



New Zealand Gazette

OF THURSDAY, 18 AUGUST 2005

WELLINGTON: FRIDAY, 19 AUGUST 2005 — ISSUE NO. 132

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 2004 to 31 March 2005 and provide comparatives for prior years as required by the Requirements.

Requirement 6 - Financial statement disclosure

Authorised for issue for and on behalf of directors:



Director
2 August 2005



Director
2 August 2005

Statement of financial performance

For the year ended 31 March	Notes	2005 \$000's	2004 \$000's
Operating revenues	2	154,741	152,274
Operating expenses		<u>109,548</u>	<u>93,255</u>
Operating surplus before tax	3	45,193	59,019
Taxation expense	4	<u>20,695</u>	<u>23,566</u>
Net surplus after tax		<u>24,498</u>	<u>35,453</u>

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

Statement of movements in equity

For the year ended 31 March	Notes	2005 \$000's	2004 \$000's
Equity at the start of the year	10, 11	533,108	568,712
Net surplus		24,498	35,453
Revaluation of property, plant and equipment		82,314	-
Deferred tax liability adjustment		(1,000)	-
Total recognised revenues and expenses for the period		105,812	35,453
Cash reinvested in other businesses		(2,534)	(4,207)
Distributions paid or provided to shareholders during the period			
- ordinary dividend		(27,000)	(26,850)
- special dividend		-	(40,000)
Equity at the end of the year	10, 11	609,386	533,108

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	2005 \$000's	2004 \$000's
Current assets			
Bank		-	-
Short term deposits		-	-
Accounts receivable	5	8,401	6,837
Inventories	6	780	1
Intercompany balances		-	-
Total current assets		9,181	6,838
Non-current assets			
Long term investments		1,050	1,260
Property, plant and equipment	7	718,380	627,466
Other tangible assets		-	-
		719,430	628,726
Total tangible assets		728,611	635,564
Intangible assets			
Goodwill		-	-
Other intangible assets		-	-
Total intangible assets		-	-
Total assets		728,611	635,564
Current liabilities			
Bank overdraft		-	-
Short term borrowings		-	-
Accounts payable and accruals	8	27,488	17,163
Total current liabilities		27,488	17,163
Non-current liabilities			
	9		
Deferred tax		51,737	45,293
Borrowings		40,000	40,000
		91,737	85,293
Shareholders' equity	10,11	609,386	533,108
Total liabilities and equity		728,611	635,564

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	2005 \$000's	2004 \$000's
Cash flows from operating activities			
Cash was provided from:			
Cash receipts from customers		152,321	149,952
Interest received		-	-
		<u>152,321</u>	<u>149,952</u>
Cash was applied to:			
Non-capitalised payments to suppliers and employees		71,298	71,592
Income tax paid (net of refunds)		17,506	18,747
Interest paid		2,585	192
		<u>91,389</u>	<u>90,531</u>
Net cash inflow from operating activities	13	<u>60,932</u>	<u>59,421</u>
Cash flows from investing activities			
Cash was provided from:			
Sale of fixed assets		857	175
Cash was applied to:			
Purchase of property, plant and equipment		32,255	28,539
Long term prepayment		-	-
		<u>32,255</u>	<u>28,539</u>
Net cash outflow from investing activities		<u>(31,398)</u>	<u>(28,364)</u>

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

Statement of cash flows continued...

For the year ended 31 March	Notes	2005 \$000's	2004 \$000's
Cash flows from financing activities			
Cash was provided from:			
Proceeds of debt		-	40,000
Cash was applied to:			
Dividends paid		27,000	66,850
		<u>27,000</u>	<u>66,850</u>
Net cash outflow from financing activities		<u>(27,000)</u>	<u>(26,850)</u>
Cash flow summary and reconciliation			
Opening bank and short term investments		-	-
Inflow from operating activities		60,932	59,421
Outflow from investing activities		(31,398)	(28,364)
Outflow from financing activities		(27,000)	(26,850)
Cash reinvested in other businesses		<u>(2,534)</u>	<u>(4,207)</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 ending 31 March 2005.

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, FRA's 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

Due to the revaluation of the company's electricity distribution network and buildings as at 1 April 2004, accounting depreciation expense has increased. Some asset lives have also been extended. The net consequence of these depreciation changes has been to reduce the company's net surplus from 2005 onwards by \$1.1 million per annum.

There have been no changes in accounting policies in the 2005 year. The company's accounting policies have been applied on bases consistent with those used in previous years.

	2005 \$000's	2004 \$000's
2. Operating revenues		
A summary of operating revenue is as follows:		
Ancillary services charge	-	3,039
AC rental rebates	3,189	6,018
Bad debts recovered	15	20
Capital contributions	3,379	2,984
Changes in bad debt provisions	156	-
Donated/subsidised assets	2,745	2,771
Dividends	-	-
Interest	-	-
Line revenue	144,463	136,936
Profit on sale of equipment	366	56
Other	428	450
	<u>154,741</u>	<u>152,274</u>

3. Operating expenditure

Operating surplus before tax includes the following items:

Payment for transmission charges (prior to loss rental rebates)	39,397	34,807
AC loss-rental rebates (distribution to retailers) expense	3,189	6,018
Ancillary services charge	-	3,039

Transfer payments to the "other" business for:

- asset maintenance	6,642	7,889
- 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	-	-
	<u>6,642</u>	<u>7,889</u>

Total	6,642	7,889
--------------	--------------	--------------

	2005 \$000's	2004 \$000's
Expense to entities that are not related parties for:		
- asset maintenance	4,779	3,072
- consumer disconnection/reconnection services	-	-
- meter data	18	67
- consumer-based load control services	-	-
- royalty and patent expenses	-	-
	<hr/>	<hr/>
Total	4,797	3,139
Employee salaries, wages and redundancies	9,106	8,734
Consumer billing and information system expense	756	737
Depreciation on:		
- buildings	154	261
- distribution system	22,371	20,488
- other	1,236	1,191
	<hr/>	<hr/>
Total	23,761	21,940
Amortisation of:		
- goodwill	-	-
- other intangibles	-	-
	<hr/>	<hr/>
Total	-	-
Corporate and administration	1,455	1,039
Human resource expenses	908	744
Leasing and rental	70	62
Loss on disposal of equipment	165	14
Asset write-offs	1,983	750
Marketing/advertising	20	39
Merger and acquisition expenses	-	-
Takeover defence expenses	-	-
Research and development expenses	-	-
Consultancy and legal expenses	1,237	1,205
Donations	43	284
Directors fees	250	248
Auditors fees:		
- audit fees paid to principal auditors	62	68
- audit fees paid to to other auditors	-	-
- fees paid for other services provided by principal and other auditors	12	9
	<hr/>	<hr/>
Total	74	77

	2005 \$000's	2004 \$000's
Cost of offering credit:		
- bad debts written off	37	28
- increase in estimated doubtful debts	-	85
	<hr/>	<hr/>
Total	37	113
Local authority rates expense	2,001	1,859
Rebates to consumers due to ownership interest	-	-
Subvention payments	10,867	-
Unusual expenses	-	-
Other expenditure not listed	205	239
	<hr/>	<hr/>
Total operating expenditure	<u>106,963</u>	<u>92,976</u>
 Operating surplus before interest and income tax	 47,778	 59,298
 Interest expense		
- interest expense on borrowings	2,585	279
- financing charges related to finance leases	-	-
- other interest expense	-	-
	<hr/>	<hr/>
Total	<u>2,585</u>	<u>279</u>
 Operating surplus before income tax	 <u>45,193</u>	 <u>59,019</u>

4. Taxation

The taxation provisions are subject to Inland Revenue Department assessment.

Surplus before taxation	<u>45,193</u>	<u>59,019</u>
Prima facie taxation at 33%	14,914	19,476
 Taxation effect of :		
Deferred tax adjustment	495	(50)
Permanent differences	4,820	3,966
Under/(over) provisions in prior years	<u>466</u>	<u>174</u>
 Taxation as per statement of financial performance	<u>20,695</u>	<u>23,566</u>

	2005 \$000's	2004 \$000's
Comprising:		
Current tax	15,251	19,546
Deferred tax	5,444	4,020
	<u>20,695</u>	<u>23,566</u>
Deferred tax liability		
Opening balance	45,293	41,273
Current year movement expensed	5,444	4,020
Adjustment of revaluation reserve	1,000	-
	<u>51,737</u>	<u>45,293</u>

5. **Accounts receivable**

A summary of accounts receivable is as follows:

Trade receivables	2,932	3,662
Tax receivable	4,802	2,547
Prepayments	780	897
Interest receivable	-	-
	<u>8,514</u>	<u>7,106</u>
Provision for doubtful debts	(113)	(269)
	<u>8,401</u>	<u>6,837</u>

6. **Inventories**

A summary of inventories is as follows:

Chargeable WIP	1	1
Maintenance items	779	-
	<u>780</u>	<u>1</u>

	2005 \$000's	2004 \$000's
7. Property, plant and equipment		
System fixed assets (at valuation)	655,321	587,526
System fixed assets (at cost)	34,371	27,939
Work in progress	6,309	8,211
Accumulated depreciation	<u>(22,371)</u>	<u>(20,488)</u>
	<u>673,630</u>	<u>603,188</u>
Land and buildings (at valuation)	40,460	20,743
Land and buildings (at cost)	828	226
Work in progress	-	93
Accumulated depreciation	<u>(159)</u>	<u>(335)</u>
	<u>41,129</u>	<u>20,727</u>
Consumer billing and information systems (at valuation)	358	692
Consumer billing and information systems (at cost)	3,260	2,396
Work in progress	-	-
Accumulated depreciation	<u>(2,317)</u>	<u>(2,069)</u>
	<u>1,301</u>	<u>1,019</u>
Office equipment (at valuation)	477	480
Office equipment (at cost)	553	410
Accumulated depreciation	<u>(650)</u>	<u>(564)</u>
	<u>380</u>	<u>326</u>
Motor vehicles and plant (at valuation)	251	995
Motor vehicles and plant (at cost)	2,035	1,572
Accumulated depreciation	<u>(938)</u>	<u>(904)</u>
	<u>1,348</u>	<u>1,663</u>
Other (at valuation)	290	291
Other (at cost)	749	586
Work in progress	-	-
Accumulated depreciation	<u>(447)</u>	<u>(334)</u>
	<u>592</u>	<u>543</u>
Total property, plant and equipment	<u>718,380</u>	<u>627,466</u>

	2005 \$000's	2004 \$000's
Totals for all asset classes		
At valuation	697,157	610,727
At cost	41,796	33,129
Work in progress	6,309	8,304
Accumulated depreciation	(26,882)	(24,694)
Carrying value	<u>718,380</u>	<u>627,466</u>

System fixed assets includes substation buildings of \$30,677,000 (2004: \$13,431,000). Land and buildings includes network land of \$29,275,600 (2004: \$9,325,000).

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

System fixed assets	673,630	603,188
Less capital work in progress	(6,309)	(8,211)
Plus network land	<u>26,348</u>	<u>7,984</u>
	<u>693,669</u>	<u>602,961</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 2005 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	10,867	-
Trade creditors	8,319	9,824
Accruals	6,699	5,775
Employee entitlements	1,471	1,378
Dividends payable	-	-
Income tax payable	-	-
Provisions	<u>132</u>	<u>186</u>
	<u>27,488</u>	<u>17,163</u>

	2005 \$000's	2004 \$000's
Details of the provision follows:		
Long service leave		
Opening balance	186	138
Additional provision made	13	70
Amount utilised	<u>(67)</u>	<u>(22)</u>
Closing balance	<u>132</u>	<u>186</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 incurred 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)	51,737	45,293
Other	<u>-</u>	<u>-</u>
	<u>91,737</u>	<u>85,293</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 2005 this rate was 7.1% (2004 5.6%). The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations (refer Note 12).

	2005 \$000's	2004 \$000's
10. Equity		
Equity comprises:		
Share capital	120,000	120,000
Retained earnings	57,554	63,091
Reserves	<u>431,832</u>	<u>350,017</u>
Total shareholders' equity	609,386	533,108
Minority interests	<u>-</u>	<u>-</u>
Total equity	609,386	533,108
Capital notes	<u>-</u>	<u>-</u>
Total capital funds	<u>609,386</u>	<u>533,108</u>

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	350,017	350,017
Revaluation of electricity distribution network, land & buildings	82,314	-
Disposal of revalued assets	501	-
Deferred tax liability adjustment	<u>(1,000)</u>	<u>-</u>
	<u>431,832</u>	<u>350,017</u>

The revaluation reserve is comprised as follows:

Land and buildings	44,925	8,263
Distribution system	<u>386,907</u>	<u>341,754</u>
	<u>431,832</u>	<u>350,017</u>

12. Financial instruments

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

	Carrying amount 2005 \$000's	Fair value 2005 \$000's	Carrying amount 2004 \$000's	Fair value 2004 \$000's
Cash and short term investments	-	-	-	-
Borrowings	40,000	40,000	40,000	40,000
Interest rate swap asset/(liabilities)	-	474	-	(348)

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

	2005 \$000's	2004 \$000's
Interest rate swaps (NZD)	35,000	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 \$22,158 as at 31 March 2005 (\$25,869 payable in 2004)

	2005 \$000's	2004 \$000's
13. Reconciliation of net surplus after taxation with net cash flow from operating activities		
Net surplus after tax	24,498	35,453
Non cash items:		
Depreciation	23,761	21,940
Deferred tax	5,444	4,020
Asset write offs	1,983	750
Subsidised assets	(2,745)	(2,771)
Other	210	210
Movements in other working capital items:		
(Increase)/decrease in debtors	691	505
(Increase)/decrease in interest receivable	-	-
(Increase)/decrease in stocks	(779)	(1)
Increase/(decrease) in creditors	10,325	(1,529)
Increase/(decrease) in interest payable	-	87
(Increase)/decrease in tax asset	(2,255)	799
Items classified as an investing activity:		
(Profit)/loss on sale of property, plant and equipment	(201)	(42)
Net cash inflow from operating activities	<u>60,932</u>	<u>59,421</u>
14. Contingent assets and liabilities		
There were no material contingent assets or contingent liabilities as at 31 March 2005 or as at 31 March 2004.		
15. Commitments		
At balance date, capital commitments were as follows:		
Distribution system	3,745	6,323
Other	-	-
	<u>3,745</u>	<u>6,323</u>
At balance date, lease commitments were as follows:		
2006	58	50
2007	58	50
2008	58	50
2009	58	50
2010 and beyond	581	498

Capital commitments of \$2.3m are uncertain as to timing (2004 \$2.0m). Other capital commitments are expected to be met in the next financial year.

Lease commitments that extend beyond 2010 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 87.625% shareholder in the Holding Company. CCHL is 100% owned by the Christchurch City Council (CCC).

Selwyn Council Trading Enterprises Limited (SCTEL) is a 10.725% shareholder in the Holding Company. SCTEL is 100% owned by the Selwyn District Council (SDC).

Banks Peninsula District Council (BPDC) is a 1.650% shareholder in the Holding Company.

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.

	2005	2004
	\$000's	\$000's

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

Transactions during the year

Purchases from CCC	1,937	1,788
Revenues from CCC	1,783	1,906
Purchases from SDC	90	124
Revenues from SDC	481	489
Purchases from BPDC	115	68
Revenues from BPDC	-	5
Dividend payments to CCHL	23,659	58,577
Dividend payments to SCTEL	2,896	7,170
Dividend payments to BPDC	445	1,103

Outstanding balances as at 31 March

Accounts payable to CCC	15	30
Accounts receivable from CCC	1,092	857
Accounts payable to SDC	-	-
Accounts receivable to SDC	491	351
Accounts payable to BPDC	-	-
Accounts receivable from BPDC	-	-

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 interactions with its wholly-owned contracting subsidiary, Connetics Limited, during the years ending 31 March 2005 and 2004.

A description of the intercompany transactions, revenue amounts and balances at 31 March 2005 and 2004 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 2004 to 31 March 2005, 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 20th of the month following date of invoice.

	2005 \$000's	2004 \$000's
Services provided by Connetics:		
Asset maintenance		
- asset storage	215	190
- emergency work	2,043	1,876
- other asset maintenance	4,384	5,823
	<hr/> 6,642	<hr/> 7,889
Asset construction		
- subtransmission assets	809	104
- zone substations	3,575	1,937
- distribution lines and cables	4,126	1,213
- medium voltage switchgear	752	1,003
- distribution transformers	-	-
- distribution substations	323	2,066
- low voltage lines and cables	3,410	2,383
- other system fixed assets	174	377
	<hr/> 13,169	<hr/> 9,083
Other services provided to line business		
- meter data	-	-
- consumer-based load control	-	-
- disconnection/reconnection services	-	-
- avoided transmission charges	-	-
- other goods and services	-	-
	<hr/> 19,811	<hr/> 16,972
Balance outstanding at 31 March	3,095	2,989

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 20th of the month following date of invoice.

	2005 \$000's	2004 \$000's
Payments received from Connetics for services	158	115
Balance outstanding at 31 March	10	29

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

Subvention payments made are as follows:

Transflux Limited	98	-
Orion New Zealand Ventures Limited	8	-
Orion (Whisper Tech) Limited	10,761	-
	<u>10,867</u>	<u>-</u>

These amounts were owed by the company to those subsidiaries at 31 March 2005.

17. **Significant events after balance date**

There were no significant events between the preparation and authorisation of these accounts on 2 August 2005.

Requirement 14

Disclosure of financial and efficiency performance measures

Performance measures as defined by the Electricity Information Disclosure Requirements 2004

Financial performance measures

	2005 %	2004 %	2003 %	2002 %
(a) Return on funds	10.48	11.60	14.49	14.09
(b) Return on equity	6.89	7.98	9.63	9.98
(c) Return on investment (ROI)	6.20	34.08	8.84	7.69

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

Efficiency performance measures

	\$	\$	\$	\$
(a) Direct line costs per kilometre:	1,184	1,198	1,153	1,198
(b) Indirect line costs per electricity customer:	68	62	59	54

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	47,778							
Operating surplus before interest and income tax adjusted pursuant to req 18 (OSBIIT)	47,778							
Interest on cash, bank balances, and short-term investments (ISTI)	0							
OSBIIT minus ISTI	47,778	a	47,778		47,778			
Net surplus after tax from financial statements	24,498							
Net surplus after tax adjusted pursuant to req 18 (NSAT)	24,498	n		24,498				
Amortisation of goodwill and other intangibles	0	g	add	0	add	0		
Subvention payment	10,867	s	add	10,867	add	10,867		
Depreciation of SFA at BV (x)	22,371							
Depreciation of SFA at ODV (y)	19,569							
ODV depreciation adjustment	2,802	d	add	2,802	add	2,802		
Subvention payment tax adjustment	3,586	s*t		deduct	3,586	deduct	3,586	
Interest tax shield	853	q				deduct	853	
Revaluations	0	r				add	0	
Income tax	20,695	p				deduct	20,695	
Numerator			61,447	34,581		36,313		
			$OSBIIT^{ADJ} = a + g + s + d$	$NSAT^{ADJ} = n + g + s - s*t + d$		$OSBIIT^{ADJ} = a + g - q + r + s + d - p - s*t$		
Fixed assets at end of PFY (FA ₀)	627,466							
Fixed assets at end of CFY (FA ₁)	718,380							
Adjusted net working capital at end of PFY (ANWC ₀)	-10,238							
Adjusted net working capital at end of CFY (ANWC ₁)	-18,288							
Average total funds employed (ATFE)*	658,660	c	658,660			658,660		
Total equity at end of PFY (TE ₀)	533,108							
Total equity at end of CFY (TE ₁)	609,386							
Average total equity*	571,247	k		571,247				
WUC at end of PFY (WUC ₀)	8,211							
WUC at end of CFY (WUC ₁)	6,309							
Average total works under construction*	7,260	e	deduct	7,260	deduct	7,260		
Revaluations	0	r						
Half of revaluations	0	r/2				deduct	0	
Intangible assets at end of PFY (IA ₀)	0							
Intangible assets at end of CFY (IA ₁)	0							
Average total intangible assets*	0	m		deduct	0			
Subvention payment at end of PFY (S ₀)	0							
Subvention payment at end of CFY (S ₁)	10,867							
Subvention payment tax adjustment at end of PFY	0							
Subvention payment tax adjustment at end of CFY	3,586							
Average subvention payment & related tax adjustment	3,641	v		add	3,641			
SFA at end of PFY at bv (SFA _{bv0}) - incl land	602,961							
SFA at end of CFY at bv (SFA _{bv1}) - incl land	693,669							
Average value of SFA at book value*	648,315	f	deduct	648,315	deduct	648,315	deduct	648,315
SFA at year beginning at ODV (SFA _{odv0}) - incl land	580,224							
SFA at end of CFY at ODV (SFA _{odv1}) - incl land	585,429							
Average value of SFA at ODV*	582,827	h	add	582,827	add	582,827	add	582,827
Denominator			585,912		502,139		585,912	
			$ATFE^{ADJ} = c - e - f + h$	$Ave TE^{ADJ} = k - e - m + v - f + h$		$ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$		
Financial Performance Measure:			10.487	6.887		6.198		
			$ROF = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ} / ATE^{ADJ} \times 100$		$ROI = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$		

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**

Year ending	2005 \$000's	2004 \$000's	2003 \$000's	2002 \$000's
System fixed assets at ODV - end of previous year	580,224	453,382	442,840	435,510
Add system fixed assets acquired during the year at ODV	27,659	26,292	27,687	30,506
Less system fixed assets disposed of during the year at ODV	(2,885)	(750)	(594)	(914)
Less depreciation on system fixed assets at ODV	(19,569)	(19,195)	(16,551)	(15,674)
Add revaluations of system fixed assets	-	120,495	-	(6,588)
Equals system fixed assets at ODV - end of the financial year	585,429	580,224	453,382	442,840

Requirement 20

Disclosure of energy delivery efficiency performance measures and statistics

	2005 %	2004 %	2003 %	2002 %
1 (a) Load factor	63.2	62.4	58.0	58.6
(b) Loss ratio	4.9	4.9	4.9	4.9
(c) Capacity utilisation	36.3	36.1	39.5	37.8

2 (a) Sum of overhead and underground line circuit lengths:

	2005 km	2004 km	2003 km	2002 km
66kV	170	160	157	157
33kV	343	343	340	327
11kV	5,260	5,172	5,128	5,090
230/400V	3,856	3,733	2,902	2,696
230V outside lighting	2,632	2,589	2,527	2,366
Communications	1,043	1,031	1,029	1,005
	13,304	13,028	12,083	11,641

(b) Overhead line circuit lengths:

66kV	107	97	95	95
33kV	318	322	318	308
11kV	3,251	3,206	3,208	3,225
230/400V	1,747	1,697	1,082	1,095
230V outside lighting	982	990	1,000	997
	6,405	6,312	5,703	5,720

(c) Underground line (cable) circuit lengths:

66kV	63	63	63	63
33kV	25	22	22	19
11kV	2,009	1,965	1,920	1,866
230/400V	2,109	2,035	1,819	1,601
230V outside lighting	1,650	1,599	1,527	1,369
Communications	1,043	1,031	1,029	1,004
	6,899	6,715	6,380	5,922

	2005	2004	2003	2002
(d) Transformer capacity at year end (kVA):	1,588,904	1,559,062	1,525,800	1,495,443
(e) Maximum demand (kW):	577,366	563,124	603,396	564,822
(f) Total electricity entering the system (before losses) in kWh:	3,193,972,436	3,080,304,668	3,064,396,511	2,901,021,409
(g) Electricity conveyed on behalf of retailers/generators (kWh):				
Retailer A	1,933,925,621	1,933,013,267	2,049,973,994	1,345,583,394
Retailer B	778,615,188	723,972,083	383,277,084	880,318,140
Retailer C	189,333,405	184,783,647	363,510,762	239,575,482
Retailer D	70,956,925	57,443,370	93,192,486	182,079,737
Retailer E	64,157,551	29,695,326	23,827,095	72,589,410
Retailer F				36,268,407
Retailer G				1,618,066
Retailer H				403,570
Retailer I				

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

(h) Total number of consumers	177,718	174,450	171,608	169,371
-------------------------------	---------	---------	---------	---------

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	2005	2004	2003	2002
Orion	B	Planned shutdowns	316	241	356	220
	C	Unplanned cuts	462	403	611	404
Transpower	A	Planned shutdowns	2	4	0	0
	D	Unplanned cuts	5	8	4	2
			785	656	971	626

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	2006	Average 2006 - 2010
Orion	B	Planned shutdowns	385	385
	C	Unplanned cuts	555	555

4 Proportion of Class C interruptions not restored within:

(a) 3 hours	24.9%
(b) 24 hours	0.2%

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

	2005	2004	2003	2002
66kV	1.2	0.0	4.4	2.9
33kV	3.8	2.0	3.9	3.7
11kV	8.5	7.7	11.6	7.7
All	8.0	7.1	10.9	7.3

(b) &

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

	2006	Average 2006 - 2010
66kV	2.0	2.0
33kV	4.0	4.0
11kV	12.0	12.0
All	11.0	11.2

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

	2005	2004	2003	2002
66kV	1.6	0.0	3.2	3.3
33kV	4.0	4.5	0.0	0.0
11kV	3.1	3.3	2.6	3.3
All	3.1	3.2	2.6	3.3

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

66kV	1.0	0	5.3	2.6
33kV	3.8	1.9	4.2	4.0
11kV	11.8	10.3	16.9	10.2
All	10.8	9.3	15.5	9.5

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 (minutes per connected consumer)	SAIFI (interruptions per connected consumer)	CAIDI (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 generation owner	Interruption class	Classification of interruptions	SAIDI (minutes per connected consumer)	SAIFI (interruptions per connected consumer)	CAIDI (minutes per consumer 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
			43.4	0.63	69

8, 11,
12, 15,

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

Network or generation owner	Interruption class	Classification of interruptions	SAIDI (minutes per connected consumer)	SAIFI (interruptions per connected consumer)	CAIDI (minutes per consumer 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
			102	1.22	83

8, 11,
12, 15,
16, 19

SAIDI, SAIFI and CAIDI by interruption class and in total for **2002**:

Network or generation owner	Interruption class	Classification of interruptions	SAIDI (minutes per connected consumer)	SAIFI (interruptions per connected consumer)	CAIDI (minutes per consumer interrupted)
Orion	B	Planned shutdowns	5	0.02	253
	C	Unplanned cuts	33	0.58	58
			38	0.60	64
Transpower	A	Planned shutdowns	0	0.00	0
	D	Unplanned cuts	8	0.10	76
			8	0.10	76
			46	0.70	66

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

Note that these are the company's overall reliability performance indices. Refer to the company's Annual Report for the results by urban and rural areas.

9, 13
& 17

SAIDI, SAIFI and CAIDI targets for the next financial year:

Network owner	Interruption class	Classification of interruptions	SAIDI Target 2006	SAIFI Target 2006	CAIDI Target 2006
Orion	B	Planned shutdowns	8.0	0.08	105
	C	Unplanned cuts	55.0	0.67	82

10, 14
& 18

SAIDI, SAIFI and CAIDI targets for the next five financial years:

Network or generation owner	Interruption class	Classification of interruptions	SAIDI Average target 2006 - 2010	SAIFI Average target 2006 - 2010	CAIDI Average target 2006 - 2010
Orion	B	Planned shutdowns	8.0	0.08	105
	C	Unplanned cuts	55.0	0.67	82

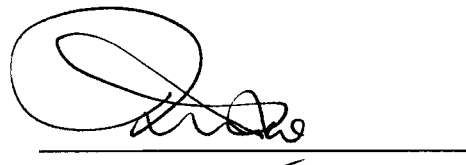
Certification of financial statements, performance measures and statistics disclosed

We, Linda Susan Constable 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 2005.



Director

Director

2 August 2005

**Audit New Zealand****REPORT OF THE AUDITOR-GENERAL****TO THE READERS OF THE FINANCIAL STATEMENTS OF ORION NEW
ZEALAND FOR THE YEAR ENDED 31 MARCH 2005**

We have audited the financial statements of Orion New Zealand on pages 2 to 21. The financial statements provide information about the past financial performance of Orion New Zealand and its financial position as at 31 March 2005. 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 Orion New Zealand as at 31 March 2005, 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 Regulation 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 K J Boddy 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 Orion New Zealand's circumstances, consistently applied and adequately disclosed.

We conducted our 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 Orion New Zealand and group. These involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2005 as well as audit certificates pursuant to the Commerce Act Electricity Threshold Notice 2004 and a limited scope assurance review. Other than these assignments we have no relation with or interest in Orion New Zealand Limited.

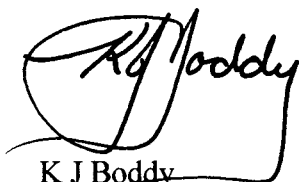
Unqualified opinion

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

In our opinion:

- ▲ proper accounting records have been maintained by Orion New Zealand as far as appears from our examination of those records; and
- ▲ the financial statements of Orion New Zealand on pages 2 to 21:
 - comply with generally accepted accounting practice in New Zealand; and
 - give a true and fair view of Orion New Zealand's financial position as at 31 March 2005 and the results of its operations and cash flows for the year ended on that date; and
 - comply with the Electricity (Information Disclosure) Requirements 2004.

Our audit was completed on 5 August 2005 and our unqualified opinion is expressed as at that date.



K J Boddy
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand





Audit New Zealand

AUDITOR-GENERAL'S OPINION 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 2 August 2005 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.

K J Boddy
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
5 August 2005