



# New Zealand Gazette

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## ORION NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO  
SECTION 57T OF THE COMMERCE ACT 1986

# Orion New Zealand Limited

The following public disclosures are made by Orion New Zealand Limited ("Orion") in accordance with the Electricity Information Disclosure Requirements 2004 (the "*Requirements*").

The disclosures cover the period from 1 April 2005 to 31 March 2006 and provide comparatives for prior years as required by the Requirements.

## Requirement 6 - Financial statement disclosure

Authorised for issue for and on behalf of the directors:



Director  
7 November 2006



Director  
7 November 2006

## Statement of financial performance

| For the year ended 31 March  | Notes | 2006<br>\$000's | 2005<br>\$000's |
|------------------------------|-------|-----------------|-----------------|
| Operating revenues           | 2     | 168,654         | 154,741         |
| Operating expenses           |       | <u>111,098</u>  | <u>109,548</u>  |
| Operating surplus before tax | 3     | 57,556          | 45,193          |
| Taxation expense             | 4     | <u>23,019</u>   | <u>20,695</u>   |
| Net surplus after tax        |       | <u>34,537</u>   | <u>24,498</u>   |

*The accompanying notes form part of and are to be read in conjunction with these financial statements*

**Statement of movements in equity**

| <b>For the year ended 31 March</b>                               | <b>Notes</b> | <b>2006<br/>\$000's</b> | <b>2005<br/>\$000's</b> |
|--|--------------|-------------------------|-------------------------|
| Equity at the start of the year                                  | 10, 11       | 609,386                 | 533,108                 |
| Net surplus  |              | 34,537                  | 24,498                  |
| Revaluation of property, plant and equipment                     |              | -                       | 82,314                  |
| Deferred tax liability adjustment                                |              | -                       | (1,000)                 |
| Total recognised revenues and expenses for the period            |              | 34,537                  | 105,812                 |
| Cash reinvested from/(in) other businesses                       |              | 1,266                   | (2,534)                 |
| Distributions paid or provided to shareholders during the period |              |                         |                         |
| - ordinary dividend  |              | (27,000)                | (27,000)                |
| Equity at the end of the year                                    | 10, 11       | 618,189                 | 609,386                 |

*The accompanying notes form part of and are to be read in conjunction with these financial statements*

## Statement of financial position

| As at 31 March                 | Notes | 2006<br>\$000's | 2005<br>\$000's |
|--------------------------------|-------|-----------------|-----------------|
| <b>Current assets</b>          |       |                 |                 |
| Bank                           |       | -               | -               |
| Short term deposits            |       | -               | -               |
| Accounts receivable            | 5     | 9,219           | 8,401           |
| Inventories                    | 6     | 563             | 780             |
| Intercompany balances          |       | -               | -               |
| Total current assets           |       | 9,782           | 9,181           |
| <b>Non-current assets</b>      |       |                 |                 |
| Long term investments          |       | 840             | 1,050           |
| Property, plant and equipment  | 7     | 729,142         | 718,380         |
| Other tangible assets          |       | -               | -               |
|                                |       | 729,982         | 719,430         |
| Total tangible assets          |       | 739,764         | 728,611         |
| <b>Intangible assets</b>       |       |                 |                 |
| Goodwill                       |       | -               | -               |
| Other intangible assets        |       | -               | -               |
| Total intangible assets        |       | -               | -               |
| Total assets                   |       | 739,764         | 728,611         |
| <b>Current liabilities</b>     |       |                 |                 |
| Bank overdraft                 |       | -               | -               |
| Short term borrowings          |       | -               | -               |
| Accounts payable and accruals  | 8     | 23,895          | 27,488          |
| Total current liabilities      |       | 23,895          | 27,488          |
| <b>Non-current liabilities</b> |       |                 |                 |
| Deferred tax                   |       | 57,680          | 51,737          |
| Borrowings                     |       | 40,000          | 40,000          |
|                                | 9     | 97,680          | 91,737          |
| Shareholders' equity           | 10,11 | 618,189         | 609,386         |
| Total liabilities and equity   |       | 739,764         | 728,611         |

*The accompanying notes form part of and are to be read in conjunction with these financial statements*

## Statement of cash flows

| For the year ended 31 March                         | Notes | 2006<br>\$000's | 2005<br>\$000's |
|---|-------|-----------------|-----------------|
| <b>Cash flows from operating activities</b>         |       |                 |                 |
| Cash was provided from:                             |       |                 |                 |
| Cash receipts from customers                        |       | 163,632         | 152,321         |
| Interest received                                   |       | -               | -               |
|   |       | <u>163,632</u>  | <u>152,321</u>  |
| Cash was applied to:                                |       |                 |                 |
| Non-capitalised payments to suppliers and employees |       | 85,717          | 71,298          |
| Income tax paid (net of refunds)                    |       | 17,296          | 17,506          |
| Interest paid                                       |       | 2,931           | 2,585           |
|   |       | <u>105,944</u>  | <u>91,389</u>   |
| Net cash inflow from operating activities           | 13    | <u>57,688</u>   | <u>60,932</u>   |
| <b>Cash flows from investing activities</b>         |       |                 |                 |
| Cash was provided from:                             |       |                 |                 |
| Sale of fixed assets                                |       | 365             | 857             |
| Cash was applied to:                                |       |                 |                 |
| Purchase of property, plant and equipment           |       | 32,319          | 32,255          |
| Long term prepayment                                |       | -               | -               |
|   |       | <u>32,319</u>   | <u>32,255</u>   |
| Net cash outflow from investing activities          |       | <u>(31,954)</u> | <u>(31,398)</u> |

*The accompanying notes form part of and are to be read in conjunction with these financial statements*

**Statement of cash flows** continued...

| <b>For the year ended 31 March</b>          | <b>Notes</b> | <b>2006<br/>\$000's</b> | <b>2005<br/>\$000's</b> |
|---|--------------|-------------------------|-------------------------|
| <b>Cash flows from financing activities</b> |              |                         |                         |
| Cash was provided from:                     |              |                         |                         |
| Proceeds of debt                            |              | -                       | -                       |
| Cash was applied to:                        |              |                         |                         |
| Dividends paid                              |              | 27,000                  | 27,000                  |
|   |              | <u>27,000</u>           | <u>27,000</u>           |
| Net cash outflow from financing activities  |              | <u>(27,000)</u>         | <u>(27,000)</u>         |
| <b>Cash flow summary and reconciliation</b> |              |                         |                         |
| Opening bank and short term investments     |              | -                       | -                       |
| Inflow from operating activities            |              | 57,688                  | 60,932                  |
| Outflow from investing activities           |              | (31,954)                | (31,398)                |
| Outflow from financing activities           |              | (27,000)                | (27,000)                |
| Cash reinvested in other businesses         |              | <u>1,266</u>            | <u>(2,534)</u>          |
| Closing bank and short term investments     |              | <u>-</u>                | <u>-</u>                |
| Represented by:                             |              |                         |                         |
| Cash at bank and short term investments     |              | -                       | -                       |
| Bank overdraft                              |              | <u>-</u>                | <u>-</u>                |
|   |              | <u>-</u>                | <u>-</u>                |

*The accompanying notes form part of and are to be read in conjunction with these financial statements*

## Notes to the financial statements

### 1. Statement of accounting policies

#### Reporting entity

Orion New Zealand Limited ("the company") is a company registered under the Companies Act 1993. The company is a reporting entity for the purposes of the Financial Reporting Act 1993.

#### Special purpose financial statements

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity Information Disclosure Requirements 2004 ("the Requirements"), and should be read in conjunction with the audited financial statements for the year ended 31 March 2006.

Allocations of the costs, revenues, assets and liabilities of the company have been made in accordance with the mandatory avoidable cost allocation methodology as required by the Requirements.

This approach defines the line business as the company's core business, and makes an assessment of the costs, revenues, assets and liabilities that would be avoided by the line business if all non-core businesses were to cease operation. The costs, revenues, assets and liabilities that would be avoided are allocated to those non-core businesses. Costs, revenues, assets and liabilities that would not be avoided are allocated to the line business.

#### Measurement base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance, cash flows and financial position on an historical cost basis are followed by the company, with the exception that certain property, plant and equipment have been revalued.

#### Specific accounting policies

The following specific accounting policies that materially affect the measurement of financial performance, cash flows and financial position are applied:

- (a) Capital contributions  
Capital contributions that are refundable to customers are treated as current liabilities until refunded. Non-refundable contributions are credited to income when received.
- (b) Distinction between capital and revenue expenditure  
Capital expenditure is defined as all expenditure incurred in the creation of a new asset and any expenditure that results in a significant restoration or increased service potential for existing assets. Constructed assets are included in property, plant and equipment as each becomes operational and available for use. Revenue expenditure is defined as expenditure that is incurred in the maintenance and operation of the property, plant and equipment of the company.
- (c) Accounts receivable  
Accounts receivable are valued at their expected realisable value. All known bad debts are written off during the financial year.
- (d) Inventories  
Stocks and inventories are valued at the lower of cost (FIFO or weighted average) and net realisable value, with additional allowances for obsolescence where necessary. Chargeable work in progress includes direct materials and labour and an allocation of overheads that directly relate to the contract.

- (e) Depreciation  
Depreciation is provided on property, plant and equipment using the straight line method at rates which amortise the cost or valuation less estimated residual value over their useful lives.

The main bases are periods not exceeding:

|                                 |          |
|---------------------------------|----------|
| Electricity distribution system | 60 years |
| Building structures             | 70 years |
| Building services               | 30 years |
| Building fitout                 | 15 years |
| Cars and vans                   | 5 years  |
| Trucks                          | 7 years  |
| Plant and equipment             | 10 years |
| Computer equipment and software | 3 years  |

The depreciation methods and useful lives of property, plant and equipment are reviewed annually to ensure that they remain appropriate.

- (f) Property, plant and equipment  
The company's property, plant and equipment is revalued on a cyclic basis at least once every three years by independent valuers to fair value. Any subsequent additions are initially recorded at cost until the next revaluation.

- (g) Income tax  
The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is virtual certainty of realisation.

- (h) Employee entitlements  
Provision is made in respect of the company's liability for annual and long service leave. The annual leave liability has been calculated on an actual entitlement basis at current rates of pay. The long service leave liability has been assessed on an actuarial basis.

- (i) Derivative financial instruments  
The company may enter into swaps, forward rate agreements and options transactions. Such transactions are undertaken within board approved policies and limits for the primary purpose of reducing exposure to fluctuations in interest rates and foreign exchange rates. While these financial instruments are subject to the risk that market rates may change subsequent to the acquisition of the financial instrument, such changes would generally be offset by opposite effects on the items being hedged. For the agreements, the differential to be paid or received is accrued as rates change and is recognised over the life of the agreements.

The company does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

### Changes in accounting policies

There have been no changes in accounting policies in the 2006 year. The company's accounting policies have been applied on bases consistent with those used in previous years.



|  | 2006<br>\$000's | 2005<br>\$000's |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

## 2. Operating revenues

A summary of operating revenue is as follows:

|                                |         |         |
|--------------------------------|---------|---------|
| AC rental rebates              | 7,181   | 3,189   |
| Bad debts recovered            | 12      | 15      |
| Capital contributions          | 5,079   | 3,379   |
| Changes in bad debt provisions | -       | 156     |
| Donated/subsidised assets      | 4,263   | 2,745   |
| Dividends                      | -       | -       |
| Interest                       | -       | -       |
| Line revenue                   | 151,266 | 144,463 |
| Profit on sale of equipment    | 161     | 366     |
| Other                          | 692     | 428     |
|                                | <hr/>   | <hr/>   |
|                                | 168,654 | 154,741 |

## 3. Operating surplus before tax

Operating surplus before tax includes the following operating expenditure:

|   |        |        |
|---|--------|--------|
| Payment for transmission charges (prior to loss rental rebates) | 40,218 | 39,397 |
| AC loss-rental rebates (distribution to retailers) expense      | 7,181  | 3,189  |

### Transfer payments to the "other" business for:

|   |       |       |
|---|-------|-------|
| - asset maintenance   | 6,818 | 6,642 |
| - consumer disconnection/reconnection services              | -     | -     |
| - meter data  | -     | -     |
| - consumer-based load control services                      | -     | -     |
| - royalty and patent expenses                               | -     | -     |
| - avoided transmission charges on account of own generation | -     | -     |
| - other goods and services not listed                       | -     | -     |
|   | <hr/> | <hr/> |

|              |             |             |
|--------------|-------------|-------------|
| <b>Total</b> | <hr/> 6,818 | <hr/> 6,642 |
|--------------|-------------|-------------|

|   | 2006<br>\$000's | 2005<br>\$000's |
|---|-----------------|-----------------|
| <b>Expense to entities that are not related parties for:</b>            |                 |                 |
| - asset maintenance   | 6,566           | 4,779           |
| - consumer disconnection/reconnection services                          | -               | -               |
| - meter data  | 3               | 18              |
| - consumer-based load control services                                  | -               | -               |
| - royalty and patent expenses   | -               | -               |
| <b>Total</b>  | 6,569           | 4,797           |
| Employee salaries, wages and redundancies                               | 9,639           | 9,106           |
| Consumer billing and information system expense                         | 453             | 756             |
| <b>Depreciation on:</b>   |                 |                 |
| - buildings   | 158             | 154             |
| - distribution system   | 22,926          | 22,371          |
| - other   | 1,329           | 1,236           |
| <b>Total</b>  | 24,413          | 23,761          |
| <b>Amortisation of:</b>   |                 |                 |
| - goodwill  | -               | -               |
| - other intangibles   | -               | -               |
| <b>Total</b>  | -               | -               |
| Corporate and administration  | 1,318           | 1,455           |
| Human resource expenses   | 841             | 908             |
| Leasing and rental  | 64              | 70              |
| Loss on disposal of equipment   | 5               | 165             |
| Asset write-offs  | 1,198           | 1,983           |
| Marketing/advertising   | 20              | 20              |
| Merger and acquisition expenses   | -               | -               |
| Takeover defence expenses   | -               | -               |
| Research and development expenses                                       | -               | -               |
| Consultancy and legal expenses  | 1,222           | 1,237           |
| Donations   | 51              | 43              |
| Directors fees  | 250             | 250             |
| <b>Auditors fees:</b>   |                 |                 |
| - audit fees paid to principal auditors                                 | 129             | 62              |
| - audit fees paid to other auditors                                     | -               | -               |
| - fees paid for other services provided by principal and other auditors | 12              | 12              |
| <b>Total</b>  | 141             | 74              |

|   | 2006<br>\$000's   | 2005<br>\$000's   |
|---|-------------------|-------------------|
| <b>Cost of offering credit:</b>                             |                   |                   |
| - bad debts written off                                     | 60                | 37                |
| - increase in estimated doubtful debts                      | 12                | -                 |
|   | <hr/>             | <hr/>             |
| <b>Total</b>  | 72                | 37                |
| Local authority rates expense                               | 1,653             | 2,001             |
| Rebates to consumers due to ownership interest              | -                 | -                 |
| Subvention payments   | 5,213             | 10,867            |
| Unusual expenses  | -                 | -                 |
| Other expenditure not listed                                | 828               | 205               |
|   | <hr/>             | <hr/>             |
| <b>Total operating expenditure</b>                          | <u>108,167</u>    | <u>106,963</u>    |
| <br><b>Operating surplus before interest and income tax</b> | <br>60,487        | <br>47,778        |
| <br><b>Interest expense</b>                                 |                   |                   |
| - interest expense on borrowings                            | 2,931             | 2,585             |
| - financing charges related to finance leases               | -                 | -                 |
| - other interest expense                                    | -                 | -                 |
|   | <hr/>             | <hr/>             |
| <b>Total</b>  | <u>2,931</u>      | <u>2,585</u>      |
| <br><b>Operating surplus before income tax</b>              | <br><u>57,556</u> | <br><u>45,193</u> |

#### 4. **Taxation expense**

The taxation provisions are subject to Inland Revenue Department assessment.

|  |               |               |
|--|---------------|---------------|
| Surplus before taxation                            | <u>57,556</u> | <u>45,193</u> |
| Prima facie taxation at 33%                        | 18,993        | 14,914        |
| <br>Taxation effect of :                           |               |               |
| Deferred tax adjustment                            | 54            | 495           |
| Permanent differences                              | 3,978         | 4,820         |
| Under/(over) provisions in prior years             | (6)           | 466           |
|  | <hr/>         | <hr/>         |
| Taxation as per statement of financial performance | <u>23,019</u> | <u>20,695</u> |

|                                   | 2006<br>\$000's | 2005<br>\$000's |
|-----------------------------------|-----------------|-----------------|
| Comprising:                       |                 |                 |
| Current tax                       | 17,076          | 15,251          |
| Deferred tax                      | 5,943           | 5,444           |
|                                   | <u>23,019</u>   | <u>20,695</u>   |
| Deferred tax liability            |                 |                 |
| Opening balance                   | 51,737          | 45,293          |
| Current year movement expensed    | 5,943           | 5,444           |
| Adjustment of revaluation reserve | -               | 1,000           |
|                                   | <u>57,680</u>   | <u>51,737</u>   |

#### 5. **Accounts receivable**

A summary of accounts receivable is as follows:

|                              |              |              |
|------------------------------|--------------|--------------|
| Trade receivables            | 3,506        | 2,932        |
| Tax receivable               | 5,022        | 4,802        |
| Prepayments                  | 816          | 780          |
| Interest receivable          | -            | -            |
|                              | <u>9,344</u> | <u>8,514</u> |
| Provision for doubtful debts | (125)        | (113)        |
|                              | <u>9,219</u> | <u>8,401</u> |

#### 6. **Inventories**

A summary of inventories is as follows:

|                   |            |            |
|-------------------|------------|------------|
| Chargeable WIP    | 103        | 1          |
| Maintenance items | 460        | 779        |
|                   | <u>563</u> | <u>780</u> |

|   | 2006<br>\$000's | 2005<br>\$000's |
|---|-----------------|-----------------|
| <b>7. Property, plant and equipment</b>                 |                 |                 |
| System fixed assets (at valuation)                      | 654,123         | 655,321         |
| System fixed assets (at cost)                           | 66,345          | 34,371          |
| Work in progress  | 9,189           | 6,309           |
| Accumulated depreciation                                | <u>(45,297)</u> | <u>(22,371)</u> |
|   | <u>684,360</u>  | <u>673,630</u>  |
| Land and buildings (at valuation)                       | 40,326          | 40,460          |
| Land and buildings (at cost)                            | 1,140           | 828             |
| Work in progress  | 3               | -               |
| Accumulated depreciation                                | <u>(308)</u>    | <u>(159)</u>    |
|   | <u>41,161</u>   | <u>41,129</u>   |
| Consumer billing and information systems (at valuation) | 358             | 358             |
| Consumer billing and information systems (at cost)      | 3,966           | 3,260           |
| Work in progress  | -               | -               |
| Accumulated depreciation                                | <u>(3,058)</u>  | <u>(2,317)</u>  |
|   | <u>1,266</u>    | <u>1,301</u>    |
| Office equipment (at valuation)                         | 422             | 477             |
| Office equipment (at cost)                              | 681             | 553             |
| Accumulated depreciation                                | <u>(702)</u>    | <u>(650)</u>    |
|   | <u>401</u>      | <u>380</u>      |
| Motor vehicles and plant (at valuation)                 | 214             | 251             |
| Motor vehicles and plant (at cost)                      | 2,293           | 2,035           |
| Accumulated depreciation                                | <u>(1,099)</u>  | <u>(938)</u>    |
|   | <u>1,408</u>    | <u>1,348</u>    |
| Other (at valuation)                                    | 289             | 290             |
| Other (at cost)   | 826             | 749             |
| Work in progress  | -               | -               |
| Accumulated depreciation                                | <u>(569)</u>    | <u>(447)</u>    |
|   | <u>546</u>      | <u>592</u>      |
| Total property, plant and equipment                     | <u>729,142</u>  | <u>718,380</u>  |

|                              | 2006<br>\$000's | 2005<br>\$000's |
|------------------------------|-----------------|-----------------|
| Totals for all asset classes |                 |                 |
| At valuation                 | 695,732         | 697,157         |
| At cost                      | 75,251          | 41,796          |
| Work in progress             | 9,192           | 6,309           |
| Accumulated depreciation     | (51,033)        | (26,882)        |
| Carrying value               | <u>729,142</u>  | <u>718,380</u>  |

System fixed assets includes substation buildings of \$30,761,000 (2005: \$30,677,000). Land and buildings includes network land prior to optimisation of \$29,547,000 (2005: \$29,275,600).

The value of system fixed assets at book value used in the calculation of Requirement 14 performance measures comprises:

|                                     |                |                |
|-------------------------------------|----------------|----------------|
| System fixed assets                 | 684,360        | 673,630        |
| Less capital work in progress       | (9,189)        | (6,309)        |
| Plus network land (optimised value) | <u>26,619</u>  | <u>26,348</u>  |
|                                     | <u>701,790</u> | <u>693,669</u> |

### Revaluation

The electricity distribution network and substation buildings were revalued on an optimised depreciated replacement cost basis by independent valuers PricewaterhouseCoopers as at 1 April 2004.

All the company's land and other buildings were revalued to fair value at 1 April 2004 by independent valuers Ernst & Young Corporate Finance Limited.

An impairment review of all other plant and equipment was undertaken as at 31 March 2003 by independent valuers Ernst & Young Corporate Finance Limited, who determined that as no significant impairment existed, these assets could be carried at their existing carrying values. Assets in this category were last revalued at 31 March 2000.

Depreciation has been applied to the assets for the year ended 31 March 2006 in accordance with the company's accounting policies.

### 8. Accounts payable and accruals

A summary of accounts payable and accruals is as follows:

|                                 |               |               |
|---------------------------------|---------------|---------------|
| Intercompany subvention payment | 5,213         | 10,867        |
| Trade creditors                 | 8,494         | 8,319         |
| Accruals                        | 8,238         | 6,699         |
| Employee entitlements           | 1,805         | 1,471         |
| Dividends payable               | -             | -             |
| Income tax payable              | -             | -             |
| Provisions                      | <u>145</u>    | <u>132</u>    |
|                                 | <u>23,895</u> | <u>27,488</u> |

|  | 2006<br>\$000's | 2005<br>\$000's |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

Details of the provision follows:

#### Long service leave

|                           |             |             |
|---------------------------|-------------|-------------|
| Opening balance           | 132         | 186         |
| Additional provision made | 53          | 13          |
| Amount utilised           | <u>(40)</u> | <u>(67)</u> |
| Closing balance           | <u>145</u>  | <u>132</u>  |

The provision for long service leave relates to an actuarial assessment of entitlements that may become due to employees in the future. The provision is affected by a number of estimates, including the expected length of service of employees and the timing of benefits being taken. Most of the liability is expected to be discharged over the next 5 years.

#### 9. Non-current liabilities

Non-current liabilities are as follows:

|                           |               |               |
|---------------------------|---------------|---------------|
| Payables and accruals     | -             | -             |
| Borrowings                | 40,000        | 40,000        |
| Deferred tax (see Note 4) | 57,680        | 51,737        |
| Other                     | <u>-</u>      | <u>-</u>      |
|                           | <u>97,680</u> | <u>91,737</u> |

#### Borrowings

A summary of interest bearing debt is as follows:

|                 |               |               |
|-----------------|---------------|---------------|
| Current (NZD)   | -             | -             |
| > 2 years (NZD) | <u>40,000</u> | <u>40,000</u> |
|                 | <u>40,000</u> | <u>40,000</u> |

All borrowings are unsecured against the company, however a deed of negative pledge and guarantee requires the company to comply with certain covenants.

Interest rates for the borrowings are floating based on bank bill rates plus a margin. At 31 March 2006 this rate was 7.47% (2005 7.07%). The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations (refer Note 12).

|                            | 2006<br>\$000's | 2005<br>\$000's |
|----------------------------|-----------------|-----------------|
| <b>10. Equity</b>          |                 |                 |
| Equity comprises:          |                 |                 |
| Share capital              | 120,000         | 120,000         |
| Retained earnings          | 67,165          | 57,554          |
| Reserves                   | 431,024         | 431,832         |
| Total shareholders' equity | 618,189         | 609,386         |
| Minority interests         | -               | -               |
| Total equity               | 618,189         | 609,386         |
| Capital notes              | -               | -               |
| Total capital funds        | 618,189         | 609,386         |

The 80 million (\$1.50) ordinary shares were issued in April 1993 pursuant to the approved establishment plan and sale and purchase agreement. The shares are fully paid up.

**11. Revaluation reserve**

|   |         |         |
|---|---------|---------|
| Opening balance   | 431,832 | 350,017 |
| Revaluation of electricity distribution network, land & buildings | -       | 82,314  |
| Disposal of revalued assets                                       | (808)   | 501     |
| Deferred tax liability adjustment                                 | -       | (1,000) |
|   | 431,024 | 431,832 |

The revaluation reserve is comprised as follows:

|                     |         |         |
|---------------------|---------|---------|
| Land and buildings  | 44,837  | 44,925  |
| Distribution system | 386,187 | 386,907 |
|                     | 431,024 | 431,832 |

**12. Financial instruments**

The estimated fair values of the company's financial instruments are as follows:

|                                 | Carrying<br>amount<br>2006<br>\$000's | Fair<br>value<br>2006<br>\$000's | Carrying<br>amount<br>2005<br>\$000's | Fair<br>value<br>2005<br>\$000's |
|---------------------------------|---------------------------------------|----------------------------------|---------------------------------------|----------------------------------|
| Cash and short term investments | -                                     | -                                | -                                     | -                                |
| Borrowings                      | 40,000                                | 40,000                           | 40,000                                | 40,000                           |
| Interest rate swap asset        | -                                     | 124                              | -                                     | 474                              |

The company anticipates that long term borrowings will be held to maturity.



The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

The carrying amounts of cash, short term investments, bank overdraft and short term debt are equivalent to their fair value.

The fair value of long term borrowings is estimated based on current market interest rates available to the company for debt of similar maturities.

The fair value of interest rate swaps is estimated based on quoted market prices of those instruments.

#### **Off-balance sheet risk**

|                           | <b>2006<br/>\$000's</b> | <b>2005<br/>\$000's</b> |
|---------------------------|-------------------------|-------------------------|
| Interest rate swaps (NZD) | 55,000                  | 35,000                  |

#### **Interest rate risk**

Interest rate risk is the risk that the value of the company's assets and liabilities will fluctuate due to changes in market interest rates.

The company has interest bearing debt which is subject to interest rate variations in the market.

Interest rate swaps are employed to manage interest rate exposure on long term borrowings.

Contracts have been entered into with various counterparties having such credit ratings and in accordance with such dollar limits as set by the board of directors. The company does not require collateral or other security to support financial instruments with credit risk. While the company may be subject to credit losses up to the notional principal or contract amounts in the event of non performance by its counterparties, it does not expect such losses to occur.

For interest rate swaps the cash requirements are limited to interest payable or receivable which is a net receivable amount of \$32,699 as at 31 March 2006 (\$22,158 receivable in 2005)

|  | 2006<br>\$000's | 2005<br>\$000's |
|--|-----------------|-----------------|
| <b>13. Reconciliation of net surplus after taxation with net cash flow from operating activities</b>           |                 |                 |
| Net surplus after tax  | 34,537          | 24,498          |
| Non cash items:  |                 |                 |
| Depreciation   | 24,413          | 23,761          |
| Deferred tax   | 5,943           | 5,444           |
| Asset write offs   | 1,198           | 1,983           |
| Subsidised assets  | (4,263)         | (2,745)         |
| Other  | 210             | 210             |
| Movements in other working capital items:  |                 |                 |
| (Increase)/decrease in debtors   | (598)           | 691             |
| (Increase)/decrease in interest receivable   | -               | -               |
| (Increase)/decrease in stocks  | 217             | (779)           |
| Increase/(decrease) in creditors   | (3,593)         | 10,325          |
| Increase/(decrease) in interest payable  | -               | -               |
| (Increase)/decrease in tax asset   | (220)           | (2,255)         |
| Items classified as an investing activity:   |                 |                 |
| Net profit on sale of property, plant and equipment  | (156)           | (201)           |
| Net cash inflow from operating activities  | <u>57,688</u>   | <u>60,932</u>   |
| <b>14. Contingent assets and liabilities</b>   |                 |                 |
| There were no material contingent assets or contingent liabilities as at 31 March 2006 or as at 31 March 2005. |                 |                 |
| <b>15. Commitments</b>   |                 |                 |
| At balance date, capital commitments were as follows:  |                 |                 |
| Distribution system  | 6,343           | 3,745           |
| Other  | -               | -               |
|  | <u>6,343</u>    | <u>3,745</u>    |
| At balance date, lease commitments were as follows:  |                 |                 |
| 2007   | 52              | 58              |
| 2008   | 52              | 58              |
| 2009   | 52              | 58              |
| 2010   | 52              | 58              |
| 2011 and beyond  | 520             | 581             |

Capital commitments of \$1.8m are uncertain as to timing (2005 \$2.3m). Other capital commitments are expected to be met in the next financial year.

Lease commitments that extend beyond 2011 have been assessed for a maximum period of 10 years.

#### 16. **Related parties**

##### **Transactions with owners and directors**

The company has been 100% owned by Orion Group Limited (the Holding Company) since 23 October 1998.

Christchurch City Holdings Limited (CCHL) is an 89.275% shareholder in the holding company. CCHL is 100% owned by the Christchurch City Council (CCC). In February 2006 the Banks Peninsula District Council (originally a 1.65% shareholder) was amalgamated with the Christchurch City Council.

Selwyn Investment Holdings Limited (SIHL) is a 10.725% shareholder in the holding company. SIHL is 100% owned by the Selwyn District Council (SDC).

The company undertakes many transactions with the shareholders and their related parties, all of which are carried out on a commercial and arms length basis.

During the year no material transactions, other than the payment of dividends, were entered into with such parties.

During the year no material transactions were entered into with any of the directors.

|  | 2006<br>\$000's | 2005<br>\$000's |
|--|-----------------|-----------------|
|--|-----------------|-----------------|

A summary of the related party transactions with the CCC, SDC and BPDC is as follows:

##### **Transactions with owners during the year**

|   |        |        |
|---|--------|--------|
| Purchases from CCC, SDC and their subsidiaries                          | 1,974  | 2,142  |
| Revenues from CCC, SDC and their subsidiaries                           | 2,426  | 2,398  |
| Dividend payments to CCHL   | 24,104 | 23,659 |
| Dividend payments to SIHL   | 2,896  | 2,896  |
| Dividend payments to BPDC   | -      | 445    |
| Accounts payable to CCC, SDS and their subsidiaries as at 31 March      | 51     | 15     |
| Accounts receivable from CCC, SDC and their subsidiaries as at 31 March | 192    | 1,583  |

**Transactions with "other" businesses**

For the purposes of Requirement 8, transactions taking place between the line business and "other" businesses must be identified.

The company had considerable numbers of transactions with its wholly-owned contracting subsidiary, Connetics Limited, during the years ended 31 March 2006 and 2005.

A description of the intercompany transactions, revenue amounts and balances at 31 March 2006 and 2005 follows. Note that estimated data has had to be used in the determination and apportionment of costs for Connetics into the required categories.

Connetics has provided construction and maintenance services to the line business for the period 1 April 2005 to 31 March 2006, and for a number of prior years.

These services follow the awarding of a contract based on a contested lowest-price conforming tender. In virtually every case multiple parties were invited to tender for such work. In the case of emergency maintenance, a contract comprising a negotiated schedule of rates has been agreed. A contract has also been negotiated for the management of system spares.

Contract variations and adjustments have been negotiated between the parties. No debts have been written off or forgiven during the year. Amounts are due the 20<sup>th</sup> of the month following date of invoice.

|  | 2006<br>\$000's | 2005<br>\$000's |
|--|-----------------|-----------------|
| Services provided by Connetics:          |                 |                 |
| Asset maintenance                        |                 |                 |
| - asset storage                          | 221             | 215             |
| - emergency work                         | 2,465           | 2,043           |
| - other asset maintenance                | 4,132           | 4,384           |
|  | 6,818           | 6,642           |
| Asset construction                       |                 |                 |
| - subtransmission assets                 | 833             | 809             |
| - zone substations                       | 54              | 3,575           |
| - distribution lines and cables          | 2,886           | 4,126           |
| - medium voltage switchgear              | 2,255           | 752             |
| - distribution transformers              | 75              | -               |
| - distribution substations               | 54              | 323             |
| - low voltage lines and cables           | 4,831           | 3,410           |
| - other system fixed assets              | 493             | 174             |
|  | 11,481          | 13,169          |
| Other services provided to line business |                 |                 |
| - meter data                             | -               | -               |
| - consumer-based load control            | -               | -               |
| - disconnection/reconnection services    | -               | -               |
| - avoided transmission charges           | -               | -               |
| - other goods and services               | -               | -               |
|  | 18,299          | 19,811          |
| Balance outstanding at 31 March          | 2,846           | 3,095           |

The company has provided directors and some specialised administrative support to Connetics. These have been charged on a commercial arms-length basis.

No debts have been written off or forgiven during the year. Amounts were due the 20<sup>th</sup> of the month following date of invoice.

|   | <b>2006</b><br><b>\$000's</b> | <b>2005</b><br><b>\$000's</b> |
|---|-------------------------------|-------------------------------|
| Payments received from Connetics for services | 103                           | 158                           |
| Balance outstanding at 31 March               | 16                            | 10                            |

The company has also made subvention payments to 100%-owned subsidiaries in order to utilise the tax losses of the following companies:

|                                    |              |               |
|------------------------------------|--------------|---------------|
| Transflux Limited                  | -            | 98            |
| Orion New Zealand Ventures Limited | 337          | 8             |
| Orion (Whisper Tech) Limited       | <u>4,876</u> | <u>10,761</u> |
|                                    | <u>5,213</u> | <u>10,867</u> |

These amounts were paid by the company to those subsidiaries by 31 March each year.

**17. Significant events after balance date**

There were no significant events between the preparation and authorisation of these accounts on 7 November 2006.

## Requirement 14

### Disclosure of financial and efficiency performance measures

#### *Performance measures as defined by the Electricity Information Disclosure Requirements 2004*

##### Financial performance measures

|                                | 2006<br>% | 2005<br>% | 2004<br>% | 2003<br>% |
|--------------------------------|-----------|-----------|-----------|-----------|
| (a) Return on funds            | 11.60     | 10.48     | 11.60     | 14.49     |
| (b) Return on equity           | 8.13      | 6.89      | 7.98      | 9.63      |
| (c) Return on investment (ROI) | 7.25      | 6.20      | 34.08     | 8.84      |

*Refer to Orion's Requirement 15 Disclosure for the derivation of these measures.*

The 2004 ROI includes the impact of a revaluation in accordance with the ODV Handbook as at 31 March 2004. Excluding the impact of revaluations, ROIs were as follows:

|      |      |      |      |
|------|------|------|------|
| 7.25 | 6.20 | 7.99 | 8.84 |
|------|------|------|------|

##### Efficiency performance measures

|   | \$    | \$    | \$    | \$    |
|---|-------|-------|-------|-------|
| (a) Direct line costs per kilometre:              | 1,317 | 1,184 | 1,198 | 1,153 |
| (b) Indirect line costs per electricity customer: | 66    | 68    | 62    | 59    |

# Requirement 15

## Derivation of financial performance measures from financial statements

| Derivation Table  | Input and Calculations |     | ROF  | ROE                                       | ROI  |         |        |
|---|------------------------|-----|--|---|--|---------|--------|
| Operating surplus before interest and income tax from financial statements            | 60,487                 |     |  |   |  |         |        |
| Operating surplus before interest and income tax adjusted pursuant to req 18 (OSBIIT) | 60,487                 |     |  |   |  |         |        |
| Interest on cash, bank balances, and short-term investments (ISTI)                    | 0                      |     |  |   |  |         |        |
| OSBIIT minus ISTI   | 60,487                 | a   | 60,487                                       |   | 60,487   |         |        |
| Net surplus after tax from financial statements                                       | 34,537                 |     |  |   |  |         |        |
| Net surplus after tax adjusted pursuant to req 18 (NSAT)                              | 34,537                 | n   |  | 34,537                                    |  |         |        |
| Amortisation of goodwill and other intangibles  | 0                      | g   | add  | 0   | add  | 0       |        |
| Subvention payment  | 5,213                  | s   | add  | 5,213                                     | add  | 5,213   |        |
| Depreciation of SFA at BV (x)   | 22,926                 |     |  |   |  |         |        |
| Depreciation of SFA at ODV (y)  | 20,112                 |     |  |   |  |         |        |
| ODV depreciation adjustment   | 2,814                  | d   | add  | 2,814                                     | add  | 2,814   |        |
| Subvention payment tax adjustment   | 1,720                  | s*t |  | deduct                                    | 1,720  | deduct  | 1,720  |
| Interest tax shield   | 967                    | q   |  |   |  | deduct  | 967    |
| Revaluations  | 0                      | r   |  |   |  | add     | 0      |
| Income tax  | 23,019                 | p   |  |   |  | deduct  | 23,019 |
| Numerator   |                        |     | 68,514                                       | 40,844                                    | 42,808   |         |        |
|   |                        |     | $OSBIIT^{ADJ} = a + g + s + d$               | $NSAT^{ADJ} = n + g + s - s*t + d$        | $OSBIIT^{ADJ} = a + g - q + r + s + d - p - s*t$ |         |        |
| Fixed assets at end of PFY (FA <sub>0</sub> )   | 718,380                |     |  |   |  |         |        |
| Fixed assets at end of CFY (FA <sub>1</sub> )   | 729,142                |     |  |   |  |         |        |
| Adjusted net working capital at end of PFY (ANWC <sub>0</sub> )                       | -18,288                |     |  |   |  |         |        |
| Adjusted net working capital at end of CFY (ANWC <sub>1</sub> )                       | -14,044                |     |  |   |  |         |        |
| Average total funds employed (ATFE)*  | 707,595                | c   | 707,595                                      |   | 707,595  |         |        |
| Total equity at end of PFY (TE <sub>0</sub> )   | 609,386                |     |  |   |  |         |        |
| Total equity at end of CFY (TE <sub>1</sub> )   | 618,189                |     |  |   |  |         |        |
| Average total equity*   | 613,788                | k   |  | 613,788                                   |  |         |        |
| WUC at end of PFY (WUC <sub>0</sub> )   | 6,309                  |     |  |   |  |         |        |
| WUC at end of CFY (WUC <sub>1</sub> )   | 9,189                  |     |  |   |  |         |        |
| Average total works under construction*   | 7,749                  | e   | deduct                                       | 7,749                                     | deduct   | 7,749   |        |
| Revaluations  | 0                      | r   |  |   |  |         |        |
| Half of revaluations  | 0                      | r/2 |  |   | deduct   | 0       |        |
| Intangible assets at end of PFY (IA <sub>0</sub> )                                    | 0                      |     |  |   |  |         |        |
| Intangible assets at end of CFY (IA <sub>1</sub> )                                    | 0                      |     |  |   |  |         |        |
| Average total intangible assets*  | 0                      | m   |  | deduct                                    | 0  |         |        |
| Subvention payment at end of PFY (S <sub>0</sub> )                                    | 10,867                 |     |  |   |  |         |        |
| Subvention payment at end of CFY (S <sub>1</sub> )                                    | 5,213                  |     |  |   |  |         |        |
| Subvention payment tax adjustment at end of PFY                                       | 3,586                  |     |  |   |  |         |        |
| Subvention payment tax adjustment at end of CFY                                       | 1,720                  |     |  |   |  |         |        |
| Average subvention payment & related tax adjustment                                   | 5,387                  | v   |  | add                                       | 5,387  |         |        |
| SFA at end of PFY at bv (SFA <sub>bv0</sub> ) - incl land                             | 693,669                |     |  |   |  |         |        |
| SFA at end of CFY at bv (SFA <sub>bv1</sub> ) - incl land                             | 701,790                |     |  |   |  |         |        |
| Average value of SFA at book value*   | 697,730                | f   | deduct                                       | 697,730                                   | deduct   | 697,730 |        |
| SFA at year beginning at ODV (SFA <sub>odv0</sub> ) - incl land                       | 585,429                |     |  |   |  |         |        |
| SFA at end of CFY at ODV (SFA <sub>odv1</sub> ) - incl land                           | 591,415                |     |  |   |  |         |        |
| Average value of SFA at ODV*  | 588,422                | h   | add  | 588,422                                   | add  | 588,422 |        |
| Denominator   |                        |     | 590,539                                      | 502,118                                   | 590,539  |         |        |
|   |                        |     | $ATFE^{ADJ} = c - e - f + h$                 | $Ave TE^{ADJ} = k - e - m + v - f + h$    | $ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$      |         |        |
| Financial Performance Measure:  |                        |     | 11.602                                       | 8.134                                     | 7.249  |         |        |
|   |                        |     | $ROF = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$ | $ROE = NSAT^{ADJ} / ATE^{ADJ} \times 100$ | $ROI = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$     |         |        |

t = income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year  
 subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity \* = or requirement 32 time-weighted average  
 ROI = return on investment PFY = previous financial year CFY = current financial year SFA = system fixed assets

**Requirement 16****ODV Reconciliation Report**

| <b>Year ending</b>  | <b>2006<br/>\$000's</b> | <b>2005<br/>\$000's</b> | <b>2004<br/>\$000's</b> | <b>2003<br/>\$000's</b> |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| System fixed assets at ODV - end of previous year             | 585,429                 | 580,224                 | 453,382                 | 442,840                 |
| Add system fixed assets acquired during the year at ODV       | 27,205                  | 27,659                  | 26,292                  | 27,687                  |
| Less system fixed assets disposed of during the year at ODV   | (1,107)                 | (2,885)                 | (750)                   | (594)                   |
| Less depreciation on system fixed assets at ODV               | (20,112)                | (19,569)                | (19,195)                | (16,551)                |
| Add revaluations of system fixed assets                       | -                       | -                       | 120,495                 | -                       |
| Equals system fixed assets at ODV - end of the financial year | 591,415                 | 585,429                 | 580,224                 | 453,382                 |



## Requirement 20

### Disclosure of energy delivery efficiency performance measures and statistics

|   | 2006<br>%  | 2005<br>%  | 2004<br>%  | 2003<br>%  |
|---|------------|------------|------------|------------|
| 1 (a) Load factor   | 62.5       | 63.2       | 62.4       | 58.0       |
| (b) Loss ratio  | 4.9        | 4.9        | 4.9        | 4.9        |
| (c) Capacity utilisation                                    | 36.8       | 36.3       | 36.1       | 39.5       |
| 2 (a) Sum of overhead and underground line circuit lengths: |            |            |            |            |
|   | 2006<br>km | 2005<br>km | 2004<br>km | 2003<br>km |
| 66kV  | 183        | 170        | 160        | 157        |
| 33kV  | 344        | 343        | 343        | 340        |
| 11kV  | 5,295      | 5,260      | 5,172      | 5,128      |
| 230/400V  | 4,174      | 3,856      | 3,733      | 2,902      |
| 230V outside lighting                                       | 2,701      | 2,632      | 2,589      | 2,527      |
| Communications  | 1,051      | 1,043      | 1,031      | 1,029      |
|   | 13,748     | 13,304     | 13,028     | 12,083     |
| (b) Overhead line circuit lengths:                          |            |            |            |            |
|   |            |            |            |            |
| 66kV  | 120        | 107        | 97         | 95         |
| 33kV  | 319        | 318        | 322        | 318        |
| 11kV  | 3,230      | 3,251      | 3,206      | 3,208      |
| 230/400V  | 1,840      | 1,747      | 1,697      | 1,082      |
| 230V outside lighting                                       | 974        | 982        | 990        | 1,000      |
|   | 6,483      | 6,405      | 6,312      | 5,703      |
| (c) Underground line (cable) circuit lengths:               |            |            |            |            |
|   |            |            |            |            |
| 66kV  | 63         | 63         | 63         | 63         |
| 33kV  | 25         | 25         | 22         | 22         |
| 11kV  | 2,065      | 2,009      | 1,965      | 1,920      |
| 230/400V  | 2,334      | 2,109      | 2,035      | 1,819      |
| 230V outside lighting                                       | 1,727      | 1,650      | 1,599      | 1,527      |
| Communications  | 1,051      | 1,043      | 1,031      | 1,029      |
|   | 7,265      | 6,899      | 6,715      | 6,380      |

|   | 2006          | 2005          | 2004          | 2003          |
|---|---------------|---------------|---------------|---------------|
| (d) Transformer capacity at year end (kVA):                       | 1,615,178     | 1,588,904     | 1,559,062     | 1,525,800     |
| (e) Maximum demand (kW):  | 594,710       | 577,366       | 563,124       | 603,396       |
| (f) Total electricity entering the system (before losses) in kWh: | 3,258,046,996 | 3,193,972,436 | 3,080,304,668 | 3,064,396,511 |
| (g) Electricity conveyed on behalf of retailers/generators (kWh): |               |               |               |               |
| Retailer A  | 1,944,307,455 | 1,933,925,621 | 1,933,013,267 | 2,049,973,994 |
| Retailer B  | 814,895,651   | 778,615,188   | 723,972,083   | 383,277,084   |
| Retailer C  | 206,362,467   | 189,333,405   | 184,783,647   | 363,510,762   |
| Retailer D  | 73,358,978    | 70,956,925    | 57,443,370    | 93,192,486    |
| Retailer E  | 58,989,435    | 64,157,551    | 29,695,326    | 23,827,095    |
| Retailer F  |               |               |               |               |
| Retailer G  |               |               |               |               |
| Retailer H  |               |               |               |               |
| Retailer I  |               |               |               |               |

*Note that retailer ID's are not necessarily the same in each year.*

|                               |         |         |         |         |
|-------------------------------|---------|---------|---------|---------|
| (h) Total number of consumers | 180,541 | 177,718 | 174,450 | 171,608 |
|-------------------------------|---------|---------|---------|---------|

*Note: 1. No adjustment has been able to be made for the impact of changes in the level of unbilled units. This may affect disclosures 1(b) and 2(g) above.*

## Requirement 21

### Disclosure of reliability performance measures

1 Total number of interruptions:

| Network or generation owner | Interruption class | Classification of interruptions | 2006 | 2005 | 2004 | 2003 |
|-----------------------------|--------------------|---------------------------------|------|------|------|------|
| Orion                       | B                  | Planned shutdowns               | 288  | 316  | 241  | 356  |
|                             | C                  | Unplanned cuts                  | 499  | 462  | 403  | 611  |
| Transpower                  | A                  | Planned shutdowns               | -    | 2    | 4    | 0    |
|                             | D                  | Unplanned cuts                  | 5    | 5    | 8    | 4    |
|                             |                    |                                 | 792  | 785  | 656  | 971  |

Interruption classes E, F and G do not apply to the company and consequently results are all zero.

2 &

3 Interruption targets:

| Network or generation owner | Interruption class | Classification of interruptions | 2007 | Average 2007 - 2011 |
|-----------------------------|--------------------|---------------------------------|------|---------------------|
| Orion                       | B                  | Planned shutdowns               | 385  | 385                 |
|                             | C                  | Unplanned cuts                  | 555  | 555                 |

4 Proportion of 2006's Class C interruptions not restored within:

|              |       |
|--------------|-------|
| (a) 3 hours  | 36.0% |
| (b) 24 hours | 1.2%  |

5(a) Faults per 100 circuit-km of electric line:

|      | 2006 | 2005 | 2004 | 2003 |
|------|------|------|------|------|
| 66kV | 2.2  | 1.2  | 0.0  | 4.4  |
| 33kV | 2.9  | 3.8  | 2.0  | 3.9  |
| 11kV | 9.2  | 8.5  | 7.7  | 11.6 |
| All  | 8.6  | 8.0  | 7.1  | 10.9 |

(b) &

(c) Target number of faults per 100 circuit-km of electric line:

|      | 2007 | Average 2007 - 2011 |
|------|------|---------------------|
| 66kV | 2.0  | 2.0                 |
| 33kV | 4.0  | 4.0                 |
| 11kV | 12.0 | 12.0                |
| All  | 11.2 | 11.2                |

## 6 Faults per 100 circuit-km of underground electric line:

|      | 2006 | 2005 | 2004 | 2003 |
|------|------|------|------|------|
| 66kV | 1.6  | 1.6  | 0.0  | 3.2  |
| 33kV | 4.0  | 4.0  | 4.5  | 0.0  |
| 11kV | 2.8  | 3.1  | 3.3  | 2.6  |
| All  | 2.7  | 3.1  | 3.2  | 2.6  |

## 7 Faults per 100 circuit-km of overhead electric line:

|      |      |      |      |      |
|------|------|------|------|------|
| 66kV | 2.5  | 1.0  | 0    | 5.3  |
| 33kV | 2.8  | 3.8  | 1.9  | 4.2  |
| 11kV | 13.3 | 11.8 | 10.3 | 16.9 |
| All  | 12.0 | 10.8 | 9.3  | 15.5 |

8, 11,  
12, 15,  
16, 19 SAIDI, SAIFI and CAIDI by interruption class and in total for **2006**:

| Network or generation owner | Interruption class | Classification of interruptions | SAIDI<br>(minutes per connected consumer) | SAIFI<br>(interruptions per connected consumer) | CAIDI<br>(minutes per consumer interrupted) |
|-----------------------------|--------------------|---------------------------------|---|---|---|
| Orion                       | B                  | Planned shutdowns               | 6.0                                       | 0.02  | 238   |
|                             | C                  | Unplanned cuts                  | 53.3                                      | 0.72  | 75  |
|                             |                    |                                 | 59.3                                      | 0.74  | 80  |
| Transpower                  | A                  | Planned shutdowns               | 0.0                                       | 0.00  | 0   |
|                             | D                  | Unplanned cuts                  | 4.7                                       | 0.22  | 21  |
|                             |                    |                                 | 4.7                                       | 0.22  | 21  |
|                             |                    |                                 | 64.0                                      | 0.96  | 67  |

8, 11,  
12, 15,  
16, 19 SAIDI, SAIFI and CAIDI by interruption class and in total for **2005**:

| Network or generation owner | Interruption class | Classification of interruptions | SAIDI<br>(minutes per connected consumer) | SAIFI<br>(interruptions per connected consumer) | CAIDI<br>(minutes per consumer interrupted) |
|-----------------------------|--------------------|---------------------------------|---|---|---|
| Orion                       | B                  | Planned shutdowns               | 7.7                                       | 0.03  | 286   |
|                             | C                  | Unplanned cuts                  | 44.0                                      | 0.71  | 62  |
|                             |                    |                                 | 51.7                                      | 0.74  | 70  |
| Transpower                  | A                  | Planned shutdowns               | 0.2                                       | 0.00  | 195   |
|                             | D                  | Unplanned cuts                  | 1.0                                       | 0.02  | 46  |
|                             |                    |                                 | 1.2                                       | 0.02  | 55  |
|                             |                    |                                 | 52.9                                      | 0.76  | 70  |

8, 11,  
12, 15,

16, 19 SAIDI, SAIFI and CAIDI by interruption class and in total for **2004**:

| Network or<br>generation<br>owner | Interruption<br>class | Classification of<br>interruptions | SAIDI<br>(minutes per<br>connected<br>consumer) | SAIFI<br>(interruptions<br>per<br>connected<br>consumer) | CAIDI<br>(minutes per<br>consumer<br>interrupted) |
|-----------------------------------|-----------------------|------------------------------------|---|--|---|
| Orion                             | B                     | Planned shutdowns                  | 6.5   | 0.02   | 274   |
|                                   | C                     | Unplanned cuts                     | 35.9  | 0.59   | 60  |
|                                   |                       |                                    | 42.4  | 0.62   | 68  |
| Transpower                        | A                     | Planned shutdowns                  | 0.9   | 0.00   | 314   |
|                                   | D                     | Unplanned cuts                     | 0.1   | 0.01   | 15  |
|                                   |                       |                                    | 1.0   | 0.01   | 96  |
|                                   |                       |                                    | <b>43.4</b>                                     | <b>0.63</b>  | <b>69</b>   |

8, 11,  
12, 15,

16, 19 SAIDI, SAIFI and CAIDI by interruption class and in total for **2003**:

| Network or<br>generation<br>owner | Interruption<br>class | Classification of<br>interruptions | SAIDI<br>(minutes per<br>connected<br>consumer) | SAIFI<br>(interruptions<br>per<br>connected<br>consumer) | CAIDI<br>(minutes per<br>consumer<br>interrupted) |
|-----------------------------------|-----------------------|------------------------------------|---|--|---|
| Orion                             | B                     | Planned shutdowns                  | 10  | 0.03   | 276   |
|                                   | C                     | Unplanned cuts                     | 86  | 0.89   | 97  |
|                                   |                       |                                    | 96  | 0.92   | 103   |
| Transpower                        | A                     | Planned shutdowns                  | 0   | 0.00   | 0   |
|                                   | D                     | Unplanned cuts                     | 6   | 0.30   | 20  |
|                                   |                       |                                    | 6   | 0.30   | 20  |
|                                   |                       |                                    | <b>102</b>                                      | <b>1.22</b>  | <b>83</b>   |

9, 13

&amp; 17 SAIDI, SAIFI and CAIDI targets for the next financial year:

| Network owner | Interruption class | Classification of interruptions | SAIDI       | SAIFI       | CAIDI       |
|---------------|--------------------|---------------------------------|-------------|-------------|-------------|
|               |                    |                                 | Target 2007 | Target 2007 | Target 2007 |
| Orion         | B                  | Planned shutdowns               | 8.0         | 0.08        | 105         |
|               | C                  | Unplanned cuts                  | 55.0        | 0.67        | 82          |

10, 14

&amp; 18 SAIDI, SAIFI and CAIDI targets for the next five financial years:

| Network or generation owner | Interruption class | Classification of interruptions | SAIDI                      | SAIFI                      | CAIDI                      |
|-----------------------------|--------------------|---------------------------------|----------------------------|----------------------------|----------------------------|
|                             |                    |                                 | Average target 2007 - 2011 | Average target 2007 - 2011 | Average target 2007 - 2011 |
| Orion                       | B                  | Planned shutdowns               | 8.0                        | 0.08                       | 105                        |
|                             | C                  | Unplanned cuts                  | 55.0                       | 0.67                       | 82                         |

## **Certification of financial statements, performance measures and statistics disclosed**

We, Craig David Boyce and Peter Rae, directors of Orion New Zealand Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) The attached audited financial statements of Orion New Zealand Limited prepared for the purposes of Requirement 6 of the 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 Orion New Zealand Limited, 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 2004.



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Director



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Director

7 November 2006

**AUDIT NEW ZEALAND****AUDIT REPORT****TO THE READERS OF THE FINANCIAL STATEMENTS OF  
ORION NEW ZEALAND LIMITED  
FOR THE YEAR ENDED 31 MARCH 2006**

We have audited the financial statements of Orion New Zealand Limited (the company) on pages 2 to 21. The financial statements provide information about the past financial performance of the company and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 7 and 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 the company as at 31 March 2006, 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 me, Julian Tan, using the staff and resources 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 the company's circumstances, consistently applied and adequately disclosed.

We conducted the audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate 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 the audit, we have carried out audit related assignments for the company. These involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2006, an audit opinion pursuant to the Commerce Act (Electricity Thresholds) Notice 2004 and a payroll review report. Other than these assignments we have no relation with or interest in the company.

### **Unqualified opinion**

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

In our opinion:

- proper accounting records have been maintained by the company as far as appears from our examination of those records; and
- the financial statements of the company on pages 2 to 21:
  - (a) comply with generally accepted accounting practice in New Zealand; and
  - (b) give a true and fair view of the company's financial position as at 31 March 2006 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 7 November 2006 and our unqualified opinion is expressed as at that date.



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

## AUDIT NEW ZEALAND

**AUDIT REPORT ON THE PERFORMANCE MEASURES OF ORION NEW ZEALAND LIMITED**

We have examined the information on pages 22 to 24, 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 Orion New Zealand Limited and dated 7 November 2006 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004 (the Requirements).

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



Julian Tan  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand  
7 November 2006