2022

Annual Report
for the year ended 30 June 2022

Aurora
ENERGY

ENABLING THE ENERGY FUTURE OF OUR COMMUNITIES

We want to help consumers make informed choices around new technologies to support and promote a NEW ENERGY FUTURE.

We know that sustainable, secure and efficient energy supply is important to our consumers, communities, and the environment.

That's why Aurora Energy is committed to supporting emerging energy choices and to sustainably managing our business so that we can meet the challenges of a changing future.

Aurora Energy, along with other networks around New Zealand, is at the heart of creating a shared, dynamic and flexible energy system. We are working to innovate how we manage our electricity network while staying grounded in the things we do well now – delivering a safe, reliable and efficient power supply.

Who we are

Aurora Energy owns and operates the electricity network in Dunedin, Central Otago and Queenstown Lakes. Safe and reliable electricity supply is at the heart of everything we do.

We own the poles, lines and equipment that distribute electricity from Transpower's national grid to more than 93,500 homes, farms and businesses. We are responsible for maintaining and renewing infrastructure.

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

About this report

This report reviews Aurora Energy's financial and operational performance for the year ended 30 June 2022. The financial statements have been prepared in accordance with appropriate accounting standards and independently audited.

Care has been taken to ensure all information is accurate.

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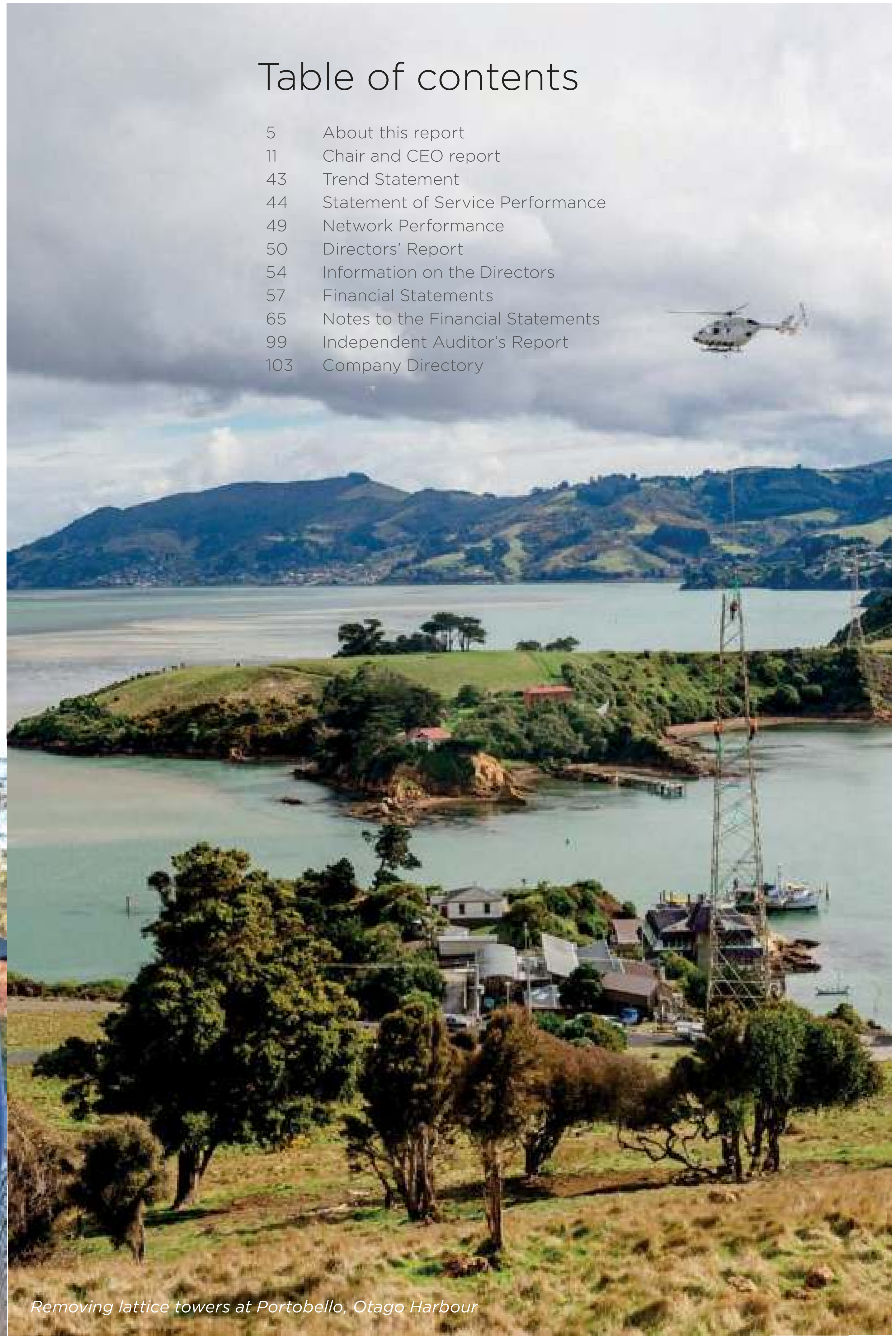


Removing lattice towers at Portobello, Otago Harbour

Statistics for Year in Review

NETWORK RESILIENCE AND SAFETY

309
MEGAWATTS NETWORK MAXIMUM DEMAND *

74km
OF HIGH VOLTAGE LINES REPLACED *

53,589
POWER POLES ON OURNETWORK

$$$
$103.2m
INVESTED IN RENEWING, MAINTAINING AND BUILDING OUR NETWORK

OVER
1040
POLES REPLACED *

39
ZONE SUBSTATIONS ON OUR NETWORK

88
CAST IRON POTHEADS REPLACED *

7,252
DISTRIBUTION TRANSFORMERS ON OUR NETWORK

OVER
1,200
CROSSARMS REPLACED *

1,382
GIGAWATT HOURS OF ELECTRICITY DISTRIBUTED ACROSS THE NETWORK *

* Figures relate to the regulatory year ended 31 March 2022; all others relate to FY22 (1 July 2021 - 30 June 2022)

COMMUNITY

93,785
CUSTOMER CONNECTIONS *

24,911
WEBSITE VISITS ON AVERAGE EACH MONTH

3,872
NEW CONNECTIONS *

WINNING TWO NEW ZEALAND ENERGY EXCELLENCE AWARDS IN THE ‘COMMUNITY INITIATIVE OF THE YEAR’ AND ‘NETWORK INITIATIVE OF THE YEAR’ CATEGORIES

5,892
SOCIAL MEDIA FOLLOWERS ACROSS FACEBOOK, LINKEDIN AND INSTAGRAM

4
CUSTOMER COMPLAINTS RECEIVED BY THE INDEPENDENT DISPUTE RESOLUTION SERVICE

11,732
CUSTOMER CALLS DURING BUSINESS HOURS

159
PEOPLE EMPLOYED IN OUR DUNEDIN, CROMWELL AND CHRISTCHURCH LOCATIONS

FINANCIAL

A PROFIT OF
$7.8m

$730.6m
IN ASSETS

CAPITAL INVESTMENT THIS YEAR OF
$83.0m

Pole, cross arm and line replacements at Aramoana, Dunedin

THE ELECTRICITY INDUSTRY IS CHANGING...

Sustainability is a key driver for Aurora Energy so we can play our part in enabling the energy future of our communities

The network in the Queenstown area

Chair and CEO Report

KEEPING MOMENTUM ON OUR DELIVERY PROGRAMME

Delivering electricity safely and reliably to electricity consumers remains Aurora Energy's priority.

This year, we've made significant progress on our programme to maintain and upgrade critical assets across the network and we have seen another year of stabilised network performance. Reliability is improving across most parts of the network but there are some localised areas where the level of unplanned supply interruptions remains too high and we are targeting investment and operational focus in these areas.

Effective asset stewardship relies on access to good quality information about the network assets. Investment in core information systems and a transition to a more digital way of working is helping to drive productivity.

BUILDING RELATIONSHIPS

We are continuing to build Aurora Energy as a consumer-centric business, with people at the heart of day-to-day decision making and planning. Our contracting partners also help ensure this happens as the Aurora Energy representatives in the field. Last year was the third full year of operating under the current field service agreements and we are seeing year-on-year improvements to delivery processes.

This year, we have improved the information consumers receive when their power is interrupted. We have created regular opportunities for two-way conversations at both consumer and community level, across Aurora Energy's operating region. Given the amount of work underway, it's imperative that we keep electricity users and communities informed about the status of work in their local area. This has required investment in back-office systems and processes, and benefits are starting to show.

We will continue to work closely with large consumers to understand their future needs and plans.

The region remains in a period of sustained growth; new connections to the network continue to rise. Aurora Energy's role is to facilitate this growth in an efficient and sustainable manner and our commitment is to continue to work closely with existing and new consumers to understand and meet their future needs and plans.

A YEAR OF EXCELLENT PROGRESS

For the financial year ended 30 June 2022 (FY22), the financial statements continued to reflect strong growth in new consumer connections, increased levels of capital investment and improved financial performance. Total FY22 capital investment was $83.0 million, compared with $76.6 million in FY21 and $53.6 million in FY20.

We are pleased to report a profit of $7.8 million (compared with a forecast of $1.2 million), following strong use of systems revenue along with higher growth-related consumer connections revenue and lower than budgeted non-network expenses.

Our Board and shareholder agreed it was prudent to forego a shareholder dividend for FY22 as we continued to prioritise the significant network investment.

OUR PEOPLE

It's been a year of dynamic and rapid change for Aurora Energy's workforce. Many people have adapted to working from home and working in isolation because of the COVID-19 pandemic. Equally, we've quickly responded to changing technology needs and the team has readily embraced an evolving work environment. The changes impacting on our workforce have extended beyond just the places at which we work to include a major focus on talent and overall team wellbeing, as well as a focus on diversity and how to ensure Aurora Energy is an inclusive and welcoming place for current and future team members.

A TIME OF CHANGE

The drive for decarbonisation and a more sustainable way of life means we must be ready to invest at the right time. We know electricity users want an affordable energy supply that supports their changing lifestyles and energy needs.

Maintaining the health of the existing network assets is essential, but we must also upgrade the network and position it for the future. A robust network will provide value to consumers by enabling how and when 'renewable' electricity is used to support decarbonisation.

This year, we've seen the clearest signals to date that a new energy future is fast becoming a New Zealand imperative for the Government and communities. Climate change, the release of New Zealand's first Emissions Reduction Plan, increasing consumer expectations around the availability of electricity supply and a heightened focus on affordability, clearly point to a future energy sector that will look very different from today's. At Aurora Energy, we are already planning for this future.

Together with all other New Zealand energy networks, Aurora Energy will play a central role in enabling a more sustainable future through electrification. Collaboration with others in the sector is vital to achieve this goal. Aurora Energy is actively involved with the South Island Distribution Group, a partnership of electricity distribution businesses across the South Island. Collectively, we are looking at the future of electricity distribution management, including how to incorporate innovative ways to manage capacity and peak demands.

As well as strengthening the electricity network, we are surveying market-based solutions beyond the usual poles and lines, to help manage peak growth on the network. This will help delay investment in traditional electricity infrastructure, keeping prices more affordable. Aurora Energy has partnered with solarZero in an industry-first initiative to use distributed energy resources as a more cost-effective alternative to managing increasing peak electricity demand. This benefit ultimately flows through to consumers.

LOOKING TO THE FUTURE

We can see our hard work starting to pay off. A substantial proportion of end-of-life assets have either been replaced or upgraded, our wider work programme is progressing to plan, and we're seeing ongoing improvements to processes, systems, and data capture. All of this is supporting better decision making.

In 2018, we signalled the start of a multi-year programme of major network and business investment. We are on track and are confident that network performance will continue to improve as we stay focused on our published priorities.

Aurora Energy / Annual Report 2022

"We can see our hard work starting to pay off. A substantial proportion of end-of-life assets have either been replaced or upgraded, our wider work programme is progressing to plan, and we're seeing ongoing improvements to processes, systems, and data capture.

THANK YOU

The Board and Executive Management wish to pay particular thanks to Connetics, Delta and Unison – our primary contracting partners - and all our supporting contractors who help us deliver electricity to the network. These partners carry out maintenance, renewal and consumer connection work 24/7. We appreciate their dedication to work in all weather and at all hours of the day and night. Thank you for helping us keep the lights on.

Aurora Energy's Board helps set a clear direction for the business. Thank you to the Directors for their ongoing guidance and advice.

The CEO, supported by executive leaders and the wider Aurora Energy team, has put in an exceptional effort throughout the year and deserves similar acknowledgement. And, as always, we appreciate the support of our shareholder and wider community.

Thank you all.

Kā mihi nui

Stephen Thompson
Chair

Richard Fletcher
Chief Executive

Financials at a Glance

Replacing lines along Letts Gully Road, Alexandra

Our financial statements for the year ended 30 June 2022 (FY22) again reflect substantial levels of capital investment and improved financial performance when compared with recent years.

Capital expenditure of $83.0 million – compared to $76.6 million in 2021 - 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 $0.6 million to $20.2 million (FY21: $19.6 million).

The Company recorded a net profit after tax of $7.8 million (FY21: $0.7 million) compared with a forecast profit of $1.2 million. The positive result against forecast was driven by higher growth-related consumer connections revenue and below budget non-network operating expenditure.

> "...again reflect substantial levels of capital investment and improved financial performance when compared with recent years.

OUR YEAR IN REVIEW

We're pleased to report another productive year for Aurora Energy, during which we completed the first year of network renewals and upgrades under our five-year customised price-quality path agreed with the Commerce Commission in 2021.

Consumers and stakeholders are central to our approach, and we thank the many people who contributed to our successful programme delivery over the past year. At the same time, our sector and consumers' needs are transforming and, at Aurora Energy, we're leading our teams to accelerate the change needed to respond to changing consumer needs.

Pole replacements in Glenorchy

Key Achievements

Removing lattice towers at Portobello, Otago Harbour

Aurora Energy / Annual Report 2022

We are proud to have delivered numerous projects to upgrade the network and our services to consumers during the year.

Consequently, the substantial investment we're undertaking for the future is inevitably flowing through to higher annual lines charges for consumers. Ensuring we set our prices in a fair and equitable way, and in a way that reflects the cost of delivering our regional services, is critical. This is closely monitored by the Electricity Authority, which last year rated Aurora Energy as the NZ regulated distribution company that best met the regulator's pricing guidelines.

> "We've made excellent progress on our ambitious $563 million work programme across the region

Replacing poles at Jack's Point, Queenstown


New substation site at Omakau

Highlights include:

DUNEDIN NETWORK

- Completing the Harbour Crossing project. We removed six lattice towers and overhead lines between Port Chalmers and Portobello, and an old submarine cable, replacing them with new submarine cables. This once-in-a-lifetime project not only improved security of electricity for residents but also has wider benefits for shipping, tourism and wildlife.
- Replacing 36 power poles and upgrading around 16km of power lines in the Harwood and Harrington Point area of the Otago Peninsula. Electricity generation was installed at various points to reduce the number of consumers impacted by the unavoidable outages.
- Completing three months' worth of work in three weeks in the Deborah Bay and Aramoana areas. We replaced 48 power poles, 77 cross arms and 7.7km of power lines.
- Starting to upgrade the Andersons Bay zone substation in Dunedin.


Replacing lines along Conroys Road, Alexandra

CENTRAL OTAGO/WĀNAKA NETWORK

- Advancing the installation of backup electricity supply for Clyde, allowing the Alexandra network to take on Clyde township power when required.
- Upgrading a ring within the Clyde township and providing a backup supply to the Dairy Creek irrigation scheme.
- Installing new switchgear and protection equipment in the Ettrick substation, which has improved the supply of electricity to the community.
- Under-grounding power lines on the St Bathans Loop Rd. This restored the original look of the town and some metal poles were retained for their historic value at the community's request.
- Completing a major piece of work on the electricity network that supplies Albert Town, Camp Hill, Hawea Flat, Lake Hawea and Makarora.
- Starting to build a new zone substation in Omakau as the current one is in a flood risk area and will be decommissioned. The new substation will double the capacity to ensure it can meet growth in the area, and will provide more options during maintenance and unplanned outages. Due for completion in FY23.
- Increasing the security of electricity supply to the Cardrona area.

QUEENSTOWN LAKES NETWORK

- Completing a large programme in and around the Glenorchy township, which included replacing 110 power poles and 25 cross arms, realigning power poles in Mid Rivers, and installing a new 11 kV air break switch.
- Starting work in Arrowtown on a $6 million upgrade involving a new 9 km, 33 kV underground cable that will enhance security and reliability of supply. Progress is ahead of schedule.
- Replacing 15 power poles on both the 33 kV and 11 kV lines that supply Jacks Point. This was a good example of our bundled work programme, where we reduced the number of outages for consumers by bringing in additional contractor crews to complete the work in a shorter timeframe.
- Worked with Transpower to implement a special protection scheme at Frankton grid exit point to increase the peak electricity capacity into the Wakatipu basin.
- Undertook enhanced asset inspections and associated defect repairs in the Queenstown high risk fire zone.
- Pole replacements in Arrowtown to improve safety.
- Starting design on the Remarkables zone substation circuit breaker installation.
- Starting design for Fernhill and Queenstown zone substation protection upgrade work.
- Reconductoring and pole work as part of an upgrade to the Commonage zone substation.

Work on the Arrowtown underground cable

Line upgrade at Lake Hawea

Replacing poles and lines on the Otago Peninsula

SAFETY FIRST MEANS PEOPLE COME FIRST

Safety is our number one priority because we care about the safety and wellbeing of our team and community.

Replacing lines along Conroys Road, Alexandra

Our People

KEEPING OUR PEOPLE SAFE

Safety remains our number one priority.

Ongoing independent audits across the network during FY22 provided invaluable information on where improvements can be made to keep our people safe.

We have dedicated safety advisers in each business unit to undertake and maintain controls as well as provide upskilling opportunities to Aurora Energy staff and direct support to contractors.

Enhanced digitisation of safety systems and collection techniques is allowing us to use business intelligence to cross reference data and produce safety insights via trend analysis.

As an essential service provider, it is vital we are well prepared to respond to emergency situations that can disrupt electricity supply. We regularly review and update our Business Continuity and Emergency Response plans to make sure we are well prepared to manage a major event.

We have formalised a flexible working guide at Aurora Energy that will ensure team culture continues to thrive while also providing options for flexible hours and working from home, which our people ranked as important. We believe this will also help attract diverse candidates when recruiting.

THE IMPACT OF COVID-19

As Aurora Energy is an essential utilities service, COVID-19 was particularly challenging for us again during FY22.

A dedicated response team that comprised staff from across the organisation helped our business navigate the changing traffic light settings and implement a protection framework that outlined how we would operate under each setting to keep staff, contractors and visitors safe.

Thank you to our staff for the tremendous work. It was a difficult time and the team was outstanding.

WELLBEING

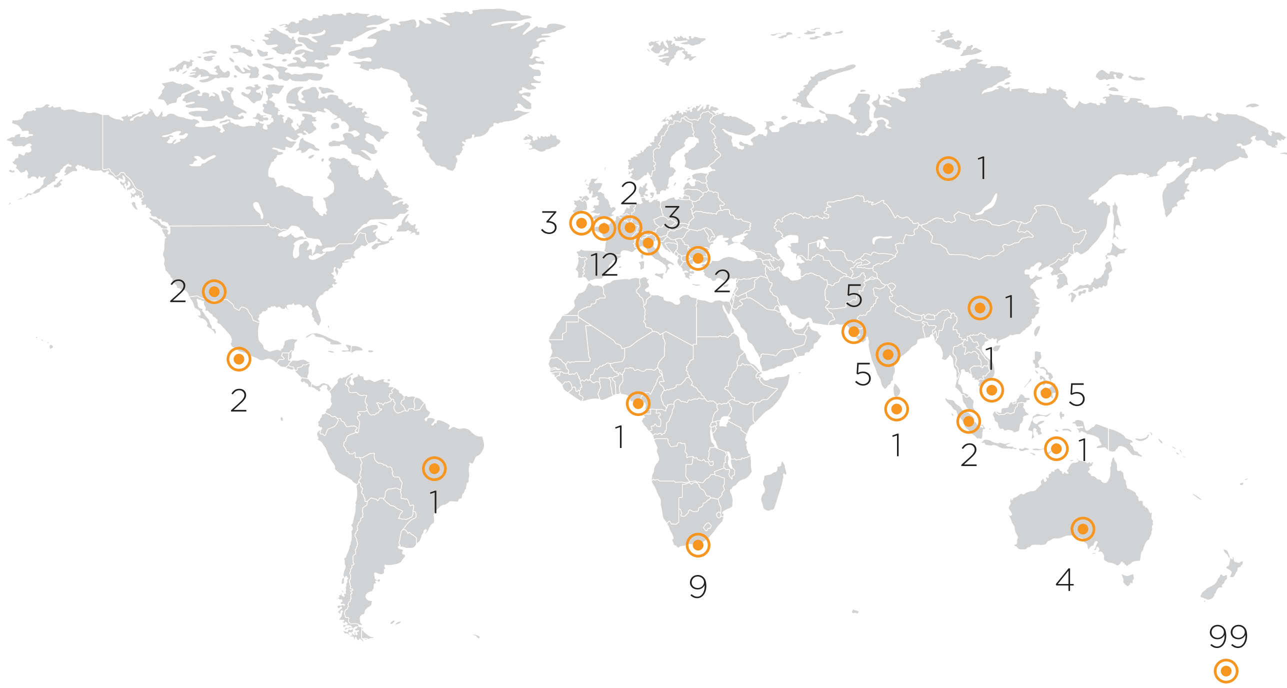
Wellbeing is an important focus for us, especially with the impact COVID-19 has had on people. Aurora Energy has signed up to the Goodyarns initiative, where selected staff have been trained to help raise awareness of signs and symptoms of mental illness, build confidence in starting conversations, and improve knowledge of where to get help.

A series of webinars were conducted with Aurora Energy staff through the Flourishing Institute, aimed at helping employees build the mental skills and knowledge required for thriving at work.

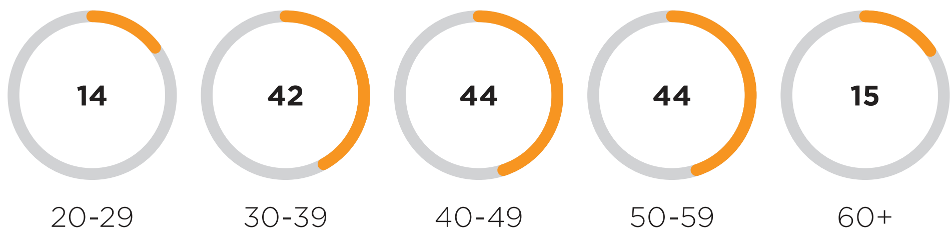
LIVING WAGE

As at 30 June 2022, 100% of the Company's employees were paid at or above the Living Wage (as calculated by the Living Wage Movement Aotearoa New Zealand).

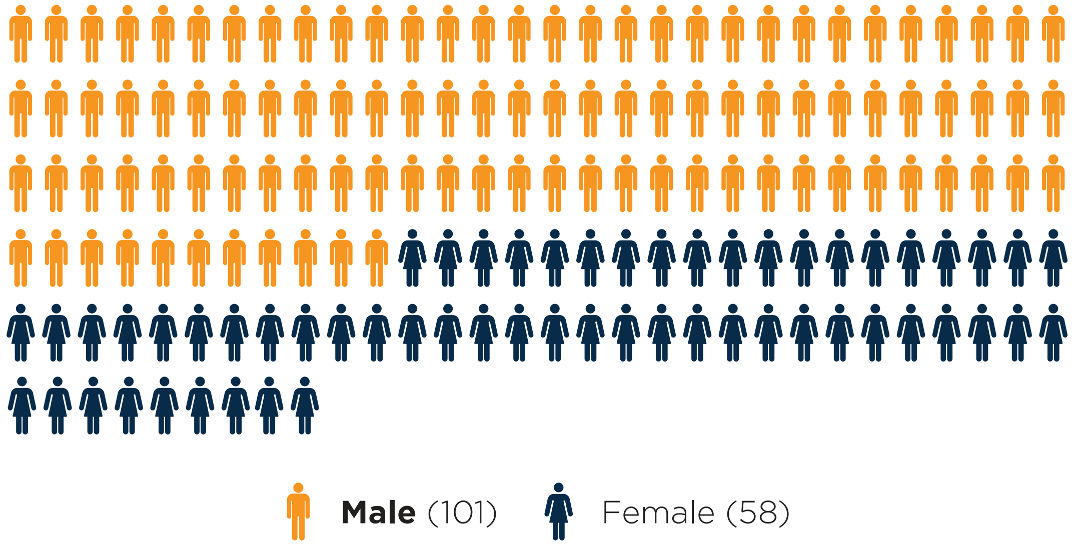
Aurora Energy employees by country of birth



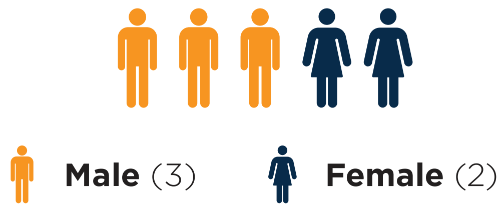
Aurora Energy employees by age range



Aurora Energy employees by gender

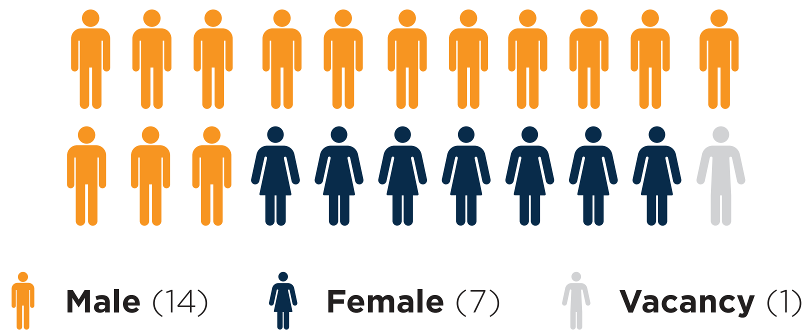


Board gender diversity

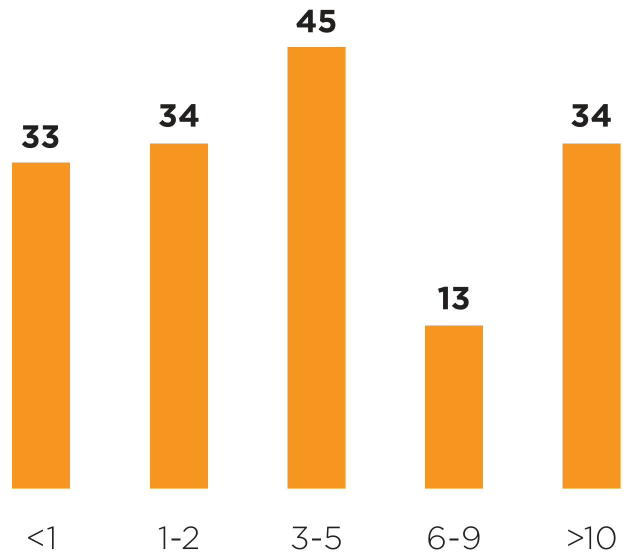


Executive Leadership Team gender diversity

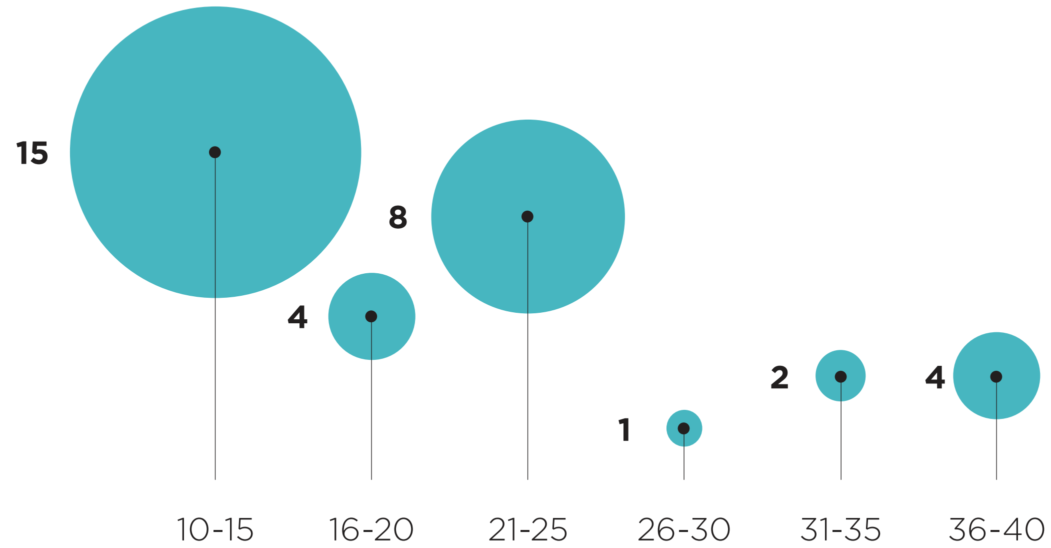
Senior Management team gender diversity



Aurora Energy employees by length of service (years)



Aurora Energy long serving employees (years)



Aurora Energy employees by location

CUSTOMER EXPERIENCE

Our consumers want a reliable power supply, and accurate and timely information if they have an outage.

We're looking at how to stabilise and improve the reliability of electricity supply in areas that have worse-than-average performance and we know how important it is to keep consumers better informed.

Fault calls are now answered by our new call centre, Telnet, 24/7 resulting in shorter waiting times. We are also updating our website and enhancing information on outages – the number one reason consumers visit our website.

We carried out a baseline consumer satisfaction survey, which we will build on each year to measure progress and inform our decision-making about how we can best meet our community's needs. This involved an in-depth exploratory survey of seven business and three residential consumers in late 2021, followed by 500 residential and 100 business consumers in early 2022.

Survey results have fed into an internal review of our Customer Charter. We will publicly consult on our new draft Customer Commitments in FY23.

We have consulted with consumers on proposed changes to electricity distribution pricing. Our aim is to make pricing easier to understand as we reform our pricing approach to better support electrification and decarbonisation. Public consultation was held with Aurora Energy's customer advisory panel, customer voice panels in Dunedin, Cromwell and Queenstown, key stakeholders, and the broader public.

The Commerce Commission has set minimum standards we must meet with regards to power outages and interruptions. Our planned and unplanned reliability performance tracked favourably against reliability limits approved for the year from 1 April 2021 to 31 March 2022, despite some areas on the network requiring more work.

> *"Working directly with the community is important to us, as is attending events so we can share what we are doing, speak with consumers and answer their questions.*

OUTAGE PLANNING, MANAGEMENT AND COMMUNICATION

Planned power outages are necessary so we can safely upgrade and maintain the electricity network. No time is perfect for the power to go off. We are making progress on the implementation of a new outage management system, which will greatly improve the accessibility and quality of information about unplanned outages.

The process for notifying retailers of planned consumer outages was automated in FY22, which has reduced the notification error rate. We have developed a stage-gate process for planned outages that, once implemented, will allow us to identify the potential consumer impact earlier, mitigate any impacts more effectively, and notify planned outages well in advance.

ENGAGING WITH OUR COMMUNITY

Working directly with the community is important to us, as is attending events so we can share what we are doing, speak with consumers and answer their questions.

Aurora Energy is a proud sponsor of the Otago Science and Technology Fair as we are avid supporters of students studying STEM (science, technology, engineering and maths).

COVID-19 disrupted most of our planned community events during FY22 and we were only able to attend one event, with all others cancelled due to the pandemic traffic light settings.

We aim to support the communities where we have carried out major projects, and examples of this include supporting the Haehaeata Natural Heritage Trust in Clyde, donating a community notice board in St Bathans, joining a planting day on the Otago Peninsula with Save The Otago Peninsula, and working with the Glenorchy Heritage and Museum Group to provide information panels.

Sustainability

SUPPORTING A DECARBONISED FUTURE

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

This year we have continued to assess and measure our greenhouse gas (GHG) emissions to build on the baseline work undertaken in FY20-21. Similar to last year, our emissions have been calculated across three scopes:

Scope 1 (Category 1)	Direct emissions from sources owned or controlled by us (including vehicle fuel and SF6 leakage from network equipment)
Scope 2 (Category 2)	Indirect emissions from the generation of purchased energy (including purchased electricity and emissions associated with electricity line losses)
Scope 3 (Category 3,4,5, and 6)	Staff travel for work, freight transport, staff working from home, waste

Carbon footprint standards changed in 2021 to require assessment of all significant Scope 3 emissions including:

- The activities contractors undertake for us
- The embodied carbon within significant capital purchases/infrastructure builds
- Employee commuting (travel to work)
- Any other significant indirect emission source we may identify

This year we expanded our Scope 3 reporting to include staff commuting and working from home. However, we currently have limited information around the other requirements and are working to put practices in place which will enable us to report on these areas in future.

RESULTS

Our measured GHG emissions for the year ended June 2022 were 10,309 tCO2-e (tonnes of carbon dioxide equivalent). Similar to last year and as is typical of lines companies, the major contributor to our Scope 2 emissions was network losses 9,792 tCO2-e or 96%. Our second biggest contributing activity remains mobile combustion, associated with the use of company vehicles (137 tCO2-e or 1.4%).

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.

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

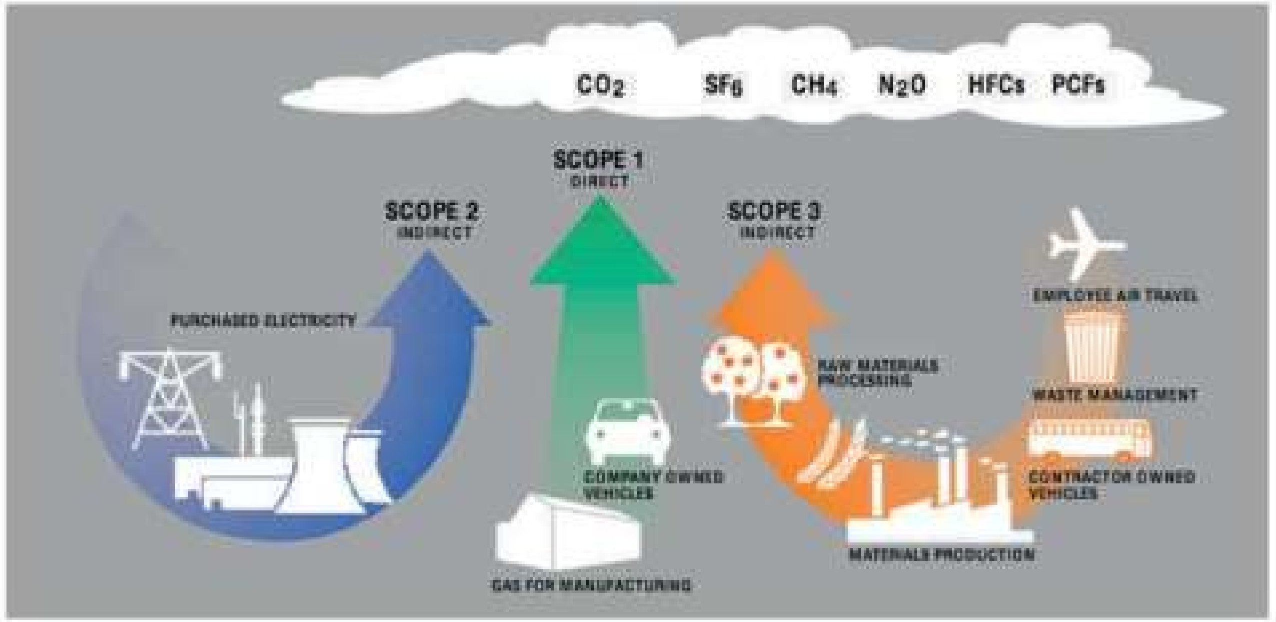


Table 1: Emissions by scope

Scope	tCo2-e	% of Total
Scope 1	201	2%
Scope 2	9,898	96%
Scope 3	210	2%
Total	10,309	100.0%

Table 2: Emissions by activity

Emission Source	Total emissions (t CO2-e)
Electricity Line Losses	9,792
Mobile Combustion (company vehicles)	137
Purchased Electricity	105
Employee Commuting	93
Fugitive Emissions – SF6	64
Upstream Transportation (freight)	55
Flights Domestic	35
Transmission & Distribution losses (consumption)	10
Working from home	9
Accommodation	5
Waste to Landfill (offices)	3
Rental cars	1

NEXT STEPS

During the year we developed strategies and targets for reducing our GHG emissions and waste. Our emissions targets have been informed by best practice guidance, including:

- The most globally recognised standard for emissions reduction target setting, the Science Based Targets Initiative (SBTI), which aligns reduction targets with the Paris Agreement objective of limiting global warming to no more than 1.5C by 2030,
- Focussing first and foremost on reducing Direct (Scope 1 and 2 – excluding line losses) emissions as opposed to Indirect (Scope 3) emissions, and
- Capturing significant Scope 3 emissions and identifying opportunities to reduce these in future.

Future years' emissions will be impacted by any growth in operational activity or new ways of working including:

- Our role in decarbonisation of the New Zealand economy,
- The fact that a significant portion of our activity is performed by our third-party suppliers and contractors, and we need to bring them along on our journey, and
- Future network investment.

Our targets for Scope 1 and 2 emissions will include the conversion of our existing vehicle fleet to electric over time and achieving Net Zero by 2030 (excluding line losses).

Our reduction targets will contribute to Dunedin City Council's goal of achieving net carbon neutrality city-wide by 2030. In the 2023 financial year we plan to build on our existing work to develop a roadmap for the 5-10 years.

We will engage with our shareholder DCHL and Dunedin City Council (DCC) regarding non-controllable emissions and the potential cost of offsetting residual emissions. We will also work with DCHL and DCC to identify alternative or complementary opportunities to contribute to the Council's city-wide net zero carbon goal.

“

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

Our Leadership Team

We welcomed Simon Clarke and Stephen Lewis to the Board in July 2021, and thank Margaret Devlin, who retired from the Board in June 2022, for her significant contribution to Aurora Energy over the past 5 years. More recently we have welcomed Janice Fredric as a new Director. Janice brings an extensive range of governance experience and we look forward to her contribution moving forward.

The Board thanks all Aurora Energy staff and contractors for their ongoing commitment and dedication during the last year, as Aurora Energy continues to make major network upgrades and ongoing business improvements.

Matt Settle was welcomed as the new General Manager Operations and Network Performance.

Alec Findlater, who joined Aurora Energy in 1999 and was General Manager Regulatory and Commercial since 2017, was farewelled in May 2022. Alec has started a consultancy business and we thank him for his dedication and hard work.

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.

WENDIE HARVEY
Non-Executive Director

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

SIMON CLARKE
Non-Executive Director

Simon Clarke joined the Aurora Energy Board on 1 July 2021. He is a professional Director/Trustee and strategic advisor through his business, Matua Governance.

STEPHEN LEWIS
Non-Executive Director

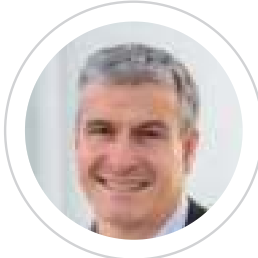
Stephen Lewis joined the Aurora Energy Board on 1 July 2021. He is a company director and business consultant with over 45 years' experience in the electricity supply industry.

RICHARD FLETCHER
Chief Executive

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

GARY DIXON
Chief Financial Officer & General Manager - *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*

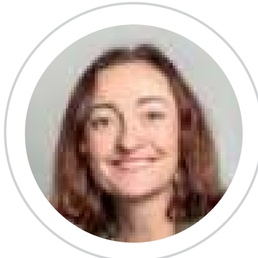
Glenn joined Aurora Energy in March 2018. He is responsible for asset management strategy and the associated growth and lifecycle management of our network assets. He also leads the Aurora Energy design and engineering teams who support the delivery of our network and customer-related projects.

ALEC FINDLATER
General Manager - *Regulatory and Commercial*

Alec joined Aurora Energy in 1999 and was appointed General Manager Network Commercial in February 2017. He was responsible for network pricing, commercial development, regulatory affairs and resource management for the Aurora Energy network. Alec resigned from his General Manager role in April 2022 but continues to provide regulatory advisory services on technical industry matters.

MARK PRATT
General Manager - *Work Programming and Delivery*

Mark joined Aurora Energy in 2018 and was appointed General Manager Works Programming and Contracts 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 - *People, Customer and Sustainability*

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.

MATT SETTLE
General Manager - *Operations and Network Performance*

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

OUR SERVICE PERFORMANCE

Trend Statement

YEARS ENDED 30 JUNE	Note		2022	2021	2020	2019	2018
Energy received into network		GWh	1,384	1,459	1,478	1,444	1,451
Energy received for delivery to consumers	1	GWh	1,305	1,405	1,415	1,401	1,417
Total revenue		$000	**126,680**	**116,254**	**110,953**	**103,229**	**106,501**
Operating profit (loss) before tax (before provision for network reliability performance breach provision)		$000	**10,965**	**1,653**	**(6,585)**	**(7,049)**	**1,197**
Provision for network reliability performance breach provision		$000	-	-	-	(5,000)	-
Net Profit (loss) before tax		$000	**10,965**	**1,653**	**(6,585)**	**(12,049)**	**1,197**
Tax expense/(benefit)		$000	3,202	972	(2,388)	(1,106)	772
Net Profit (loss) for the year		$000	**7,763**	**681**	**(4,197)**	**(10,943)**	**425**
Cashflow from operating activities		$000	36,800	28,860	14,488	16,887	18,448
Dividends paid		$000	-	-	-	-	-
Shareholder's equity		$000	**186,440**	**178,139**	**175,965**	**179,576**	**190,819**
Total assets		$000	**730,576**	**671,909**	**617,646**	**580,376**	**535,549**
Capital expenditure (Network)		$000	**82,990**	**76,640**	**53,648**	**62,731**	**78,421**
Return on average equity			4.3%	0.4%	(2.4%)	(5.9%)	0.2%
Equity to total assets			25.5%	26.5%	28.5%	30.9%	35.6%

NOTE:

1. Energy received statistics for regulated years ended 31 March are reported under the Network Performance Summary on page 49.

Statement of Service Performance

For the year ended 30 June 2022

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Safety			
Zero serious harm events involving members of the public	Nil	Achieved	There were no serious harm events involving members of the public
Reduce levels of recordable harm	≤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 5.0 per 200,000 hours worked
Customer Orientation			
Maintain community support through approved sponsorships and community initiatives	$10,000 of sponsorship	Achieved	$13,545 was spent in support of community initiatives during the year. Aurora Energy's primary community sponsorship was the Otago Science & Technology Fair
To provide regular updates and consult with the community on the delivery of our CPP programme	Annual delivery reporting and regional community engagements are delivered in accordance with the final CPP decision	Achieved	Aurora Energy distributed community updates to 68,500 households in November 2021 and May 2022 as part of the annual community relations programme. Public consultation on electricity pricing took place in November 2021, and customer engagement events were held across the network in May 2022
Our Team			
Support development opportunities for each team member	Learning & development plans in place for >75% of team members by 31 October	Achieved	79% of staff had a performance and development plan in place
Understand opportunities for improvement within our team environment	>75% staff satisfaction result on annual employee survey	Achieved	An average staff satisfaction result of 89.7% was recorded over the three measures of staff satisfaction included in the employee survey that took place in March 2022
Develop opportunities across the business that support the overall wellness of our team	A Board-approved Wellbeing Programme is in place. The programme is reviewed and updated annually	Achieved	The health, safety and well-being strategy was approved by the Board and regular updates on wellbeing were presented to the health, safety and well-being sub-committee

Statement of Service Performance (cont.)

For the year ended 30 June 2022

PERFORMANCE MEASURE	TARGET	OUTCOME	DESCRIPTION
Sustainability			
Contribute to Council's Carbon Neutrality initiatives	Systems for measuring and publicly reporting carbon emissions are established. The company will develop an emissions reduction strategy and associated targets for inclusion in its 2023 Statement of Intent	Achieved	Systems are in place to enable an annual monitoring framework of Greenhouse Gas Emissions. A Carbon Reduction Strategy has been developed which sets science based reduction targets including a commitment to achieve net zero by 2030 (excluding line losses)
Minimise waste and the associated negative environmental impacts	A waste reduction / diversion strategy is to be in place by 30 June 2022, together with future waste reduction performance targets	Achieved	A waste reduction/diversion strategy has been prepared which seeks to: 1. Prioritise the responsible disposal of material through reuse or recycling; 2. Incorporate a principle of waste minimisation; and 3. Ensure materials required to be disposed of at landfills are treated in a manner which reduces impact on the environment
Identify opportunities to transition light motor fleet to electric vehicles where appropriate and set transition targets	Transition targets for electrification of the company's motor fleet to be in place by 30 June 2022	Achieved	Transition targets have now been established as part of our Carbon Reduction Strategy – which requires 75% of our fleet to be converted to electric by 2030
Maintain full compliance with the Resource Management Act	Zero breaches	Achieved	Resource consents obtained for all project work in compliance with the Resource Management Act
Asset Management Maturity			
Implement process and capability improvements identified as necessary to enhance asset management practice	New asset management system is successfully implemented and operational by 30 June 2022	Partially Achieved	The new asset management system is a work in progress. The first stage is complete however the project scope has widened to ensure the software solution is appropriately supported by documented and reviewed business processes

Statement of Service Performance (cont.)

For the year ended 30 June 2022

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	A full 10 year Asset Management Plan (AMP) was published on 31st March 2022
Operational Performance			
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
Aurora Energy Risk Register is regularly reviewed & updated and the risk profile is managed in accordance with Board approved risk tolerance levels	Risk Management Framework embedded as evidenced by: - Risk registers reviewed regularly and up to date, - Risk treatment plans reviewed regularly and up to date, - Regular reporting to Board and Audit & Risk Committee	 Achieved Partially achieved Achieved	We reviewed and updated our Risk Management Framework in FY22, which has resulted in a revised view of our critical risks. Risk update reports are provided to the Board and Audit and Risk Committee on a regular basis and our risk register has been reviewed and is up to date. Some detailed risk treatment plans are yet to be fully developed
Regularly test Aurora Energy's emergency response plan	Annual test of Aurora Energy's emergency response is completed and actions for improvement are documented	Achieved	A business continuity simulation exercise was undertaken in December 2021. Improvement opportunities were identified and documented
Reliability Performance Targets (Statement of Intent Targets – Period Ended 31 March 2022)			
SAIDI			
Class B interruptions planned	≤ 195.96 minutes	Achieved	124.50 minutes
Class C interruptions unplanned	≤ 124.94 minutes	Achieved	98.45* minutes
SAIFI			
Class B interruptions planned	≤ 1.11	Achieved	0.83 interruptions
Class C interruptions unplanned	≤ 2.07	Achieved	1.50* 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 123.68 minutes and 1.84 interruptions, respectively.

Statement of Service Performance (cont.)

For the year ended 30 June 2022

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

FINANCIAL OBJECTIVES

Financial results - NZD '000's			
• EBITDA[1]	≥38,003	Achieved	47,341
• Net surplus after tax	≥1,175	Achieved	7,763
• Shareholder's funds	≥176,512	Achieved	186,440
• Shareholder's funds to total assets	≥24%	Achieved	26%
• Cash flow from operations	≥24,569	Achieved	36,800
• Capital expenditure	≥75,049	Achieved	82,990
• Term debt	≤439,440	Achieved	438,210

[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		2022	2021	2020	2019	2018
System Physical Measures						
Average length of lines and cables	km	6,213	6,161	6,101	6,575[2]	6,683[2]
Total capacity of distribution transformers	MVA	1,011	999	991	978	962
Distribution transformer capacity utilisation	%	31%	30%	29%	31%	31%
Consumer Measures						
Number of consumer connections		93,785	92,665	91,577	90,419	89,199
System maximum coincident demand	MW	309	299	283	299	300
Energy received for delivery[3]	GWh	1,382	1,385	1,431	1,419	1,400
Average load factor		51%	53%	58%	54%	53%
Average minutes off per interruption	CAIDI [4]	97	88	89	88	79[1]
Average interruptions per annum	SAIFI [4]	2.3	2.1	2.1	2.1	3.2[1]
Average minutes off per annum	SAIDI [4]	223	188	187	185	253[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) 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.

(2) 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.

(3) Energy received statistics for years ended 30 June are reported in the Trend Statement on page 43.

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

Directors' Report

For the year ended 30 June 2022

The Directors of Aurora Energy Limited are pleased to report on the financial results and associated matters for the year ended 30 June 2022.

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 2022	$000
Operating profit before income tax	10,965
Income tax expense	3,202
Net profit after tax	7,763

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)	538
Retained earnings - to (from)	7,763

REVIEW OF OPERATIONS
The Company produced and published its customised price-quality-path (CPP) delivery and development plans during the reporting period and made good progress in year one of its five year CPP.

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.

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 2022 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 2022 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	$98,000
Simon J Clarke	$49,000
Margaret P Devlin	$49,000
Wendie N Harvey	$49,000
Stephen P Lewis	$49,000
	$294,000

Directors' Report (cont.)

For the year ended 30 June 2022

EMPLOYEES' REMUNERATION
The number of employees and former employees whose remuneration and benefits exceeded $100,000 for the year ended 30 June 2022 is listed below. Remuneration incudes all non cash benefits and redundancy payments at total cost to the Company where applicable.

$100,000 – $109,999	14
$110,000 – $119,999	15
$120,000 – $129,999	8
$130,000 – $139,999	11
$140,000 – $149,999	5
$150,000 – $159,999	2
$160,000 - $169,999	5
$170,000 – $179,999	2
$180,000 - $189,999	3
$230,000 - $239,999	1
$250,000 - $259,999	1
$260,000 - $269,999	1
$270,000 - $279,999	2
$300,000 - $309,999	1
$320,000 - $329,999	1
$550,000 - $559,999	1
	73

AUDIT AND RISK COMMITTEE
Mrs Devlin, Mr Thompson and Mr Lewis were members of the Audit and Risk Committee throughout the year. Mr Thompson is an "ex officio" member of the Committee by virtue of his position as Chair of the Board. The Audit and Risk Committee has the responsibility for agreeing the arrangements for audit of the Company's financial statements. Its responsibilities include ensuring that appropriate audit consideration is given to the following issues:

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

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

KPMG continued as internal auditor to the Company.

Directors' Report (cont.)

For the year ended 30 June 2022

HEALTH AND SAFETY BOARD COMMITTEE
Mr Lewis, Mr Thompson and Mrs Harvey were members of the Health, Safety and Wellbeing Committee throughout the year. Mr Thompson is an "ex officio" member of the Committee by virtue of his position as Chair of the Board. 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 wellbeing strategy, performance and governance.

REMUNERATION (PEOPLE) AND TALENT COMMITTEE
Mrs Harvey, Mr Thompson and Mr Clarke were members of the Remuneration (People) and Talent Committee throughout the year. Mr Thompson is an "ex officio" member of the Committee by virtue of his position as Chair of the Board. The Remuneration (People) and Talent Committee's role is to develop and implement policies relating to the remuneration and other terms and conditions of service of the Chief Executive and senior staff and to oversee remuneration practices.

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

DIRECTORS' 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.

Mrs Devlin retired from the Board on 30 June 2022 and was replaced by Mrs Janice Fredric with effect from 1 July 2022.

For and on behalf of the Board of Directors

STEPHEN THOMPSON
Chair

JANICE FREDRIC
Director

27 September 2022

Information on the Directors

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS AS AT 30 JUNE 2022
Stephen R Thompson Non-Executive Chairman	BCom, FCA (PP), CF.Inst.D.	June 2016	Chair and shareholder – Thompson Bloodstock Limited
			Director and shareholder – Cairnmuir Road Winery Limited
			Director and shareholder – Passmore Consulting Services Limited
			Director and shareholder – Prospectus Nominees
			Director and shareholder – Logistics Property Ltd
			Director – F.S. Investments Limited
			Director – Integrated Contract Solutions Limited
			Director – Keano's Trustee Company Limited
			Director – Millenium Solutions Limited
			Director – Owhiro River Limited
			Director – Sarita Holdings Ltd
			Director – Wanaka Bay Limited
			Director – Whitestone Contracting Limited (retired 31 December 2021)
			Director – Lakes Realty Limited
			Partner – Queensberry Hills Development
			Shareholder – McKenzie Architects Limited
			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 – E Shackleton Architects Limited
			Shareholder – Anreca Investments Limited
			Shareholder – Lake McKay GP Limited
			Shareholder – Airtime New Zealand Limited
			Shareholder – Ripponvale Irrigation Company Limited
			Shareholder- The Gin Company Limited

Information on the Directors (cont.)

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS AS AT 30 JUNE 2022
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 - Dairy NZ Limited (commenced 17 April 2022)
			Director - Hamilton & Waikato Tourism Limited (commenced 1 January 2022)
			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 (term completed 30 September 2021)
			Chair – Audit and Risk Committee, Waikato District Council (retired June 2021)
			Deputy Chair - WINTEC - Waikato Technical College (retired 31 May 2020)
Wendie N Harvey - Non-Executive Director	LLB	November 2018	Director – Eastland Group Limited
			Director – Eastland Generation Ltd
			Director – Eastland Port Ltd
			Director – Eastland Network Ltd
			Director – Eastland Geothermal Ltd (commenced 10 December 2021)
			Director – Gisborne Airport Ltd
			Board member – Fire and Emergency New Zealand
			Chair - Hawke's Bay Airport Limited
			Director – Hawke's Bay Airport Construction Limited
			Director – The Electrical Training Company Limited (resigned 17 May 2022)
			Director and Shareholder – Excellence in Business Solutions Limited
			Director TAB NZ Limited (commenced 1 August 2021)

Information on the Directors (cont.)

DIRECTOR	QUALIFICATIONS	DATE APPOINTED	DECLARATIONS OF INTERESTS AS AT 30 JUNE 2022
Stephen P Lewis Non-Executive Director	CM.Inst.D. FIET MIAM	July 2021	Director – Greenpower New Zealand Ltd
			Director – Mt Cass Windfarms Ltd
			Director – MainPower New Zealand Ltd
			Director – Electricity Invercargill Ltd
			Director – Pylon Ltd
Simon J Clarke Non-Executive Director	LLB, BArts CM.Inst.D.	July 2021	Non-Executive Chair – Priority One (Western Bay of Plenty Economic Development Agency)
			Trustee and Chair of Investment Committee – Bay of Plenty Community Trust (BayTrust) (retired 31 December 2021)
			Non-Executive Chair – Bay Venues Ltd
			Director – New Zealand Post (commenced 1 November 2021)
			Director – New Zealand Post Trustee Limited (commenced 1 April 2022)
			Member – Bay of Connections Leadership Advisory Group
			Owner/Director – Matua Governance Limited

Financial Statements

For the year ended 30 June 2022

Removing lattice towers at Portobello, Otago Harbour

Financial contents

Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $000	2021 $000
Operating revenue	3	126,672	116,254
Financial revenue	4	8	-
Total revenue		**126,680**	**116,254**
Less expenses			
Operating expenses	5	104,855	103,943
Financial expenses	6	10,860	10,658
Total expenditure		**115,715**	**114,601**
Profit/(loss) before tax		**10,965**	**1,653**
Income tax expense/(benefit)	9	3,202	972
Net profit/(loss) after tax for the year		**7,763**	**681**
Other comprehensive income			
Gain on cashflow hedges		538	1,493
Total other comprehensive income for the year		538	1,493
Total comprehensive income for the year		**8,301**	**2,174**

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

Statement of Changes In Equity

For the year ended 30 June 2022

	Share Capital $000	Hedge Reserve $000	Retained Earnings $000	Total Equity $000
Equity as at 1 July 2021	10,000	(538)	168,677	178,139
Profit after tax	-	-	7,763	7,763
Other comprehensive income	-	538	-	538
Equity as at 30 June 2022	**10,000**	**-**	**176,440**	**186,440**
Equity as at 1 July 2020	10,000	(2,031)	167,996	175,965
(Loss) after tax	-	-	681	681
Other comprehensive income	-	1,493	-	1,493
Equity as at 30 June 2021	**10,000**	**(538)**	**168,677**	**178,139**

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

Statement of Financial Position

As at 30 June 2022

	Note	2022 $000	2021 $000
EQUITY			
Share capital	11	10,000	10,000
Cash flow hedge reserve	12	-	(538)
Retained earnings	13	176, 440	168,677
Total equity		**186,440**	**178,139**
CURRENT LIABILITIES			
Lease liabilities	7	1,023	1,044
Trade and other payables	14	16,772	18,891
Contract liabilities	15	809	2,504
Borrowings	18	1,722	651
Cash flow hedge instruments	23	-	748
Other current liabilities	16	77	-
Employee provisions	17	1,872	1,611
Total current liabilities		22,275	25,449
NON-CURRENT LIABILITIES			
Cash flow hedge instruments	23	-	-
Lease liabilities	7	1,932	2,435
Employee provisions	17	313	391
Borrowings	18	438,210	389,740
Contract liabilities	15	-	-
Deferred tax liability	19	81,406	75,755
Total non-current liabilities		521,861	468,321
Total liabilities		**544,136**	**493,770**
TOTAL EQUITY AND LIABILITIES		**730,576**	**671,909**

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

Statement of Financial Position (cont.)

As at 30 June 2022

	Note	2022 $000	2021 $000
CURRENT ASSETS			
Cash and cash equivalents	20	64	50
Trade and other receivables	21	15,545	13,575
Inventories	24	1,601	1,151
Other current assets	16	-	698
Taxation receivable		2,313	4,558
Total current assets		19,523	20,032
NON-CURRENT ASSETS			
Investments	22	22	25
Intangible assets	26	3,660	2,553
Deferred tax asset	19	2,237	1,598
Property, plant and equipment	25	702,273	644,315
Right of use assets	7	2,861	3,386
Total non-current assets		711,053	651,877
TOTAL ASSETS		**730,576**	**671,909**

For and on behalf of the Board of Directors

STEPHEN THOMPSON
Chair

JANICE FREDRIC
Director

27 September 2022

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 2022

	Note	2022 $000	2021 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from			
Receipts from customers		124,414	116,415
Interest and dividends received		8	-
Intra group tax loss/subvention receipt		3,844	4,587
		128,266	121,002
Cash was disbursed to			
Payments to suppliers and employees		82,665	81,381
Interest paid		9,027	10,907
Net GST (received)/paid		(226)	(146)
		91,466	92,142
Net cash inflows from operating activities	28	**36,800**	**28,860**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from			
Sale of property, plant and equipment including intangible assets		1,245	-
		1,245	-
Cash was disbursed to			
Purchase of property, plant and equipment including intangible assets		85,349	77,657
		85,349	77,657
Net cash (outflows) from investing activities		**(84,104)**	**(77,657)**

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 2022

Aurora Energy / Annual Report 2022

	Note	2022 $000	2021 $000
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from			
Proceeds from borrowings		112,575	117,315
		112,575	117,315
Cash was disbursed to			
Repayment of borrowings		64,105	67,300
Lease liability repayment		1,152	1,221
		65,257	68,521
Net cash inflows from financing activities	28	**47,318**	**48,794**
Net increase/(decrease) in cash, cash equivalents and bank overdraft		**14**	**(3)**
Cash and cash equivalents at beginning of the year		50	53
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20	**64**	**50**

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 2022

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 27 September 2022.

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 2022

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of Assets

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

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

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

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

Financial Instruments

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

Changes in Accounting Policies

There have been no new accounting policies adopted in the year to 30 June 2022.

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.

3. OPERATING REVENUE

	2022 $000	2021 $000
Line charges	78,864	69,584
Pass-through and recoverable cost revenue	34,594	32,660
Customer contributions	11,301	11,007
Total revenue	**124,759**	**113,251**
Other income	1,913	3,003
Total revenue and other income	**126,672**	**116,254**

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

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

Revenue from services rendered is recognised when it is probable that the economic benefits associated with the transaction will flow to the Company.

Sales of goods are recognised when significant risks and rewards of owning the goods are transferred to the buyer, when the revenue can be measured reliably and when management effectively ceases involvement or control.

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

Impact of 2021 customised price-quality path determination on revenue recognition
The Commerce Commission's Customised Price-Quality Path Determination for Aurora Energy included a 10% limit on the annual increase in line charge revenue in order to reduce the price impact on consumers. Combined with the impact of volume driven revenue variances the total deferred revenue at 31 March 2022 is $13.417 million. This deferred revenue will be recovered from consumers in future financial years commencing from around 2027.

4. FINANCIAL REVENUE

	2022 $000	2021 $000
Interest and dividends received	8	-

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

5. OTHER EXPENSES

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

	2022 $000	2021 $000
Audit fees		
- for audit of financial statements	106	96
- for audit services in relation to regulatory (information disclosure) reporting	46	43
- for audit services in relation to price and quality thresholds and other regulatory reporting	30	28
- for audit of annual delivery report	38	-
Total audit fees	**220**	**167**
Transmission costs	31,068	30,310
Depreciation and amortisation	22,730	21,221
Depreciation - leases	1,064	1,149
Maintenance costs	20,240	19,610
Employee remuneration and benefits	15,386	15,410
Other contractor costs	527	574
Directors' fees and disbursements	317	325
Bad debts written off	85	105
Loss on sale/disposal of fixed assets	2,259	979
Increase/(decrease) in expected credit losses	(40)	(165)

6. FINANCIAL EXPENSES

	2022 $000	2021 $000
Interest - other	4	6
Interest - related parties	11,167	10,896
Interest - capitalised	(400)	(400)
Interest - leases	89	156
Total financial expenses	**10,860**	**10,658**

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 2022 was 2.5% (2021: 2.85%). This was the interest rate applicable to new project financing in the reporting period.

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

7. LEASES AND RIGHT OF USE ASSETS

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

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

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

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

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

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

7. LEASES AND RIGHT OF USE ASSETS - continued

Lease maturity analysis as at 30 June 2022	Minimum lease payments $000	Interest $000	Present value $000
Payable within one year	1,035	12	1,023
Payable between one to five years	1,646	141	1,505
Payable later than five years	502	75	427
Total			**2,955**
Current portion			1,023
Non-current portion			1,932
			2,955

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			1,435
			3,479

	2022 $000	2021 $000
Cashflow		
Total cash outflow in relation to leases	1,416	1,321
Lease expenses included in profit and loss relate to		
Short term leases	260	100
Interest on leases	89	156

7. LEASES AND RIGHT OF USE ASSETS - continued

RIGHT OF USE ASSETS

Movements in year ended 30 June 2022	**Buildings $000**	**Network $000**	**Plant and equipment $000**	**Motor vehicles $000**	**Total $000**
Opening net book value	2,187	-	969	230	3,386
Additions	491	-	35	19	545
Depreciation charge	(505)	-	(392)	(173)	(1,070)
Closing net book value	2,173	-	612	76	2,861
As at 30 June 2022					
Cost	3,600	-	1,792	810	6,202
Accumulated depreciation	(1,427)	-	(1,180)	(734)	(3,341)
Net book value	**2,173**	**-**	**612**	**76**	**2,861**

RIGHT OF USE 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 (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.

8. DIVIDENDS

No dividend was declared or payable for the year ended 30 June 2022 (2021: Nil).

9. TAXATION

The tax expense comprises both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the calculation of taxable profit.

Current tax and deferred tax is charged or credited to the statement of comprehensive income except when deferred tax relates to items charged directly to equity. The Company's liability for current tax is calculated using tax rates that have been enacted by the balance date.

	2022 $000	**2021 $000**
Income tax		
Operating profit/(loss) before income tax	10,965	1,653
Tax thereon at 28% (2021: 28%)	3,070	463
Plus/(less) the tax effect of differences		
Expenditure (deductible)/non-deductible for taxation purposes	(441)	28
Consolidated group adjustment	339	305
Under/(over) tax provision in prior years	234	176
Tax effect of differences	132	509
Tax expense	**3,202**	**972**
Represented by		
Current tax provision	(1,835)	(4,477)
Deferred tax provision	4,803	5,273
Under/(over) tax provision in prior years	234	176
Total income tax	**3,202**	**972**

9. TAXATION - continued

During the 2022 income year, Aurora Energy has removed from its cost of assets for tax depreciation purposes the identified profits arising on the construction of those assets supplied by DCHL subsidiary, Delta Utility Services Limited. These profits have also been deducted from the calculation of taxable income of the consolidated tax group. For accounting purposes, the group has decided to recognise the adjustment to remove the profit component of these assets and reflect a current year tax compensation payment of $339,221 from Delta to Aurora. This approach has been adopted since 1 July 2015. The removal of the profit component from the 2022 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.

	2022	2021
Number of shares		
Weighted average number of ordinary shares	10,000,000	10,000,000
Basic earnings per share in dollars	0.83	0.22

11. EQUITY - SHARE CAPITAL

	2022 $000	2021 $000
Issued capital - 10,000,000 ordinary shares	10,000	10,000

12. CASH FLOW HEDGE RESERVE

Balance at beginning of the year	(538)	(2,031)
Net revaluations	747	2,073
Deferred tax arising on hedges (note 19)	(209)	(580)
Balance at end of the year	**-**	**(538)**

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	168,677	167,996
Net profit/(loss) for the year	7,763	681
Balance at end of the year	**176,440**	**168,677**

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

14. TRADE AND OTHER PAYABLES

	2022 $000	2021 $000
Trade and other payables are stated at cost and include:		
Trade payables	11,812	13,091
Due to related parties	4,960	5,800
Balance at end of the year	**16,772**	**18,891**

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 the 2021 financial year trade payables was 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	809	2,504
Non-current	-	-

16. OTHER CURRENT ASSETS

GST receivable/(payable)	(77)	698
	(77)	**698**

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

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17. EMPLOYEE PROVISIONS

	2022 $000	2021 $000
(i) Current liabilities		
Annual leave	1,758	1,528
Long service leave	82	52
Gratuities	32	31
Balance at end of the year	**1,872**	**1,611**
(ii) Non-current liabilities		
Long service leave	183	220
Gratuities	130	171
Balance at end of the year	**313**	**391**

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

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

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

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

18. BORROWINGS (secured)

	2022 $000	2021 $000
Dunedin City Treasury Limited - Term	438,210	389,740
Dunedin City Treasury Limited - Current	1,722	651
	439,932	**390,391**

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 $450 million.

The weighted average interest rate payable under the loan agreement throughout the reporting period was 2.71% (2021: 3.04%) taking interest rate swap agreements into account.

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

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

19. DEFERRED TAX

	Opening Balance $000	Charged to Equity $000	Charged to Income $000	Transfer of Employees $000	Depreciation on Commercial Properties $000	Closing Balance Assets $000	Closing Balance Liabilities $000	Closing Balance $000
YEAR ENDED 30 JUNE 2022:								
Property, plant and equipment	(68,229)	-	(4,499)	-	-	-	(72,728)	(72,728)
Provisions	(6,618)	-	(311)	-	-	1,749	(8,678)	(6,929)
Tax losses	481	-	7	-	-	488	-	488
Revaluations of interest rate swaps	209	(209)	-	-	-	-	-	-
Balance at end of the year	**(74,157)**	**(209)**	**(4,803)**	**-**	**-**	**2,237**	**(81,406)**	**(79,169)**
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)**

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

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

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

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.

20. CASH AND CASH EQUIVALENTS

	2022 $000	2021 $000
Cash and bank	64	50
	64	**50**

Cash and cash equivalents is composed of cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown with borrowings in current liabilities in the statement of financial position.

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

21. TRADE AND OTHER RECEIVABLES

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

	2022 $000	2021 $000
Trade receivables	15,567	13,517
Dunedin City Council and Group entities	61	308
	15,628	13,825
Less expected credit loss	(561)	(601)
	15,067	**13,224**
Prepayments	478	351
	15,545	**13,575**

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 2022 $85,000 of Trade receivables were written off (2021: $105,000).

21. TRADE AND OTHER RECEIVABLES - continued

	2022 $000	2021 $000
Debtor ageing		
Current	14,974	13,122
Past due 0 to 30 days	123	168
Past due 31-60 days	28	28
Past due 61-90 days	54	31
90 days plus	449	476
	15,628	**13,825**

22. INVESTMENTS

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

	2022 $000	2021 $000
Investments - listed companies	22	25
	22	**25**

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

	2022 $000	2021 $000
Interest rate swaps revaluations - receivable/(payable)	-	(748)
	-	**(748)**

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 statement of comprehensive income.

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.

23. CASH FLOW HEDGE INSTRUMENTS AND HEDGE ACCOUNTING - continued

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 statement of comprehensive income. Hedges that do not result in the recognition of an asset or a liability are recognised in the statement of comprehensive income 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 statement of comprehensive income 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 statement of comprehensive income for the period.

24. INVENTORIES

	2022 $000	2021 $000
Network spare parts	8	8
Materials and stores	1,593	1,143
	1,601	**1,151**

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

For the year ended 30 June 2022

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, direct labour and an allowance for overheads, to the extent that they relate to bringing the fixed assets to the location and condition for their intended service.

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

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

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

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

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

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

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

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 comprehensive income.

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 2022. The impairment testing was performed on a "no growth" basis in accordance with NZ IAS 36 Impairment of Assets.

The impairment testing used the discounted cashflow (DCF) methodology to arrive at an estimated valuation range based on Free Cash Flows (FCF) for a 10 year period from 1 July 2022. The key assumptions utilised in the impairment testing were that:

- For the 10 years from 1 July 2022, the network forecasts are derived from the Commerce Commission final CPP decision allowances for the period ended 31 March 2026 and Building Blocks Allowable Revenue (BBAR) forecasts. In calculating the BBAR forecast from 1 April 2026, it is assumed that the Company reverts to a Default Price-Quality Path from the 2026/27 regulatory year and the Company's DPP4 operating expenditure allowance is determined by reference to actual expenditure during the 2024/25 regulatory year.
- Capital expenditure will mirror the Company's published CPP Project and Programme Delivery Plan 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 published CPP Project and Programme Delivery Plan for the period ending 31 March 2026, followed by expenditure forecasts included in the Company's 10 year Asset Management Plan. It is assumed that Aurora Energy's DPP4 operating expenditure allowance will be determined by reference to actual expenditure in the 2024/25 regulatory year.
- In applying the DCF methodology the Company considered a range of discount rates from 5.20% to 6.20%. The discount rate is a matter of professional judgement.
- In determining the discount rate for year-end impairment testing, the 10 year Government bond rate at valuation date was used as a basis for the risk-free rate. The risk-free rate was used in conjunction with a view of an appropriate post-tax market risk premium.
- The discount rates used in the impairment testing were based on the same level of asset beta and similar level of leverage as set by the Commerce Commission for the 5 year regulatory period from 1 April 2020.

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 $17 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 2022.

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 2022

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

26. INTANGIBLES - continued

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**

27. CAPITAL COMMITMENTS

	2022 $000	2021 $000
Expenditure contracted for at balance date but not provided for in the financial statements.	39,808	21,791
	39,808	**21,791**

The Company is party to three field services agreement contracts. The value of total committed expenditure under these contracts is $30 million for the 31 March 2023 and 31 March 2024 regulatory years.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

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

	2022 $000	2021 $000
Net profit/(loss) for the year	7,763	681
Items not involving cash flows		
Depreciation and amortisation	23,794	22,346
Increase/(decrease) in deferred tax	5,012	5,600
Non-cash component of finance costs	(311)	(244)
Non-cash component of investing activities	3	(17)
Other non-cash items	(210)	(581)
Impact of changes in working capital items		
(Increase)/decrease in trade and other receivables	(1,970)	129
Increase/(decrease) in trade and other payables	(1,048)	651
Increase/(decrease) in provision for tax	2,246	540
Increase/(decrease) in contract liabilities	(1,695)	(1,611)
(Increase)/decrease in other current assets	775	(181)
(Increase)/decrease in inventories	(450)	396
Increase/(decrease) in other liabilities	183	15
Items classified as investing or financing activities		
Capital creditors in accounts payable	986	(349)
Loss on write down of capital projects	-	506
Net (gain)/loss on sale property, plant and equipment	1,722	979
Net cash inflows/(outflows) from operating activities	**36,800**	**28,860**

Reconciliation of changes in liabilities arising from financing activities

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

	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	**344,213**	**48,794**	**863**	**393,870**

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

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 Group

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	2022 $000	2021 $000
Purchases of goods and services from Dunedin City Council:		
Rates and property leases	878	812
Capital work/other	50	36
	928	848

29. RELATED PARTY TRANSACTIONS - continued

YEAR ENDED 30 JUNE	2022 $000	2021 $000
Purchases of goods and services from other Dunedin City Council Group entities:		
Capital work	27,910	31,299
Network management and operation	18,652	19,447
Interest/facility fees	11,167	10,896
Contracting services	287	1,334
Lease of meters	20	80
Rent	470	456
	58,506	**63,512**
At period end the amounts payable by Aurora Energy Limited to Group entities:		
Dunedin City Council Group entities	444,894	395,540
	444,894	**395,540**
Sales of services to Dunedin City Council:		
Contribution in respect of Capital Works	-	102
	-	**102**
Sales of services to Dunedin City Council Group entities:		
Rent	161	262
Sales of stock and other	154	1,197
Subvention/tax loss offset receipt	3,844	3,843
Tax compensation	339	305
Consulting and sundry services	1	107
Corporate shared services	16	234
	4,515	**5,948**
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	400	515

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.

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 $98,000 were purchased from Passmore Consulting Services Limited (2021: $115,708). No monies were outstanding as at 30 June 2022 (2021: 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 $78,031 were purchased from Deloitte (2021: $99,144). No monies were outstanding as at 30 June 2022 (2021: $8,977).

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 (2021: $3,990). No monies were outstanding at 30 June 2022 (2021: nil).

Mrs Harvey is a Director and Shareholder of Excellence in Business Solutions Limited. During the financial period covered by this report services of $49,000 were purchased from Excellence in Business Solutions Limited (2021: $62,971). No monies were outstanding as at 30 June 2022 (2021: nil).

Mr Simon Clarke is a Director and Shareholder of Matua Governance Limited. During the financial period covered by this report services of $49,000 were purchased from Matua Governance Limited (2021: $0). No monies were outstanding as at 30 June 2022 (2021: nil).

Mr Simon Clarke is a Director of New Zealand Post Limited. In the ordinary course of business during the financial period covered by this report, services valued at $337 were purchased from New Zealand Post Limited (2021: $536). $4 was outstanding at 30 June 2022 (2021: nil).

29. RELATED PARTY TRANSACTIONS - continued

DIRECTORS' REMUNERATION
The remuneration paid to Directors during the year was $294,000.

KEY MANAGEMENT PERSONNEL REMUNERATION

	2022 $000	2021 $000
Short term employment benefits	2,458	2,338
Post-employment benefits – employees	91	84
Short term benefits – Directors (as above)	294	305
Termination benefits	139	-
	2,982	**2,727**

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

Total remuneration paid to the Chief Executive was $559,561. No short or long term incentive arrangements are in place.

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 used 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 has been borrowed on a long-term fixed interest rate basis.

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

	2022 $000	2021 $000
Maturing in less than one year	-	50,000
Maturing between one and five years	-	-
Maturing after five years	-	-
	-	**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	64	50
Trade and other receivables	15,545	13,575
Short term investments	22	25
	15,631	**13,650**

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-	64	50
Trade and other receivables		
AA	61	308
Counterparties without credit ratings		
Trade and other receivables		
Existing counterparties with no defaults in the past	15,567	13,517
Investment		
Existing counterparties with no defaults in the past	22	25

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 2022.

Contractual obligations in respect of interest expense on term borrowings have not been included in the liquidity risk table as the term debt does not have a contractual end date and the interest is currently payable on a month-by-month basis.

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

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

30. FINANCIAL INSTRUMENT RISK - continued

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

MATURITY DATES	Less than 1 Month $000	1 to 3 Months $000	3 Months to 1 Year $000	1 to 5 Years $000	More than 5 Years $000	No Maturity $000	Total $000
FINANCIAL ASSETS							
Financial assets measured at amortised cost							
Cash and cash equivalents	64	-	-	-	-	-	64
Trade and other receivables	15,545	-	-	-	-	-	15,545
Taxation receivable	-	-	2,313	-	-	-	2,313
Financial assets at fair value through statement of comprehensive income							
Long-term investments	-	-	-	-	-	22	22
	15,609	-	2,313	-	-	22	17,944
FINANCIAL LIABILITIES							
Financial liabilities measured at amortised cost							
Trade and other payables	16,772	-	-	-	-	-	16,772
Borrowings	1,722	-	-	-	-	438,210	439,932
Current liabilities	77	-	-	-	-	-	77
	18,571	-	-	-	-	438,210	456,781

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 statement of comprehensive income							
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 statement of comprehensive income							
Cash flow hedge	-	-	748	-	-	-	748
	19,542	-	748	-	-	389,740	410,030

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 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					
Borrowings (unhedged)	438,210	(4,382)	-	4,382	-

FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value measurements recognised in the statement of financial position.

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

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

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

2022	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial liabilities				
Derivative financial liabilities	-	-	-	-

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

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

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).

35. FINANCIAL STATEMENT RECLASSIFICATIONS
The Company has reclassified the movement in cash flow hedge valuations as other non-cash items in the prior year comparative figures at Note 28. This treatment is intended to better reflect the financial position at year end.

Notes to the Financial Statements (cont.)

For the year ended 30 June 2022

36. EVENTS AFTER BALANCE DATE

There were no significant post balance date events.

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Aurora Energy Limited's financial statements and statement of service performance for the year ended 30 June 2022

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

Opinion

We have audited:

- the financial statements of the company on pages 59 to 98, that comprise the statement of financial position as at 30 June 2022, 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 44 to 47.

In our opinion:

- the financial statements of the company on pages 59 to 98:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2022; 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 on pages 44 to 47 presents fairly, in all material respects, the company's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company's objectives for the year ended 30 June 2022.

Our audit was completed on 27 September 2022. 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 for preparing the statement of service performance for the company.

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

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

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

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

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

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

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

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

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

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

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 1 to 43, 48 to 58 and 103 to 105, 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.

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

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

Company Directory

As at 30 June 2022

Zone substation upgrade at Ettrick

Directors

Stephen R Thompson (Chair)
Simon J Clarke
Margaret P Devlin
Wendie N Harvey
Stephen P Lewis

Management

Chief Executive – Richard Fletcher
Chief Financial Officer – Gary Dixon
General Manager Asset Management and Planning – Glenn Coates
General Manager Operations and Network Performance – Matt Settle
General Manager Work Programming and Delivery – Mark Pratt
General Manager People, Customer and Sustainability - 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