing and progress is satisfactory.

KPMG continued as internal auditor to the Company.

Directors' Report (cont.)

For the year ended 30 June 2021

HEALTH AND SAFETY BOARD COMMITTEE
All Directors were members of the Health and Safety 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 COMMITTEE
All Directors were members of the Remuneration Committee throughout the year. The Remuneration 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' 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
Chairman

MARGARET DEVLIN
Director

17 September 2021

Information on the Directors

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS AS AT 30 JUNE 2021
Stephen R Thompson Non-Executive Chairman	BCom, FCA (PP), CF.Inst.D.	June 2016	Chair and shareholder – Thompson Bloodstock Limited
			Chair – Alpine Energy Limited (retired August 2020)
			Chair – Timaru Electricity Limited (retired August 2020)
			Director and shareholder – Cairnmuir Road Winery Limited
			Director and shareholder – Passmore Consulting Services Limited
			Director and shareholder – Prospectus Nominees
			Director and shareholder – Logistics Property Limited (retired December 2020)
			Director – F.S. Investments Limited
			Director – Integrated Contract Solutions Limited
			Director – Keano's Trustee Company Limited
			Director – Millenium Solutions Limited
			Director – NETcon Limited (retired August 2020)
			Director – Owhiro River Limited
			Director – Sarita Holdings Limited
			Director – Wānaka Bay Limited
			Director – Whitestone Contracting Limited
			Director – Lakes Realty Limited
			Partner – Queensberry Hills Development
			Shareholder – McKenzie Architects Limited
			Consultant – Deloitte New Zealand (retired May 2021)
			Director and Shareholder – Best View Limited
			Shareholder – Whangamata Water 2 Limited
			Shareholder – Cerise Orchard Limited
			Shareholder – OB Horn Company Limited
			Shareholder – Renaissance Holdings (NZ) Limited
			Shareholder – Waikato Property Investments Limited
			Shareholder – Richard E Shackleton Architects Limited
			Shareholder – Anreca Investments Limited
			Shareholder – Lake McKay GP Limited
			Shareholder – Airtime New Zealand Limited
			Shareholder – Ripponvale Irrigation Company Limited

Information on the Directors (cont.)

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS AS AT 30 JUNE 2021
Margaret P Devlin - Non-Executive Director	CF.Inst.D.	July 2017	Chair – Lyttelton Port Company Limited
			Chair – Watercare Services Limited
			Chair – Hospice Waikato
			Chair – Women in Infrastructure Network (Advisory board to Infrastructure New Zealand)
			Chair – Infrastructure NZ
			Director and Shareholder – Indepen NZ Limited
			Director – Auckland City Water Limited
			Director – IT Partners Group Limited
			Director – Titanium Park Limited
			Director – Waikato Regional Airport Limited
			Director – Waikato Regional Airport Hotel Limited
			Director – Waimea Water Limited
			Councillor – Waikato University
			Chair – Audit and Risk Committee, Waikato District Council (retired June 2021)
			Deputy Chair - WINTEC – Waikato Technical College (commenced April 2020)
			Director – Meteorological Service of NZ (retired July 2020)
Wendie N Harvey - Non-Executive Director	LLB	November 2018	Director – Eastland Group Limited
			Director – Eastland Port Limited
			Director – Eastland Network Limited
			Chair - Hawke's Bay Airport Limited
			Director – Hawke's Bay Airport Construction Limited
			Director – Centralines Limited (retired October 2020)
			Board member – Fire and Emergency New Zealand
			Director – The Electrical Training Company Limited
			Director – Gisborne Airport Limited
			Commissioner – New Zealand Gambling Commission
			Director and Shareholder – Excellence in Business Solutions Limited

Information on the Directors (cont.)

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS AS AT 30 JUNE 2021
Brenden J Hall - Non-Executive Director	BCom, CM.Inst.D.	July 2017 Retired 30 June 2021	Deputy Chair – Unison Networks Limited
			Director – Unison Fibre Limited
			Director – ETEL Limited
			Director – ETEL Transformers Pty Limited (Aus)
			Director and Shareholder – Stratview Holdings Limited
			Director – Longbeach Holdings Limited

Financial Statements

For the year ended 30 June 2021

Financial Contents

Statement of Comprehensive Income

For the year ended 30 June 2021

	Note	2021 $000	2020 $000
Operating revenue	3	116,254	110,947
Financial revenue	4	-	6
Total revenue		**116,254**	**110,953**
Less expenses			
Operating expenses	5	103,943	106,360
Financial expenses	6	10,658	11,178
Total expenditure		**114,601**	**117,538**
Profit/(loss) before tax		**1,653**	**(6,585)**
Income tax expense/(benefit)	9	972	(2,388)
Net profit/(loss) after tax for the year		**681**	**(4,197)**
Other comprehensive income			
Gain on cashflow hedges		1,493	586
Total other comprehensive income		1,493	586
Total comprehensive income		**2,174**	**(3,611)**

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

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Statement of Changes In Equity

For the year ended 30 June 2021

	Share Capital $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Equity as at 1 July 2020	10,000	(2,031)	167,996	175,965
Profit after tax	-	-	681	681
Other comprehensive income	-	1,493	-	1,493
Equity as at 30 June 2021	**10,000**	**(538)**	**168,677**	**178,139**
Equity as at 1 July 2019	10,000	(2,617)	172,193	179,576
(Loss) after tax			(4,197)	(4,197)
Other comprehensive income	-	586	-	586
Equity as at 30 June 2020	**10,000**	**(2,031)**	**167,996**	**175,965**

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

Balance Sheet

As at 30 June 2021

	Note	2021 $000	2020 $000
EQUITY			
Share capital	11	10,000	10,000
Cash flow hedge reserve	12	(538)	(2,031)
Retained earnings	13	168,677	167,996
Total equity		**178,139**	**175,965**
CURRENT LIABILITIES			
Lease liabilities	7	1,044	993
Trade and other payables	14	18,891	18,079
Contract liabilities	15	2,504	3,984
Borrowings	18	651	812
Cash flow hedge instruments	23	748	-
Employee provisions	17	1,611	1.609
Total current liabilities		25,449	25,477
NON-CURRENT LIABILITIES			
Cash flow hedge instruments	23	-	2,821
Lease liabilities	7	2,435	2,683
Employee provisions	17	391	378
Borrowings	18	389,740	339,725
Contract liabilities	15	-	131
Deferred tax liability	19	75,755	70,466
Total non-current liabilities		468,321	416,204
Total liabilities		**493,770**	**441,681**
TOTAL EQUITY AND LIABILITIES		**671,909**	**617,646**

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

Balance Sheet (cont.)

As at 30 June 2021

	Note	2021 $000	2020 $000
CURRENT ASSETS			
Cash and cash equivalents	20	50	53
Trade and other receivables	21	13,575	13,704
Inventories	24	1,151	1,547
Other current assets	16	698	517
Taxation receivable		4,558	5,098
Total current assets		20,032	20,919
NON-CURRENT ASSETS			
Investments	22	25	8
Intangible assets	26	2,553	2,166
Deferred tax asset	19	1,598	1,909
Property, plant and equipment	25	644,315	589,007
Right of use assets	7	3,386	3,637
Total non-current assets		651,877	596,727
TOTAL ASSETS		**671,909**	**617,646**

For and on behalf of the Board of Directors

STEPHEN THOMPSON
Chair

MARGARET DEVLIN
Director

17 September 2021

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

Statement of Cash Flows

For the year ended 30 June 2021

	Note	2021 $000	2020 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Receipts from customers		116,415	111,158
Interest and dividends received		-	6
Intra group tax loss/subvention receipt		4,587	4,653
		121,002	115,817
Cash was disbursed to			
Payments to suppliers and employees		81,381	90,257
Interest paid		10,907	11,087
Net GST (received)/paid		(146)	(15)
		92,142	101,329
Net cash inflows from operating activities	28	**28,860**	**14,488**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from			
Sale of property, plant and equipment including intangible assets		-	-
Cash was disbursed to		-	-
Purchase of property, plant and equipment including intangible assets		77,657	51,563
		77,657	51,563
Net cash (outflows) from investing activities		**(77,657)**	**(51,563)**

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 2021

	Note	2021 $000	2020 $000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from			
Proceeds from borrowings		117,315	90,125
		117,315	90,125
Cash was disbursed to			
Repayment of borrowings		67,300	51,750
Lease liability repayment		1,221	1,248
		68,521	52,998
Net cash inflows from financing activities	28	**48,794**	**37,127**
Net increase/(decrease) in cash, cash equivalents and bank overdraft		**(3)**	**52**
Cash and cash equivalents at beginning of the year		53	1
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	**50**	**53**

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

Notes to the Financial Statements

For the year ended 30 June 2021

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 17 September 2021.

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.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of Assets

At each balance sheet date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash generating unit is reduced to its recoverable amount. Any impairment loss is immediately expensed to the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is immediately recognised in the income statement.

Financial Instruments

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

Changes in Accounting Policies

There have been no new accounting policies adopted in the year to 30 June 2021.

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

No other new accounting standards or interpretations that will become effective after the period are expected to have a material impact on the Company.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

3. OPERATING REVENUE

	2021 $000	2020 $000
Line charges	69,584	66,637
Pass-through and recoverable cost revenue	32,660	36,415
Customer contributions	11,007	5,835
Total revenue	**113,251**	**108,887**
Other income	3,003	2,060
Total revenue and other income	**116,254**	**110,947**

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 2020 default price-quality path determination on revenue recognition
Regulated lines revenue for the 2020/21 financial year was $1.184 million more than the Commerce Commission's allowable revenue cap, largely due to higher residential electricity volumes than forecasted. Under the Commerce Commission's allowable revenue cap rules, this over-recovery of lines revenue will be returned to consumers via a line charge adjustment in the 2022/23 financial year.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

4. FINANCIAL REVENUE

	2021 $000	2020 $000
Interest and dividends received	-	6

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	96	85
- for audit services in relation to regulatory (information disclosure) reporting	43	40
- for audit services in relation to price and quality thresholds and other regulatory reporting	28	25
- for audit of customised price-quality path application	-	351
Total audit fees	167	501
Transmission costs	30,310	33,961
Depreciation and amortisation	21,221	19,536
Depreciation - leases	1,149	1,145
Maintenance costs	19,610	17,686
Employee remuneration and benefits	15,410	14,774
Other contractor costs	574	773
Directors' fees and disbursements	325	316
Bad debts written off	105	354
Loss on sale/disposal of fixed assets	979	890
Increase/(decrease) in expected credit losses	(165)	(91)

6. FINANCIAL EXPENSES

	2021 $000	2020 $000
Interest - other	6	10
Interest - related parties	10,896	11,426
Interest - capitalised	(400)	(400)
Interest - leases	156	142
Total financial expenses	**10,658**	**11,178**

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 2021 was 2.85% (2020: 3.50%). This was the interest rate applicable to new project financing in the reporting period.

All other borrowing costs are recognised in the Income Statement 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.

7. LEASES AND RIGHT OF USE ASSETS - continued

Lease maturity analysis as at 30 June 2021	**Minimum lease payments $000**	**Interest $000**	**Present value $000**
Payable within one year	1,060	16	1,044
Payable between one to five years	2,166	217	1,949
Payable later than five years	589	103	486
Total			**3,479**
Current portion			1,044
Non-current portion			2,435
			3,479

Lease maturity analysis as at 30 June 2020	**Minimum lease payments $000**	**Interest $000**	**Present value $000**
Payable within one year	1,147	154	993
Payable between one to five years	2,355	156	2,199
Payable later than five years	587	103	484
Total			**3,676**
Current portion			993
Non-current portion			2,683
			3,676

	2021 $000	**2020 $000**
Cashflow		
Total cash outflow in relation to leases	1,321	1,462
Lease expenses included in profit and loss relate to		
Short term leases	100	214
Interest on leases	156	142

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

7. LEASES AND RIGHT OF USE ASSETS - continued

RIGHT OF USE ASSETS

Movements in year ended 30 June 2021	Buildings $000	Network $000	Plant and equipment $000	Motor vehicles $000	Total $000
Opening net book value	1,977	-	1,210	450	3,637
Additions	662	-	166	47	875
Depreciation charge	(452)	-	(407)	(267)	(1,126)
Closing net book value	2,187	-	969	230	3,386
As at 30 June 2021					
Cost	3,109	-	1,757	791	5,657
Accumulated depreciation	(922)	-	(788)	(561)	(2,271)
Net book value	**2,187**	**-**	**969**	**230**	**3,386**

RIGHT OF USE ASSETS

Movements in year ended 30 June 2020	Buildings $000	Network $000	Plant and equipment $000	Motor vehicles $000	Total $000
Opening net book value	-	-	-	-	-
Movements on transition	2,447	-	1,591	680	4,718
Additions	-	-	-	64	64
Depreciation charge	(470)	-	(381)	(294)	(1,145)
Closing net book value	1,977	-	1,210	450	3,637
As at 30 June 2020					
Cost	2,447	-	1,591	744	4,782
Accumulated depreciation	(470)	-	(381)	(294)	(1,145)
Net book value	**1,977**	**-**	**1,210**	**450**	**3,637**

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.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

8. DIVIDENDS

No dividend was declared or payable for the year ended 30 June 2021 (2020: 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 income statement except when deferred tax relates to items charged directly to equity. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

	2021 $000	2020 $000
Income tax		
Operating profit/(loss) before income tax	1,653	(6,585)
Tax thereon at 28% (2020: 28%)	463	(1,844)
Plus/(less) the tax effect of differences		
Expenditure (deductible)/non-deductible for taxation purposes	28	5
Tax depreciation on commercial buildings	-	(320)
Consolidated group adjustment	305	24
Under/(over) tax provision in prior years	176	(253)
Tax effect of differences	509	(544)
Tax expense	**972**	**(2,388)**
Represented by		
Current tax provision	(4,477)	(4,345)
Deferred tax provision	5,273	2,054
Under/(over) tax provision in prior years	176	(97)
Total income tax	**972**	**(2,388)**

9. TAXATION - continued

During the 2021 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 Dunedin City Holdings Limited 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 $305,499 from Delta to Aurora Energy. This approach has been adopted from 1 July 2015. The removal of the profit component from the 2021 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

Basic earnings per share is calculated by dividing the total comprehensive income attributable to the Shareholder of the Company by the weighted average number of ordinary shares on issue during the year.

	2021	2020
Number of shares		
Weighted average number of ordinary shares	10,000,000	10,000,000
Basic earnings per share in dollars	0.22	(0.36)

11. EQUITY - SHARE CAPITAL

	2021 $000	2020 $000
Issued capital - 10,000,000 ordinary shares	10,000	10,000

12. CASH FLOW HEDGE RESERVE

Balance at beginning of the year	(2,031)	(2,617)
Net revaluations	2,073	814
Deferred tax arising on hedges (note 19)	(580)	(228)
Balance at end of the year	**(538)**	**(2,031)**

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.

13. RETAINED EARNINGS

Balance at beginning of the year	167,996	172,193
Net profit/(loss) for the year	681	(4,197)
Balance at end of the year	**168,677**	**167,996**

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

14. TRADE AND OTHER PAYABLES

	2021 $000	2020 $000
Trade and other payables are stated at cost and include:		
Trade payables	13,091	11,434
Due to related parties	5,800	6,645
Balance at end of the year	**18,891**	**18,079**

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.

Included in trade payables is a quality excursion payment of $673k due to an embedded generator in relation to outage targets exceeding those in the contract.

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	2,504	3,984
Non-current	-	131

16. OTHER CURRENT ASSETS

GST receivable	698	517
	698	**517**

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

17. EMPLOYEE PROVISIONS

	2021 $000	2020 $000
(i) Current liabilities		
Annual leave	1,528	1,515
Long service leave	52	62
Gratuities	31	32
Balance at end of the year	**1,611**	**1,609**
(ii) Non-current liabilities		
Long service leave	220	187
Gratuities	171	191
Balance at end of the year	**391**	**378**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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 2021

18. BORROWINGS (secured)

	2021 $000	2020 $000
Dunedin City Treasury Limited - Term	389,740	339,725
Dunedin City Treasury Limited - Current	651	812
	390,391	**340,537**

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 $420 million.

The weighted average interest rate for the loan inclusive of any current portion, was 3.04% (2020: 3.62%).

Borrowings are initially recorded net of directly attributable transaction costs and are measured at subsequent reporting dates at amortised cost. Finance charges, premiums payable on settlement or redemption and direct costs are accounted for on an accrual basis to the Income Statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Current borrowings reflect interest accrued on the Dunedin City Treasury Limited term loan as at balance date.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

19. DEFERRED TAX

	Opening Balance Sheet $000	Charged to Equity $000	Charged to Income $000	Transfer of Employees $000	Depreciation on Commercial Properties $000	Closing Balance Sheet Assets $000	Closing Balance Sheet Liabilities $000	Closing Balance Sheet $000
YEAR ENDED 30 JUNE 2021:								
Property, plant and equipment	(64,712)	-	(3,517)	-	-	-	(68,229)	(68,229)
Provisions	(4,634)	-	(1,984)	-	-	908	(7,526)	(6,618)
Tax losses	-	-	481	-	-	481	-	481
Revaluations of interest rate swaps	790	(581)	-	-	-	209	-	209
Balance at end of the year	**(68,556)**	**(581)**	**(5,020)**	**-**	**-**	**1,598**	**(75,755)**	**(74,157)**
YEAR ENDED 30 JUNE 2020:								
Property, plant and equipment	(62,609)	-	(2,552)	-	449	-	(64,712)	(64,712)
Provisions	(4,683)	-	49	-	-	1,119	(5,754)	(4,634)
Revaluations of interest rate swaps	1,018	(228)	-	-	-	790	-	790
Balance at end of the year	**(66,274)**	**(228)**	**(2,503)**	**-**	**449**	**1,909**	**(70,466)**	**(68,556)**

Deferred tax assets and liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Movements in deferred tax assets and liabilities are charged or credited in the income statement in the financial year that the movement occurs, except when it relates to items charged or credited directly to equity.

As a direct result of Covid-19, the New Zealand Government also enacted changes to the tax legislation reinstating the ability to make tax deductions for building depreciation. This change has been factored into the Group's deferred tax balances.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

20. CASH AND CASH EQUIVALENTS

	2021 $000	2020 $000
Cash and bank	50	53
	50	**53**

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 balance sheet.

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	13,517	14,020
Dunedin City Council and Group entities	308	136
	13,825	14,156
Less expected credit loss	(601)	(766)
	13,224	**13,390**
Prepayments	351	314
	13,575	**13,704**

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 2021 $105,000 of Trade receivables were written off (2020: $354,000).

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

21. TRADE AND OTHER RECEIVABLES - continued

	2021 $000	2020 $000
Debtor ageing		
Current	13,122	13,137
Past due 0 to 30 days	168	395
Past due 31-60 days	28	16
Past due 61-90 days	31	45
90 days plus	476	563
	13,825	**14,156**

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 income statement for the period in which they occur.

Investments - listed companies	25	8
	25	**8**

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

23. CASH FLOW HEDGE INSTRUMENTS AND HEDGE ACCOUNTING

Interest rate swaps revaluations - receivable/(payable)	(748)	(2,821)
	(748)	**(2,821)**

The Company's activities expose it to financial risks of changes in interest rates and foreign currency exchange rates. The Company uses cash flow hedge instruments (interest rate swap contracts and foreign exchange forward contracts) to protect itself from these risks.

The Company does not use cash flow hedge instruments for speculative purposes. Any derivatives that do not qualify for hedge accounting, under the specific NZ IFRS rules, are accounted for as trading instruments, with fair value gains/losses recognised directly in the income statement.

23. CASH FLOW HEDGE INSTRUMENTS AND HEDGE ACCOUNTING - continued

The use of cash flow hedge instruments is governed by policy approved by the Board of Directors in consultation with the Company's Shareholder.

Cash flow hedge instruments are recognised as a current asset or liability.

Cash flow hedge instruments are recognised at fair value on the date the hedge is entered into and are subsequently re-measured to their fair value. The fair value on initial recognition is the transaction price. Subsequent fair values are based on independent bid prices quoted in active markets for these instruments.

Changes in the fair value of cash flow hedge instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. Any ineffective portion is recognised immediately in the income statement. Hedges that do not result in the recognition of an asset or a liability are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires, is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement for the period.

24. INVENTORIES

	2021 $000	2020 $000
Network spare parts	8	8
Materials and stores	1,143	1,539
	1,151	**1,547**

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

25. 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 to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

Depreciation is charged so as to write-off the costs of assets, other than land, and capital work in progress, on the straight-line basis. Rates used have been calculated to allocate the assets' costs less estimated residual values over their estimated remaining useful lives.

Depreciation of assets commences when the assets are ready for their intended use.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation rates and methods used are:

	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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

25. 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 2021:									
Cost									
Balance at beginning of year	6,097	18,077	697,891	5,277	220	792	4,981	56,517	789,852
Purchases	-	-	-	-	-	-	-	76,640	76,640
Transfers	204	17	91,558	1,562	-	80	-	(93,421)	-
Disposals	(6)	-	(1,416)	(3)	-	(14)	-	-	(1,439)
Total cost	6,295	18,094	788,033	6,836	220	858	4,981	39,736	865,053
Accumulated depreciation									
Balance at beginning of year	-	2,437	193,913	2,719	123	196	1,457	-	200,845
Transfers	-	-	-	-	-	-	-	-	-
Depreciation	-	276	19,538	487	11	68	141	-	20,521
Disposals	-	-	(623)	(1)	-	(4)	-	-	(628)
Total accumulated depreciation	-	2,713	212,828	3,205	134	260	1,598	-	220,738
Balance at end of year	**6,295**	**15,381**	**575,205**	**3,631**	**86**	**598**	**3,383**	**39,736**	**644,315**
YEAR ENDED 30 JUNE 2020:									
Cost									
Balance at beginning of year	5,809	17,950	664,284	3,339	220	610	4,981	42,259	739,452
Purchases	-	-	-	-	-	-	-	53,648	53,648
Transfers	288	147	35,007	1,944	-	185	-	(39,390)	(1,819)
Disposals	-	(20)	(1,400)	(6)	-	(3)	-	-	(1,429)
Total cost	6,097	18,077	697,891	5,277	220	792	4,981	56,517	789,852
Accumulated depreciation									
Balance at beginning of year	-	2,245	176,242	2,319	111	132	1,309	-	182,358
Transfers	-	-	-	-	-	-	-	-	-
Depreciation	-	202	18,150	401	12	65	148	-	18,978
Disposals	-	(10)	(479)	(1)	-	(1)	-	-	(491)
Total accumulated depreciation	-	2,437	193,913	2,719	123	196	1,457	-	200,845
Balance at end of year	**6,097**	**15,640**	**503,978**	**2,558**	**97**	**596**	**3,524**	**56,517**	**589,007**

25. 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 2021. 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 20 year period from 1 July 2021. The key assumptions utilised in the impairment testing were that:

- For the 10 years from 1 July 2021, the network forecasts are derived from the Commerce Commission final customised price-quality path (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 Company's operating budget and regulatory expenditure allowances derived from the Commerce Commissions' final CPP decision for the period ended 31 March 2026, followed by expenditure forecasts included in the Company's 10 year Asset Management Plan.
- Operating expenditure will mirror the Company's operating budget and regulatory expenditure allowances derived from the Commerce Commission's final CPP decision for the period ending 31 March 2026. 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.
- The valuation cash flows beyond the 10 years from 1 July 2031 are assumed to grow at 2% per annum.
- In applying the DCF methodology the Company considered a range of discount rates from 4.25% to 5.25%. The discount rate is a matter of professional judgement.
- In applying the balance date impairment testing the Company noted that at a discount rate of 4.9% the present value of future FCF was approximately equal to the carrying value of the network related assets. It follows that a discount rate of higher than 4.9% could have given rise to an impairment in the absence of any other offsetting factors as at balance date.
- 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.

25. PROPERTY, PLANT AND EQUIPMENT - continued

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 $30 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 2021.

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.

26. INTANGIBLES

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

YEAR ENDED 30 JUNE 2021

$000	Software	Work in Progress	Total Cost
Cost			
Balance at beginning of year	3,374	660	4,034
Transfers	925	(925)	-
Purchases	-	1,098	1,098
Disposals	-	(13)	(13)
Total cost	**4,299**	**820**	**5,119**
Accumulated amortisation			
Balance at beginning of year	1,868	-	1,868
Transfers	-	-	-
Amortisation	698	-	698
Disposals	-	-	-
Total amortisation	**2,566**	**-**	**2,566**
Closing balance	**1,733**	**820**	**2,553**

26. INTANGIBLES - continued

YEAR ENDED 30 JUNE 2020

$000	Software	Work in Progress	Total Cost
Cost			
Balance at beginning of year	1,412	-	1,412
Transfers*	1,962	(143)	1,819
Purchases	-	803	803
Disposals	-	-	-
Total cost	**3,374**	**660**	**4,034**
Accumulated amortisation			
Balance at beginning of year	1,310	-	1,310
Transfers	-	-	-
Amortisation	558	-	558
Disposals	-	-	-
Total amortisation	**1,868**	**-**	**1,868**
Closing balance	**1,506**	**660**	**2,166**

*In the year to 30 June 2020 there was a transfer of work in progress (WIP) from Property, Plant and Equipment related to the SCCP project that was subsequently commissioned in the year to 30 June 2020.

27. CAPITAL COMMITMENTS

	2021 $000	2020 $000
Expenditure contracted for at balance date but not provided for in the financial statements.	21,791	20,535
	21,791	**20,535**

The Company is party to three field services agreement contracts. The value of total committed expenditure under these contracts is $23 million for the 31 March 2022 regulatory year and $20 million for the 31 March 2023 and 31 March 2024 regulatory years.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

28. RECONCILIATION OF NET PROFIT FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES

	2021 $000	2020 $000
Net profit/(loss) for the year	681	(4,197)
Items not involving cash flows		
Depreciation and amortisation	22,346	20,681
Increase/(decrease) in deferred tax	5,600	2,283
Non-cash component of finance costs	(244)	(258)
Non-cash component of investing activities	(17)	-
Other non-cash items	1,493	585
(Increase)/decrease in cash flow hedge valuation	(2,074)	(816)
Impact of changes in working capital items		
(Increase)/decrease in trade and other receivables	129	126
Increase/(decrease) in trade and other payables	651	804
Increase/(decrease) in provision for tax	540	211
Increase/(decrease) in contract liabilities	(1,611)	559
(Increase)/decrease in other current assets	(181)	56
(Increase)/decrease in inventories	396	241
Increase/(decrease) in other liabilities	15	(4,238)
Items classified as investing or financing activities		
Capital creditors in accounts payable	(349)	(3,058)
Loss on write down of capital projects	506	619
Net (gain)/loss on sale property, plant and equipment	979	890
Net cash inflows/(outflows) from operating activities	**28,860**	**14,488**

Reconciliation of changes in liabilities arising from financing activities

	30 June 2020	Cashflows	Non-cash movement	30 June 2021
Long-term borrowings	339,725	50,015	-	389,740
Short-term borrowings	812	-	(161)	651
Lease liabilities	3,676	(1,221)	1,024	3,479
Total liabilities from financing activities	**334,213**	**48,794**	**863**	**393,870**

	30 June 2019	Cashflows	Non-cash movement	30 June 2020
Long-term borrowings	301,350	38,375	-	339,725
Short-term borrowings	520	-	292	812
Lease liabilities	-	(1,248)	4,924	3,676
Total liabilities from financing activities	**301,870**	**37,127**	**5,216**	**344,213**

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

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

YEAR ENDED 30 JUNE	2021 $000	2020 $000
Purchases of goods and services from Dunedin City Holdings Limited:		
Management fees	-	200
Subvention/tax loss offset payment	-	-
	-	200
Purchases of goods and services from Dunedin City Council:		
Rates and property leases	812	605
Capital work/other	36	7
	848	612

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

29. RELATED PARTY TRANSACTIONS - continued

YEAR ENDED 30 JUNE	2021 $000	2020 $000
Purchases of goods and services from other Dunedin City Council Group entities:		
Capital work	31,299	25,697
Network management and operation	19,447	16,380
Interest/facility fees	10,896	11,426
Contracting services	1,334	862
Lease of meters	80	82
Rent	456	434
	63,512	**54,881**
At period end the amounts payable by Aurora Energy Limited to Group entities:		
Dunedin City Council Group entities	395,540	349,944
	395,540	**349,944**
Sales of services to Dunedin City Council:		
Contribution in respect of Capital Works	102	24
	102	**24**
Sales of services to Dunedin City Council Group entities:		
Rent	262	77
Sales of stock and other	1,197	583
Subvention/tax loss offset receipt	3,843	3,351
Tax compensation	305	24
Consulting and sundry services	107	113
Corporate shared services	234	327
	5,948	**4,475**
At period end, the amounts receivable by Aurora Energy Limited from Dunedin City Council Group entities are:		
Dunedin City Council	98	-
Other Dunedin City Council Group entities	515	911

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.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

29. RELATED PARTY TRANSACTIONS - continued

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 $115,708 were purchased from Passmore Consulting Services Limited (2020: $111,091). No monies were outstanding as at 30 June 2021 (2020: nil).

Mr Thompson was a consultant to Deloitte Limited until 31 May 2021. In the ordinary course of business during the financial period covered by this report, services of $99,144 were purchased from Deloitte (2020: $288,757). $8,977 was outstanding as at 30 June 2021 (2020: $18,035).

Mr Thompson was a Director of Netcon Limited until August 2020. During the financial period covered by this report, no services were purchased from Netcon Limited (2020: $2,554). No monies were outstanding at 30 June 2021 (2020: nil).

Mrs Devlin is a Director of Infrastructure New Zealand Limited. In the ordinary course of business during the financial period covered by this report, services valued at $3,990 were purchased from Infrastructure New Zealand (2020: $3,990). No monies were outstanding at 30 June 2021 (2020: nil).

Mr Hall is a Director and Shareholder of Stratview Holdings Limited. During the financial period covered by this report, services of $62,971 were purchased from Stratview Holdings Limited (2020: $62,890). No monies were outstanding as at 30 June 2021 (2020: nil).

Mr Hall is a Director of ETEL Limited. In the ordinary course of business during the financial period covered by this report, services of $196,601 were purchased from ETEL Limited (2020: $252,207). $12,852 was outstanding as at 30 June 2021 (2020: $8,137).

Mr Hall is a Director of Unison Networks Limited which owns Unison Contracting Limited. In the ordinary course of business during the financial period covered by this report, no services were purchased from Unison Networks Limited (2020: $10,000). No monies were outstanding as at 30 June 2021 (2020: nil). In the ordinary course of business during the financial period covered by this report, services of $9,675,683 were purchased from Unison Contracting Limited (2020: $4,594,625). $1,057,631 was outstanding as at 30 June 2021 (2020: $614,432).

In the ordinary course of business during the financial period covered by this report $23,904 of inventory was sold to Unison Contracting Limited (2020: $72,161). $11,153 was outstanding as at 30 June 2021 (2020: $6,497).

Mrs Harvey is a Director and Shareholder of Excellence in Business Solutions Limited. During the financial period covered by this report, services of $62,971 were purchased from Excellence in Business Solutions Limited (2020: $62,890). No monies were outstanding as at 30 June 2021 (2020: nil).

29. RELATED PARTY TRANSACTIONS - continued

DIRECTORS' REMUNERATION

The remuneration paid to Directors during the year was:

Stephen R Thompson	$115,708
Margaret P Devlin	$62,971
Brenden J Hall	$62,971
Wendie N Harvey	$62,971
	$304,621

KEY MANAGEMENT PERSONNEL REMUNERATION

	2021 $000	2020 $000
Short term employment benefits	2,338	2,076
Post-employment benefits – employees	84	79
Short term benefits – Directors (as above)	305	300
	2,727	**2,455**

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

30. FINANCIAL INSTRUMENT RISK

Dunedin City Treasury Limited, which is part of the Dunedin City Holdings Group, coordinates access to domestic financial markets for all group members, and provides advice on the management of financial instrument risks to the Company. These risks include interest rate risk, credit risk and liquidity risk.

INTEREST RATE RISK

The Company uses interest rate swap agreements to manage its exposure to interest rate movements on its short-term borrowings by swapping a proportion of those borrowings from floating rates to fixed rates. The treasury policy requires that the amount of the interest hedged is within a series of ranges in set future time periods.

Part of the Company's debt is borrowed on a long-term fixed interest rate basis.

The notional principal outstanding with regard to the interest rate swaps is:

	2021 $000	2020 $000
Maturing in less than one year	50,000	-
Maturing between one and five years	-	50,000
Maturing after five years	-	-
	50,000	**50,000**

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	50	53
Trade and other receivables	13,575	13,704
Short term investments	25	8
	13,650	**13,765**

30. 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		
Cash and cash equivalents		
AA-	50	53
Cash and cash equivalents		
AA	308	136
Counterparties without credit ratings		
Trade and other receivables		
Existing counterparties with no defaults in the past	13,517	14,262
Investment		
Existing counterparties with no defaults in the past	25	8

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.

The following table analyses the exposure of the Company's financial assets and liabilities to liquidity risk as at 30 June 2021.

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.

30. FINANCIAL INSTRUMENT RISK - continued

The following table analyses the exposure of the Company's financial liabilities to liquidity risk as at 30 June 2021:

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	50	-	-	-	-	-	50
Trade and other receivables	13,575	-	-	-	-	-	13,575
Taxation receivable	-	-	4,558	-	-	-	4,558
Other current assets	698	-	-	-	-	-	698
Financial assets at fair value through profit and loss							
Long-term investments	-	-	-	-	-	25	25
	14,323	-	4,558	-	-	25	18,906
FINANCIAL LIABILITIES							
Financial liabilities measured at amortised cost							
Trade and other payables	18,891	-	-	-	-	-	18,891
Borrowings	651	-	-	-	-	389,740	390,391
Financial liabilities at fair value through profit and loss							
Cash flow hedge	-	-	748	-	-	-	748
	19,542	-	748	-	-	389,740	410,030

30. FINANCIAL INSTRUMENT RISK - continued

The following table analyses the exposure of the Company's financial liabilities to liquidity risk as at 30 June 2020:

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	53	-	-	-	-	-	53
Trade and other receivables	13,704	-	-	-	-	-	13,704
Taxation receivable	-	-	5,098	-	-	-	5,098
Other current assets	517	-	-	-	-	-	517
Financial assets at fair value through profit and loss							
Long-term investments	-	-	-	-	-	8	8
	14,274	-	5,098	-	-	8	19,380
FINANCIAL LIABILITIES							
Financial liabilities measured at amortised cost							
Trade and other payables	18,079	-	-	-	-	-	18,079
Borrowings	812	-	-	-	-	339,725	340,537
Financial liabilities at fair value through profit and loss							
Cash flow hedge	-	-	-	2,821	-	-	2,821
	18,891	-	-	2,821	-	339,725	361,437

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.

30. FINANCIAL INSTRUMENT RISK - continued

	Carrying amount at balance date $000	+100bps Profit $000	+100bps Equity $000	-100bps Profit $000	-100bps Equity $000
Financial liabilities					
Cash flow hedge instruments	748	-	127	-	(127)
Borrowings (unhedged)	340,391	(3,404)	-	3,404	-
	341,139	(3,404)	127	3,404	(127)

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the balance sheet.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

Level 1 Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2021	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial liabilities				
Derivative financial liabilities	-	748	-	748

2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial liabilities				
Derivative financial liabilities	-	2,821	-	2,821

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

31. SEGMENT REPORTING

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

32. 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.

33. CONTINGENT LIABILITIES

Network Reliability Quality Limits
Network reliability standards are contained in the Commerce Commission's default price-quality path for Electricity Distribution Businesses.

The Company breached its regulated quality limits for the 2020 disclosure year.

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

34. IMPACT OF COVID-19

The Company has not experienced any material impact attributable to Covid-19 on the profitability of the Company.

The Company has considered the impact of Covid-19 in undertaking the impairment testing described under Property, Plant and Equipment (Note 25).

The Directors believe that the Company is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Company will have adequate resources to continue operations for the foreseeable future. The Company continues to have liquidity headroom within its existing debt facilities. The Directors therefore consider it appropriate to continue to adopt the going concern assumption for the purpose of preparing the financial statements.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2021

35. EVENTS AFTER BALANCE DATE

On Tuesday 17 August 2021, the NZ Government announced that Alert Level 4 Covid-19 restrictions would take effect throughout the country immediately, following the identification of Covid-19 cases in the community. The Alert Level 4 restrictions were initially for a perod of at least two weeks but were subsequently extended in the Auckland region.

At the date of signing this Annual Report the area in which the Company operates remains subject to Level 2 Covid-19 restrictions, a situation which is scheduled to be re-assessed on Monday 20 September 2021. At this stage our assessment is that the impact of Covid-19 restrictions will not materially affect the achievement of our FY22 targets.

There were no other significant post balance date events.

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 2021

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 the statement of service performance of the company on his behalf.

Opinion on the financial statements and the statement of service performance

We have audited:

- the financial statements of the company on pages 57 to 96, that comprise the balance sheet as at 30 June 2021, 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 42 to 46.

In our opinion:

- the financial statements of the company:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; 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 2021.

Our audit was completed on 17 September 2021. 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 there is an intention to liquidate the company or to cease operations, or there is 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 it 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 statement of service performance.

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 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 the reported statement of service performance within the company's framework for reporting its performance.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- 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.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 41, 47 to 54, and 102 but does not include 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.

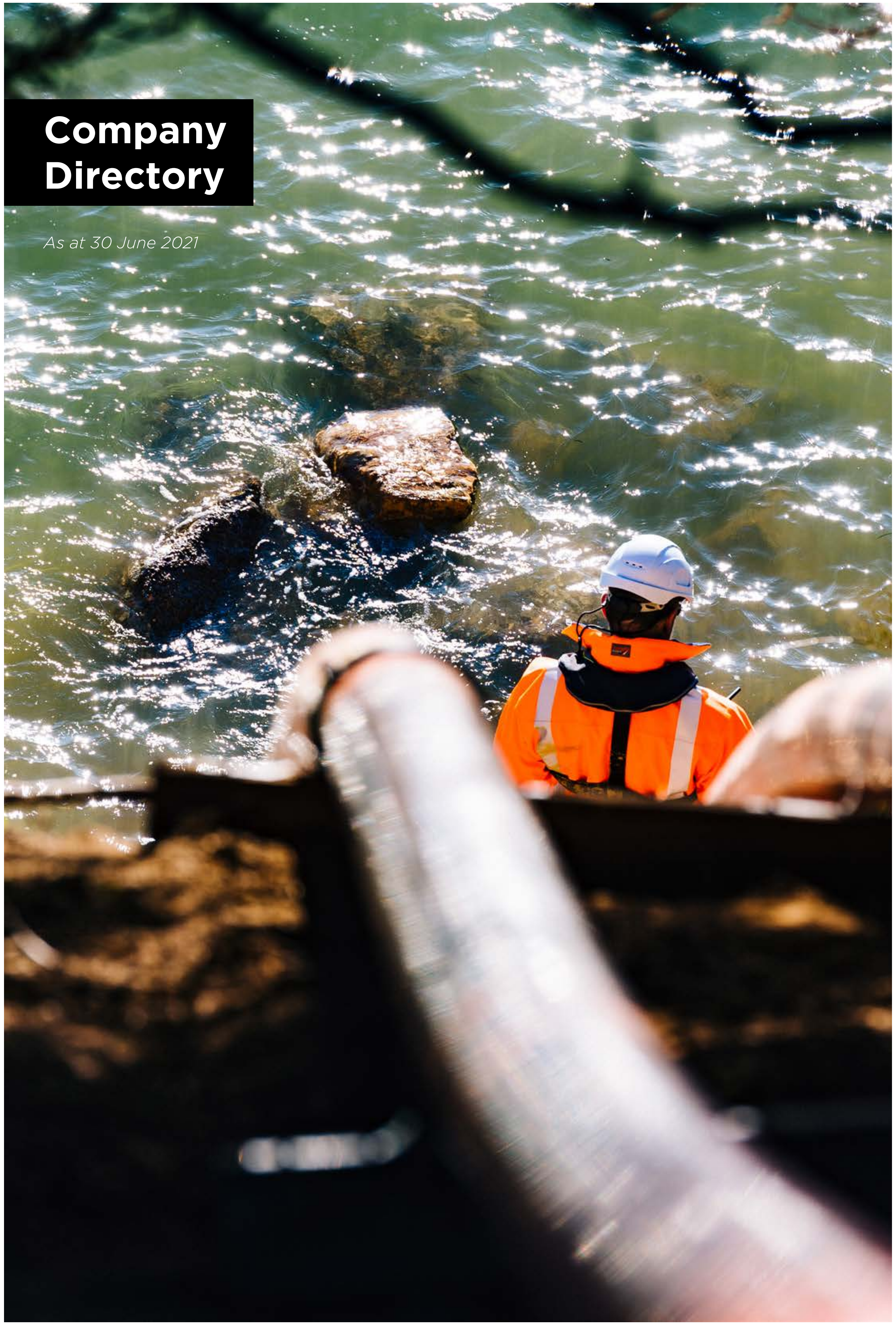
Independence

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* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out an assurance engagement pursuant to the Electricity Distribution Information Disclosure Determination 2012 for the disclosure year ended 31 March 2021 and an assurance engagement pursuant to the Electricity Distribution Services Default Price-Quality Path Determination 2020 and the Electricity Distribution Services Default Price-Quality Path (Aurora quality standard variation) Amendments Determination 2020 for the assessment period ended 31 March 2021.

Other than the audit and these assurance engagements, 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 2021

Directors

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

Management

Chief Executive – Richard Fletcher
Chief Financial Officer and General Manager Accounting and Finance – Gary Dixon
General Manager Asset Management and Planning – Glenn Coates
General Manager Operations and Network Performance – John Campbell
General Manager Regulatory and Commercial – Alec Findlater
General Manager Work Programming and Delivery – Mark Pratt
General Manager Customer and Engagement – Sian Sutton
General Manager Digital Transformation – Tracey Saunders

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 Adviser

Deloitte