



New Zealand Gazette

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AURORA ENERGY LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO
SECTION 57T OF THE COMMERCE ACT 1986

Information Disclosure by Aurora Energy Ltd
for the year ended 31 March 2007

Pursuant to the
ELECTRICITY INFORMATION DISCLOSURE REQUIREMENTS 2004

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Information Disclosure Disclaimer

Information disclosed in this document has been prepared solely for the purposes of the Electricity Information Disclosure Requirements 2004.

The Requirements require the information to be disclosed in the manner it is presented.

The information should not be used for any other purpose than that intended under the Requirements.

The information disclosed is for the lines business as described in the Requirements. There are other activities of the Company that are not required to be reported under the Requirements.

A STATUTORY DECLARATION IN RESPECT OF STATEMENTS AND INFORMATION SUPPLIED TO COMMERCE COMMISSION (REQUIREMENT 36)

I, Ross Douglas Liddell of 33 Leithton Close, Glenleith, Dunedin, being a director of Aurora Energy Ltd, solemnly and sincerely declare that having made all reasonable enquiry, to the best of my knowledge, the information attached to this declaration is a true copy of information made available to the public by Aurora Energy Ltd under the Commerce Commission’s Electricity Information Disclosure Requirements 2004.

And I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

Ross Liddell
.....

Declared at Dunedin this 10 day of DECEMBER 2007

**TANIA LYNETTE CROSSAN
ENROLLED SOLICITOR
DUNEDIN**

T. Crossan
.....

Justice of the Peace (or Solicitor or other person authorised to take a statutory declaration)

**B DISCLOSURE OF INFORMATION REQUIRED IN FINANCIAL STATEMENTS
(REQUIREMENT 6 SCHEDULE 1 PART 2)**

	note*	2007 \$000	2006 \$000
STATEMENT OF FINANCIAL POSITION			
1 Current Assets			
(a) Cash and Bank Balances		8	15
(b) Short Term Investments		-	-
(c) Inventories		-	-
(d) Accounts Receivable		4,401	5,009
(e) Other Current Assets Not Listed in (a) to (d):		1,456	2,435
(f) Total Current Assets		5,865	7,459
2 Fixed Assets			
	3		
(a) System fixed assets		297,812	287,352
(b) Customer billing and information system assets		-	-
(c) Motor vehicles		36	21
(d) Office equipment		3	4
(e) Land and buildings		12,156	12,248
(f) Capital works under construction		5,640	10,209
(g) Other fixed assets not listed in (a) to (f)		-	-
(h) Total fixed assets		315,647	309,834
3 Other Tangible Assets Not Listed Above			
		-	-
4 Total Tangible Assets			
		321,512	317,293
5 Total Intangible Assets			
(a) Goodwill		-	-
(b) Other intangible assets not listed in (a)		-	-
(c) Total intangible		-	-
6 Total Assets			
		321,512	317,293
7 Current Liabilities			
(a) Bank overdraft		-	-
(b) Short term borrowings		-	-
(c) Accounts payables and accruals		6,351	8,334
(d) Dividend provision		-	-
(e) Provision for income tax		-	-
(f) Other current liabilities not listed in (a) to (e)		-	-
(g) Total current liabilities		6,351	8,334

* The accompanying notes form an integral part of these financial statements.

	note*	2007 \$000	2006 \$000
8 Non-Current Liabilities			
(a) Payables and accruals		-	-
(b) Long-term debt	5	104,250	107,600
(c) Deferred taxation	4	34,914	30,954
(d) Other funding not listed in (a) or (b)		-	-
(e) Total non-current liabilities		139,164	138,554
9 Equity			
(a) Shareholder's equity:	2		
(i) Share capital		9,750	9,750
(ii) Retained earnings		8,355	2,763
(iii) Reserves		157,892	157,892
(iv) Total shareholder's equity		175,997	170,405
(b) Minority interests in subsidiaries		-	-
(c) Total equity		175,997	170,405
(d) Capital notes		-	-
(e) Total capital funds		175,997	170,405
10 Total Equity and Liabilities (7(g) + 8(e) + 9(e))		321,512	317,293

STATEMENT OF FINANCIAL PERFORMANCE

11 Operating Revenue

(a) Revenue from line/access charges	61,461	57,714
(b) Revenue from "other" business (transfer payment)	-	-
(c) Interest on short-term investments, cash and bank balances	-	-
(d) AC loss-rental rebates	1,832	2,464
(e) Other revenue not listed in (a) to (d)	7,895	8,938
(f) Total operating revenue	71,188	69,116

12 Operating Expenditure

(a) Transmission charges	16,866	16,238
(b) Transfer payments to "other" business:		
(i) asset maintenance	8,097	7,614
(ii) consumer disconnections and reconnections	-	-
(iii) meter data	-	-
(iv) consumer-based load control	-	-
(v) royalty and patent expenses	-	-
(vi) avoided transmission charges for own generation	-	-
(vii) other goods and services	3,827	3,686
(viii) total transfer payment to other business	11,924	11,300

* The accompanying notes form an integral part of these financial statements.

	note*	2007 \$000	2006 \$000
(c) Payments to non-related entities for:			
(i) asset maintenance		-	-
(ii) consumer disconnections and reconnections		-	-
(iii) meter data		-	-
(iv) consumer-based load control		-	-
(v) royalty and patent expenses		-	-
		<hr/>	<hr/>
(vi) total of specified expenses to non-related parties		-	-
(d) Employee salaries, wages and redundancies		-	-
(e) Consumer billing and information system expense		-	-
(f) Depreciation on:			
(i) system fixed assets		10,230	9,619
(ii) other assets not listed in (i)		1	1
		<hr/>	<hr/>
(iii) total depreciation expense		10,231	9,620
(g) Amortisation of:			
(i) goodwill		-	-
(ii) other intangibles		-	-
		<hr/>	<hr/>
(iii) total amortisation of intangibles		-	-
(h) Corporate and administration		1,248	1,134
(i) Human resource expenses		-	-
(j) Marketing and advertising		37	30
(k) Merger and acquisition expenses		-	-
(l) Take-over defence expenses		-	-
(m) Research and development expenses		-	-
(n) Consultancy and legal expenses		155	142
(o) Donations		-	-
(p) Directors' fees		135	112
(q) Auditor's fees:			
(i) audit fees to principal auditor		40	38
(ii) audit fees to other auditors		16	14
(iii) fees paid for other services provided by principal and other auditors		-	-
		<hr/>	<hr/>
(iv) total auditor's fees		56	52
(r) Cost of offering credit:			
(i) bad debts written off		36	-
(ii) increase in estimated doubtful debts		(8)	-
		<hr/>	<hr/>
(iii) total cost of offering credit		28	-
(s) Local Authority rates expense		494	427
(t) AC loss rental rebates paid to retailers		1,832	2,464
(u) Rebates to consumers due to ownership interest		-	-
(v) Subvention payments		1,486	1,430
(w) Unusual expenses		-	-
(x) Other expenditure not listed in (a) to (w)		-	-
		<hr/>	<hr/>
13 Total Operating Expenditure (sum (12(a) to 12(x))		44,492	42,949

* The accompanying notes form an integral part of these financial statements.

	note*	2007	2006 \$000
14 Operating Surplus Before Interest and Income Tax		26,696	26,167
15 Interest Expense:			
(a) Interest expense on borrowings		7,776	7,448
(b) Financing charges relating to finance leases		-	-
(c) Other interest expense not listed in (a) or (b)		-	-
(d) Total interest expense		<u>7,776</u>	<u>7,448</u>
16 Operating Surplus Before Income Tax		18,920	18,719
17 Income Tax	1	7,138	(2,575)
18 Net Surplus After Tax		11,782	21,294

STATEMENT OF MOVEMENTS IN EQUITY

Equity at beginning of year		170,405	116,939
Surplus and revaluations			
net profit after tax for period		11,782	21,294
valuations		-	46,885
Total recognised revenues and expenses		<u>11,782</u>	<u>68,179</u>
Other movements			
dividend distributions		(6,190)	(14,713)
Capital transferred		-	-
		<u>(6,190)</u>	<u>(14,713)</u>
Equity at end of year		<u>175,997</u>	<u>170,405</u>

STATEMENT OF CASH FLOWS

Cashflows From Operating Activities

Cash was provided from:			
Receipts from customers		71,796	68,799
		<u>71,796</u>	<u>68,799</u>
Cash was disbursed to:			
Payments to suppliers and employees		33,113	33,682
Income tax paid		2,200	3,202
Interest paid		7,776	7,448
		<u>43,089</u>	<u>44,332</u>
Net cash inflows/(outflows) from operating activities	6	28,707	24,467

* The accompanying notes form an integral part of these financial statements.

	2007	2006
	\$000	\$000

Cashflows From Investing Activities

Cash was provided from:

Sale of assets

- -

Cash was disbursed to:

Purchase of fixed assets

19,174 13,619

Net cash inflows/(outflows) from investing activities

(19,174) (13,619)

Cashflows From Financing Activities

Cash was provided from:

Proceeds of borrowings

- 3,800

- 3,800

Cash was disbursed to:

Repayment of term liabilities

3,350 -

Dividend distributions

6,190 14,713

9,540 14,713

Net cash inflows/(outflows) from financing activities

(9,540) (10,913)

Net increase/(decrease) in cash held

(7) (65)

Cash at beginning of year

15 80

Cash at End of Year**8 15****STATEMENT OF ACCOUNTING POLICIES****SPECIAL PURPOSE FINANCIAL STATEMENTS**

These financial statements have been prepared in accordance with the requirements of the Electricity Information Disclosure Requirements 2004, and relate to:

- The Company's Line Business incorporating the conveyance of electricity, ownership of works for conveyance of electricity and provision of line function services.

SPECIFIC ACCOUNTING POLICIES

In accordance with clause 6 of the Requirements, the methodology adopted to allocate costs, revenues, assets and liabilities among the businesses is in accordance with the Electricity Information Disclosure Handbook.

The particular accounting policies adopted in the preparation of these financial statements are:

(a) Revenue

Revenue shown in the Statement of Financial Performance for the Line Business relates to the provision of electricity distribution.

(b) Expenditure

Expenditure shown in the Statement of Financial Performance is derived as follows:

Line Business

- Transmission charges, employee remuneration, administration and operating expenses are directly attributable to the Line Business.
- Maintenance and operation is provided in accordance with a 10 year Asset Management Services Contract with DELTA Utility Services Ltd.
- Other costs are allocated in accordance with the avoidable cost allocation methodology.

(c) **Dividends**

Dividends have been calculated in accordance with the Company’s dividend policy.

(d) **Allocation of Assets and Liabilities**

Assets and liabilities are those which are directly related to the Lines Business.

(e) **Current Assets**

Accounts receivable are those directly related to the Lines Business and are valued at expected realisable value less provision for doubtful debts.

(f) **Fixed Assets**

On 30 April 2005, Aurora Energy revalued its electricity distribution network assets, excluding land and buildings, to the fair market value determined by the chartered accounting firm of KPMG. In the opinion of the Directors and their professional advisors, this best represents the fair value of those assets.

The increment in value resulting from this is credited to the revaluation reserves of the Company after adjusting for depreciation previously claimed.

Electricity network distribution additions since 1 May 2005 are carried at cost less depreciation.

Electricity Distribution Land and Buildings

Land and buildings associated with the electricity distribution network were revalued on 1 July 2001 to the fair market valuation as determined by the chartered accounting firm of KPMG. These revalued assets are carried at their revalued amount less accumulated depreciation.

Additions to land and buildings associated with electricity distribution assets since 1 May 2001, are carried at cost less accumulated depreciation.

(g) **Distinction Between Capital and Revenue Expenditure**

Capital expenditure is defined as all expenditure on the creation of a new asset, and any expenditure which results in a significant improvement to the original function of an existing asset. Revenue expenditure is defined as expenditure which maintains an asset in working condition and expenditure incurred operating the Company.

(h) **Depreciation**

Fixed assets are depreciated on the basis of valuation or cost price less estimated residual value on a straight line basis over their estimated useful life. Rates used are:

Buildings	1 - 2.5%
Plant and equipment	2.5 - 15%
Network assets	1 - 15%
Furniture and fittings	10%
Computer equipment	20%
Motor vehicles	5 - 30%

(i) **Taxation**

Income tax expense is charged in the statement of financial performance in respect of current year’s earnings after allowing for permanent differences. Deferred taxation is determined on a comprehensive basis using the liability method. Deferred tax assets attributable to timing differences or income tax losses are only recognised where there is virtual certainty of realisation.

(j) **Goods and Services Tax**

These accounts are prepared exclusive of GST except for accounts receivable and accounts payable which are GST inclusive.

(k) **Financial Instruments**

The Lines Business is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short-term deposits, debtors, creditors and loans. All financial instruments are recognised in the Statement of Financial Position. All revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance.

(l) **Changes in Accounting Policies**

There have been no changes in accounting policies. All policies have been applied on bases consistent with those used in previous years.

2007	2006
\$000	\$000

NOTES TO THE FINANCIAL STATEMENTS

Note 1 : Taxation

Net profit before tax	18,920	18,719
Permanent difference	2,710	826
	<u>21,630</u>	<u>19,545</u>
Tax at 33 cents in the dollar	7,138	6,450
Under/(over) tax provision prior years	-	(9,025)
Income tax charge	<u>7,138</u>	<u>(2,575)</u>
Income tax charge comprises:		
Current taxation	3,179	2,820
Deferred taxation	3,960	(5,395)
	<u>7,138</u>	<u>(2,575)</u>

Note 2 : Shareholders Funds

Issued capital		
Balance at beginning of year	9,750	9,750
Transferred During Year	-	-
Balance at end of year	<u>9,750</u>	<u>9,750</u>
Reserves		
Asset revaluation reserve		
Balance at beginning of year	157,892	111,007
Transferred to retained earnings on disposal of assets	-	-
Net revaluation	-	46,885
Balance at end of year	<u>157,892</u>	<u>157,892</u>
Retained Earnings		
Balance at beginning of year	2,763	(3,818)
Net surplus for year	11,782	21,294
Dividend distributions	(6,190)	(14,713)
Transfer from Asset Revaluation Reserve	-	-
	<u>8,355</u>	<u>2,763</u>
Total Shareholders Funds	<u>175,997</u>	<u>170,405</u>

Note 3 : Fixed Assets

2006 Book Value \$000	Line Business	AS AT 31 MARCH 2007		Book Value \$000
		Cost or Revaluation \$000	Accumulated Depreciation \$000	
285,042	Network	315,586	19,839	295,747
1,859	Plant	2,031	351	1,680
451	Load Control Equipment	512	127	385
<u>287,352</u>	Subtotal	<u>318,129</u>	<u>20,317</u>	<u>297,812</u>
9,507	Buildings	9,987	571	9,416
2,741	Land	2,741	-	2,741
21	Vehicles	41	5	36
<u>299,621</u>	Subtotal	<u>330,898</u>	<u>20,893</u>	<u>310,005</u>
4	Furniture	5	2	3
10,209	Capital Work in Progress	5,639	-	5,639
<u>309,834</u>		<u>336,542</u>	<u>20,895</u>	<u>315,647</u>

2007 2006
\$000 \$000

Capital work in progress comprises:

Distribution substations	725	1,092
Low voltage reticulation	1,859	3,185
Distribution lines and cables	1,773	2,348
Distribution transformers	1,079	2,533
Other	48	163
Zone substations	155	419
Transmission reticulation	-	469
	<u>5,639</u>	<u>10,209</u>

Note 4 : Deferred Tax Liability

Balance at beginning of year	30,954	36,349
Movement from income tax charge	3,960	(5,395)
Balance at end of year	<u>34,914</u>	<u>30,954</u>

Note 5 : Term Debt

Balance at beginning of year	107,600	103,800
Current year borrowing	-	3,800
Current year repayment	(3,350)	-
Balance at end of the year	<u>104,250</u>	<u>107,600</u>

The Line Business has a borrowing facility allowing it to draw funds up to \$110 million. At year-end, \$104.25 million had been drawn on the facility. The weighted average interest rate on the advances at 31 March 2007 was 7.66%. The repayment period on the advances is between 2 and 10 years as follows:

1 - 2 years	-
2 - 5 years	-
5 years and greater	104,250
	<u>104,250</u>

2007	2006
\$000	\$000

Note 6 : Reconciliation of Net Surplus from Operating Activities

Net profit after tax	11,782	21,294
Items not involving cashflows depreciation	10,231	9,620
Impact of changes in working capital items		
(increase)/decrease in accounts receivable	608	(317)
(increase)/decrease in inventories	-	-
(increase)/decrease in tax refund	979	(382)
increase/(decrease) in taxation payable	-	-
increase/(decrease) in accounts payable	(1,983)	1,394
increase/(decrease) in term liabilities	-	-
gain on sale of assets	-	-
increase/(decrease) in deferred tax liability	3,960	(5,395)
capital creditors included in accounts payable	3,130	(1,747)
	<hr/>	<hr/>
Net cash inflows/(outflows) from operating activities	<u>28,707</u>	<u>24,467</u>

Note 7 : Commitments

As 31 March 2007, capital expenditure contracted for was \$6,560,220 (2006 : \$4,282,918).

Note 8 : Contingent Liabilities

There were no contingent liabilities as at 31 March 2007 (2006 : nil).

Note 9 : Financial Instruments

Financial instruments which potentially subject the Lines Business to credit risk principally consist of cash and accounts receivable.

Credit Risk

Contracts have been entered into with various counter-parties having such credit ratings and in accordance with dollar limits as set by the board of directors.

Collateral

The Lines Business does not generally require collateral or other security to support service contracts. While the Lines Business may be subject to credit losses up to the notional value of the services or goods supplied in the event of non-performance by counter-parties, it does not expect such losses to occur.

Concentration of Credit Risk

Financial instruments which potentially subject the Lines Business to concentrations of credit risk principally consist of cash and accounts receivable.

The Lines Business places its cash and short-term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution.

The Lines Business has several large customers for which no collateral is required. These debtors are subject to normal on-going credit control procedures.

Note 10 : Disclosure of Information Relating to Transactions Between Persons in a Prescribed Business Relationship and Related Parties (Requirement 8)

	2007	2006
	\$000	\$000
During the Year the Line Business:		
Purchased the following services from <i>DELTA</i> Utility Services Ltd:		
Asset maintenance	8,097	7,614
Network management, operation and other	3,827	3,686
Consumer reconnections and disconnections	-	-
Total	11,924	11,300
Network capital work and development		
distribution substations	1,993	978
low voltage reticulation	5,142	2,490
distribution lines and cables	5,004	1,882
distribution transformers	2,975	1,704
zone substations	264	357
other plant and equipment	77	87
sub-transmission reticulation	190	223
Total	15,645	7,721

Network operation and maintenance is charged in accordance with a Fixed Term Contract. Capital work is subject to open tender, established market rates, or competitive pricing.

At balance date, \$4,225,239 was owed to *DELTA* Utility Services Ltd (2006 : \$6,826,500). Of this, \$2,182,425 was due and payable on 20 April, while \$2,042,814 relating to capital work-in-progress was payable at a later date.

Other Line Business Related Parties:

The Lines Business has a borrowing facility with Dunedin City Treasury Ltd. During the year it paid \$7.776 million interest (2006 - \$7.448 million) and as at 31 March 2007 \$104.3 million of loan monies were outstanding (2006 : \$107.6 million).

During the year, the Lines Business also undertook the following transactions with Dunedin City Holdings Ltd:

Purchase of subvention expense	\$1.49 million (2006 : \$1.43 million)
Dividends paid	\$6.19 million (2006 : \$14.71 million)

As at 31 March 2007, \$1.107 million of subvention was outstanding (2006 : \$1.193 million).

No related party transactions took place at a nominal or nil value. No related party debts have been written-off or forgiven during the period.

During the year, the Lines Business also undertook the following transactions with Dunedin City Council:

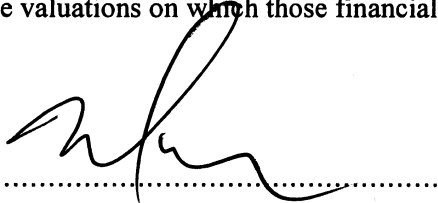
Rates paid	\$0.345 million (2006 : \$0.275 million)
Under-grounding of street lights	\$0.155 million (2006 : \$0.008 million)

C DIRECTORS' CERTIFICATION OF FINANCIAL STATEMENTS, PERFORMANCE MEASURES AND STATISTICS DISCLOSED (REQUIREMENT 31(1))

We, Raymond Stuart Polson and Ross Douglas Liddell, directors of Aurora Energy Ltd, certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) the attached audited financial statements of Aurora Energy Ltd prepared for the purposes of requirement 6 of the Commerce Commission's Electricity Information Disclosure Requirements 2004, comply with those Requirements; and
- (b) the attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Aurora Energy Ltd, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 31 March 2007.



Raymond Stuart Polson



Ross Douglas Liddell

28 November 2007

**REPORT OF THE AUDITOR-GENERAL
TO THE READERS OF THE FINANCIAL STATEMENTS OF
AURORA ENERGY LIMITED
FOR THE YEAR ENDED 31 MARCH 2007**

We have audited the financial statements of Aurora Energy Limited on pages 2 to 12. The financial statements provide information about the past financial performance of Aurora Energy Limited and its financial position as at 31 March 2007. This information is stated in accordance with the accounting policies set out on pages 6 to 8.

Directors' Responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of Aurora Energy Limited as at 31 March 2007, and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Requirement 30 of the Electricity Information Disclosure Requirements 2004 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed Bede Kearney of Audit New Zealand to undertake the audit.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Aurora Energy Limited's circumstances, consistently applied and adequately disclosed.

We conducted the audit in accordance with the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

In addition to issuing audit certificates pursuant to the Electricity Information Disclosure Requirements 2004 we have carried out other audit assignments for Aurora Energy Limited. This involved issuing an audit opinion on the annual financial statements for the year ended 30 June 2007.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion –

- proper accounting records have been maintained by Aurora Energy Limited as far as appears from our examination of those records; and
- the financial statements of Aurora Energy Limited on pages 2 to 12:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Aurora Energy Limited's financial position as at 31 March 2007 and the results of its operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 5 December 2007 and our unqualified opinion is expressed as at that date.



Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

**MATTERS RELATING TO THE PUBLICATION OF THE AUDITED FINANCIAL STATEMENTS
IN THE NEW ZEALAND GAZETTE**

This audit report relates to the financial statements of Aurora Energy Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited financial statements and the related audit report of Aurora Energy Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the financial statements of Aurora Energy Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially signed and published.

This audit report refers only to the financial statements named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited financial statements and related audit report dated 5 December 2007 to confirm the information included in the audited financial statements published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

E PERFORMANCE MEASURES

	2007	2006	2005	2004
Disclosure of financial performance measures and efficiency performance measures under requirement 14 of the Electricity Information Disclosure Requirements 2004				
1 Financial performance measures				
(a) Return on funds	15.5%	15.2%	13.5%	14.9%
(b) Return on equity	24.0%	38.7%	18.2%	28.9%
(c) Return on investment	10.7%	15.0%	8.1%	31.6%
2 Efficiency performance measures				
(a) Direct line costs per kilometre	\$2,185	\$2,108	\$2,126	\$2,131
(b) Indirect line costs per electricity consumer	\$30.52	\$27.84	\$26.63	\$31.32

Disclosure of financial performance measures and efficiency performance measures under requirement 20 of the Electricity Information Disclosure Requirements 2004

1 Energy delivery efficiency performance measures				
(a) Load factor	56.3%	57.2%	57.5%	58.7%
(b) Loss ratio	4.6%	5.8%	6.1%	6.3%
	Note – the loss ratio is deduced from reports of energy injected by others and reports of retail sales by others. Aurora Energy is unable to audit these reports and has little confidence in their accuracy. Accordingly the ratio should be treated with great caution.			
(c) Capacity utilisation	33.2%	33.6%	34.2%	32.5%
2 Statistics				
(a) System length				
Circuit kilometres 66 kV	109	109	109	54
Circuit kilometres 33 kV	480	480	479	535
Circuit kilometres 11 kV	2,282	2,231	2,181	2,115
Circuit kilometres 6.6 kV	778	774	773	798
Circuit kilometres 400 V	1,703	1,654	1,603	1,523
Circuit kilometres 600 V DC	4	4	4	4
Total	5,356	5,252	5,149	5,029
(b) System length – overhead				
Circuit kilometres 66 kV	109	109	109	54
Circuit kilometres 33 kV	389	390	390	447
Circuit kilometres 11 kV	1,820	1,823	1,818	1,796
Circuit kilometres 6.6 kV	539	540	541	562
Circuit kilometres 400 V	1,053	1,062	1,063	1,035
Circuit kilometres 600 V DC	1	1	1	1
Total Overhead	3,911	3,925	3,922	3,895

	2007	2006	2005	2004
(c) System length – underground				
Circuit kilometres 66 kV	0.3	0.3	N/A	N/A
Circuit kilometres 33 kV	91	90	89	88
Circuit kilometres 11 kV	462	407	363	320
Circuit kilometres 6.6 kV	239	234	232	235
Circuit kilometres 400 V	650	593	540	487
Circuit kilometres 600 V DC	3	3	3	3
Total Underground	1,445	1,327	1,228	1,133
(d) Transformer capacity (kVA)	829,373	799,866	779,835	758,211
(e) Maximum demand (kW)	275,525	268,976	266,859	246,190
(f) Total electricity supplied before losses from the system (kWh)	1,359,608,055	1,347,469,425	1,344,545,511	1,269,877,041
(g) Electricity conveyed after losses for each party (kWh)				
Party 1	620,013,612	593,893,724	579,997,179	559,134,598
Party 2	353,665,360	363,120,171	386,155,577	372,571,922
Party 3	258,906,494	235,195,791	223,143,337	214,527,945
Party 4	26,175,288	20,955,620	20,743,856	20,742,113
Party 5	20,223,118	26,253,429	16,588,984	4,623,330
Party 6	13,061,908	26,362,592	33,675,391	15,450,111
Party 7	2,601,143	2,774,737	1,998,497	2,302,073
Party 8	2,037,083	708,772	321,934	36,594
(h) Total consumers	77,712	76,400	75,117	73,972

Disclosure of reliability performance measures under requirement 21 of the Electricity Information Disclosure Requirements 2004

1 Total number of interruptions				
Class A – planned by Transpower	0	0	0	0
Class B – planned by line owners	268	258	269	293
Class C – unplanned by line owners	487	492	445	453
Class D – unplanned by Transpower	1	1	0	1
Class E – unplanned by embedded generation	0	0	0	0
Class F – unplanned by generation on other networks	0	0	0	0
Class G – unplanned by other line owner	0	0	0	0
Class H – planned by another line owner	0	0	0	0
Class I – any other loss of supply	0	0	0	0
2 No of interruption targets for next financial year				
Class B – planned by line owners	300			
Class C – unplanned by line owners	510			
3 Average no of interruption targets for next 5 years				
Class B – planned by line owners	300			
Class C – unplanned by line owners	510			
4 Proportion of Class C interruptions not restored within				
3 hours	20.10%	13.20%	16.63%	16.56%
24 hours	3.7%	0.0%	0.0%	0.9%

	2007	2006	2005	2004
5 (a) and (d) The total number of faults per 100 circuit kilometres of prescribed voltage electric line				
66 kV	5.5	5.5	1.8	1.8
33 kV	6.5	7.1	5.4	3.4
11 kV	16.7	14.0	12.4	12.6
6.6 kV	7.5	5.8	7.0	6.0
Total	13.1	11.1	10.0	9.5
5 (b) and (d) Target number of faults per 100 circuit kilometres for next financial year				
66 kV	6.0			
33 kV	7.0			
11 kV	15.0			
6.6 kV	7.5			
Total	12.1			
5 (c) and (d) Average target number of faults per 100 circuit kilometres for next 5 years				
66 kV	6.0			
33 kV	7.0			
11 kV	15.0			
6.6 kV	7.5			
Total	12.1			
6 The total number of faults per 100 circuit kilometres of underground prescribed voltage electric line				
66 kV	0	0	0	0
33 kV	1.1	0.0	3.4	3.4
11 kV	3.3	2.9	4.4	5.0
6.6 kV	0.4	0.4	5.6	2.5
Total	2.1	1.8	4.7	3.9
7 The total number of faults per 100 circuit kilometres of overhead prescribed voltage electric line				
66 kV	5.5	5.5	1.8	1.8
33 kV	7.7	8.7	5.9	3.4
11 kV	20.2	16.5	14.0	13.9
6.6 kV	10.6	8.1	7.6	7.5
Total	16.1	13.5	11.2	10.8
8 The SAIDI for the total number of interruptions (minutes)	101.4	96.5	80.5	97.3
9 SAIDI target for next financial year (minutes)				
Class B – planned by line owners	15.0			
Class C – unplanned by line owners	75.0			
10 Average SAIDI targets for next 5 years (minutes)				
Class B – planned by line owners	15.0			
Class C – unplanned by line owners	75.0			

	2007	2006	2005	2004
11 The SAIDI for the total number of interruptions within each interruption class (minutes)				
Class A – planned by Transpower	-	-	-	-
Class B – planned by line owners	13.2	11.7	7.3	16.3
Class C – unplanned by line owners	83.5	70.8	73.2	80.0
Class D – unplanned by Transpower	4.7	14.0	-	1.0
Class E – unplanned by embedded generation	-	-	-	-
Class F – unplanned by generation on other net-works	-	-	-	-
Class G – unplanned by other line owner	-	-	-	-
Class H – planned by another line owner	-	-	-	-
Class I – any other loss of supply	-	-	-	-
12 The SAIFI for the total number of interruptions	1.82	1.72	1.46	1.72
13 SAIFI target for next financial year				
Class B – planned by line owners	0.13			
Class C – unplanned by line owners	1.36			
14 Average SAIFI targets for next 5 years				
Class B – planned by line owners	0.13			
Class C – unplanned by line owners	1.36			
15 The SAIFI for the total number of interruptions within each interruption class				
Class A – planned by Transpower	-	-	-	-
Class B – planned by line owners	0.10	0.09	0.07	0.14
Class C – unplanned by line owners	1.59	1.40	1.39	1.47
Class D – unplanned by Transpower	0.13	0.23	-	0.11
Class E – unplanned by embedded generation	-	-	-	-
Class F – unplanned by generation on other networks	-	-	-	-
Class G – unplanned by other line owner	-	-	-	-
Class H – planned by another line owner	-	-	-	-
Class I – any other loss of supply	-	-	-	-
16 The CAIDI for the total number of interruptions	55.60	56.10	55.20	56.60
17 CAIDI target for next financial year				
Class B – planned by line owners	120.0			
Class C – unplanned by line owners	55.0			
18 Average CAIDI targets for next 5 years				
Class B – planned by line owners	120.0			
Class C – unplanned by line owners	55.0			
19 The CAIDI for the total number of interruptions within each interruption class				
Class A – planned by Transpower	-	-	-	-
Class B – planned by line owners	127.0	135.7	100.2	119.9
Class C – unplanned by line owners	52.6	50.5	52.8	54.5
Class D – unplanned by Transpower	35.6	60.0	-	8.8
Class E – unplanned by embedded generation	-	-	-	-
Class F – unplanned by generation on other networks	-	-	-	-
Class G – unplanned by other line owner	-	-	-	-
Class H – planned by another line owner	-	-	-	-
Class I – any other loss of supply	-	-	-	-

**F SCHEDULE 1 – PART 7
FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM
FINANCIAL STATEMENTS**

Derivation Table	Input and Calculations	Symbol in Formula	ROF		ROE		ROI	
Operating surplus before interest and income tax from financial statements	26,696							
Operating surplus before interest and income tax adjusted pursuant to Requirement 18 (OSBIIT)	26,696							
Interest on cash, bank balances, and short-term investments (ISTI)	0							
OSBIIT minus ISTI	26,696	A		26,696				26,696
Net surplus after tax from financial statements	11,782							
Net surplus after tax adjusted pursuant to Requirement 18 (NSAT)	11,782	n				11,782		
Amortisation of goodwill and amortisation of other intangibles	0	g	add	0	add	0	add	0
Subvention payment	1,486	s	add	1,486	add	1,486	add	1,486
Depreciation of SFA at BV (x)	10,230							
Depreciation of SFA at ODV (y)	5,877							
ODV depreciation adjustment	4,353	d	add	4,353	add	4,353	add	4,353
Subvention payment tax adjustment	490	s*t			deduct	490	deduct	490
Interest tax shield	2,566	q					deduct	2,566
Revaluations	0	r					add	0
Income tax	7,138	p					deduct	7,138
Numerator				32,535		17,131		22,341
				OSBIIT ^{Adj} = a + g + s + d		NSAT ^{Adj} = n + g + s - s*t + d		OSBIIT ^{Adj} = a + g - q + r + s + d - p - s*t
Fixed assets at end of previous financial year (FA ₀)	309,834							
Fixed assets at end of current financial year (FA ₁)	315,647							
Adjusted net working capital at end of previous financial year (ANWC ₀)	(890)							
Adjusted net working capital at end of current financial year (ANWC ₁)	(494)							
Average total funds employed (ATFE)	312,049	c		312,049				312,049
(or Requirement 32 time-weighted average)								
Total equity at end of previous financial year (TE ₀)	170,405							
Total equity at end of current financial year (TE ₁)	175,997							
Average total equity	173,201	k				173,201		
(or Requirement 32 time-weighted average)								
WUC at end of previous financial year (WUC ₀)	10,209							
WUC at end of current financial year (WUC ₁)	5,640							
Average total works under construction	7,925	e	deduct	7,925	deduct	7,925	deduct	7,925
(or Requirement 32 time-weighted average)								
Revaluations	0	r						
Half of revaluations	0	r/2					deduct	0
Intangible assets at end of previous financial year (IA ₀)	0							
Intangible assets at end of current financial year (IA ₁)	0							
Average total intangible asset	0	m			deduct	0		
(or Requirement 32 time-weighted average)								
Subvention payment at end of previous financial year (S ₀)	1,430							
Subvention payment at end of current financial year (S ₁)	1,486							
Subvention payment tax adjustment at end of previous financial year	472							
Subvention payment tax adjustment at end of current financial year	490							
Average subvention payment and related tax adjustment	977	v			add	977		
System fixed assets at end of previous financial year at book value (SFA _{bv0})	299,621							
System fixed assets at end of current financial year at book value (SFA _{bv1})	310,004							
Average value of system fixed assets at book value	304,813	f	deduct	304,813	deduct	304,813	deduct	304,813
(or Requirement 32 time-weighted average)								
System fixed assets at year beginning at ODV value (SFA _{odv0})	207,286							
System fixed assets at end of current financial year at ODV value (SFA _{odv1})	212,681							
Average value of system fixed assets at ODV value	209,984	h	add	209,984	add	209,984	add	209,984
(or Requirement 32 time-weighted average)								
Denominator				209,295		71,424		209,295
				ATFE ^{Adj} = c - e - f + h		Ave TE ^{Adj} = k - e - m + v - f + h		ATFE ^{Adj} = c - e - 1/2r - f + h
Financial Performance Measure:				15.5		24.0		10.7
				ROF = OSBIIT ^{Adj} /ATFE ^{Adj} x 100		ROE = NSAT ^{Adj} /ATE ^{Adj} x 100		ROI = OSBIIT ^{Adj} /ATFE ^{Adj} x 100

t = maximum statutory income tax rate applying to corporate entities subscript '0' = end of the previous financial year subscript '1' = end of the current financial year
 ROF = return on funds ROE = return on equity ROI = return on investment bv = book value ave = average odv = optimised deprival valuation

**G SCHEDULE 1 PART 8
ANNUAL VALUATION RECONCILIATION REPORT**

	2007 \$000
System Fixed Assets at ODV-End of Previous Financial Year	207,286
Add system fixed assets acquired during the year at ODV	11,296
Less system fixed assets disposed of during the year at ODV	(24)
Less depreciation of system fixed assets at ODV	(5,877)
Add revaluations of system fixed assets	-
System Fixed Assets at End of Current Financial Year at ODV	212,681

AUDIT NEW ZEALAND

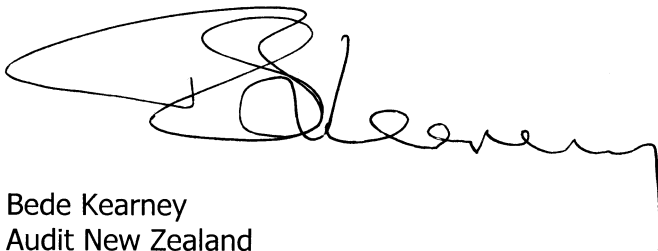
**AUDITOR-GENERAL'S OPINION ON THE
PERFORMANCE MEASURES OF AURORA ENERGY LIMITED**

We have examined the information on pages 16 and 20 to 21, being –

- (a) the derivation table in requirement 15;
- (b) the annual ODV reconciliation report in requirement 16;
- (c) the financial performance measures in clause 1 of Part 3 of Schedule 1; and
- (d) the financial components of the efficiency performance measures in clause 2 of Part 3 of Schedule 1, –

that were prepared by Aurora Energy Limited and dated 5 December 2007 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, that information has been prepared in accordance with those Electricity Information Disclosure Requirements 2004.



Bede Kearney
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
5 December 2007

**MATTERS RELATING TO THE PUBLICATION OF THE AUDITED PERFORMANCE MEASURES IN THE
NEW ZEALAND GAZETTE**

This audit report relates to the performance measures of Aurora Energy Limited for the year ended 31 March 2007 that have been published in the *New Zealand Gazette*. The *New Zealand Gazette* is required to publish hard copies of audited performance measures and the related audit report of Aurora Energy Limited for the year ended 31 March 2007, and to include an electronic version of the published *New Zealand Gazette* on the *New Zealand Gazette's* website.

We have not been engaged to report on the integrity of the performance information of Aurora Energy Limited that have been published on the *New Zealand Gazette's* website. We accept no responsibility for any changes that may have occurred to the performance information since they were initially signed and published.

This audit report refers only to the performance information named above. If readers of this audit report are concerned with the inherent risks arising from electronic data communication, they should refer to the original signed and published hard copy of the audited performance information and related audit report dated 5 December 2007 to confirm the information included in the audited performance information published in the *New Zealand Gazette* or on the *New Zealand Gazette's* website.

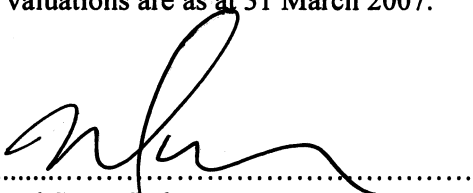
Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

I CERTIFICATION OF VALUATION REPORT OF LINE OWNER


We, Raymond Stuart Polson and Ross Douglas Liddell, directors of Aurora Energy Limited, certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) the attached valuation report of Aurora Energy Limited prepared for the purposes of requirement 19 of the Commerce Commission’s Electricity Information Disclosure Requirements 2004, complies with those Requirements; and
- (b) the replacement cost of the line business fixed assets of Aurora Energy Limited is \$434,471,943; and
- (c) the depreciated replacement cost of the line business system fixed assets of Aurora Energy Limited is \$216,470,105; and
- (d) the optimised depreciated replacement cost of the line business system fixed assets of Aurora Energy Limited is \$212,680,761; and
- (e) the optimised deprival valuation of the line business system fixed assets of Aurora Energy Limited is \$212,680,761; and
- (f) the values in (b) through to (e) have been prepared in accordance with the ODV Handbook (as defined in the Electricity Information Disclosure Requirements 2004).

These valuations are as at 31 March 2007.



 Raymond Stuart Polson



 Ross Douglas Liddell

28 November... 2007