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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 2003 to 31 March 2004 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
7 December 2004



Director
7 December 2004

Statement of financial performance

For the year ended 31 March	Notes	2004 \$000's	2003 \$000's
Operating revenues	2	<u>152,274</u>	<u>150,651</u>
Operating surplus before tax	3	59,019	65,542
Taxation expense	4	<u>23,566</u>	<u>25,589</u>
Net surplus after tax		<u>35,453</u>	<u>39,953</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	2004 \$000's	2003 \$000's
Equity at the start of the year	10, 11	568,712	418,540
Net surplus		35,453	39,953
Revaluation of property, plant and equipment		-	148,398
Total recognised revenues and expenses for the period		35,453	188,351
Cash reinvested in other businesses		(4,207)	(14,529)
Distributions paid or provided to shareholders during the period			
- ordinary dividend		(26,850)	(23,650)
- special dividend		(40,000)	-
Equity at the end of the year	10, 11	533,108	568,712

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	2004 \$000's	2003 \$000's
Current assets			
Bank		-	-
Short term deposits		-	-
Accounts receivable	5	6,837	8,141
Inventories	6	1	-
Intercompany balances		-	-
Total current assets		6,838	8,141
Non-current assets			
Long term investments		1,260	1,470
Property, plant and equipment	7	627,466	618,979
Other tangible assets		-	-
		628,726	620,449
Total tangible assets		635,564	628,590
Intangible assets			
Goodwill		-	-
Other intangible assets		-	-
Total intangible assets		-	-
Total assets		635,564	628,590
Current liabilities			
Bank overdraft		-	-
Short term borrowings		-	-
Accounts payable and accruals	8	17,163	18,605
Total current liabilities		17,163	18,605
Non-current liabilities			
	9		
Deferred tax		45,293	41,273
Borrowings		40,000	-
		85,293	41,273
Shareholders' equity	10,11	533,108	568,712
Total liabilities and equity		635,564	628,590

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	2004 \$000's	2003 \$000's
Cash flows from operating activities			
Cash was provided from:			
Cash receipts from customers		149,952	147,595
Interest received		-	-
		<u>149,952</u>	<u>147,595</u>
Cash was applied to:			
Non-capitalised payments to suppliers and employees		71,592	66,753
Income tax paid (net of refunds)		18,747	17,336
Interest paid		192	-
		<u>90,531</u>	<u>84,089</u>
Net cash inflow from operating activities	13	<u>59,421</u>	<u>63,506</u>
Cash flows from investing activities			
Cash was provided from:			
Sale of fixed assets		175	286
Cash was applied to:			
Purchase of property, plant and equipment		28,539	25,613
Long term prepayment		-	-
		<u>28,539</u>	<u>25,613</u>
Net cash outflow from investing activities		<u>(28,364)</u>	<u>(25,327)</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	2004 \$000's	2003 \$000's
Cash flows from financing activities			
Cash was provided from:			
Proceeds of debt		40,000	-
Cash was applied to:			
Dividends paid		66,850	23,650
		<u>66,850</u>	<u>23,650</u>
Net cash outflow from financing activities		<u>(26,850)</u>	<u>(23,650)</u>
Cash flow summary and reconciliation			
Opening bank and short term investments		-	-
Inflow from operating activities		59,421	63,506
Outflow from investing activities		(28,364)	(25,327)
Outflow from financing activities		(26,850)	(23,650)
Cash reinvested in other businesses		<u>(4,207)</u>	<u>(14,529)</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 2004.

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 has been 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	60 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.

Changes in accounting policies

Due to the revaluation of the company's electricity distribution network and buildings at 31 March 2003, 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 2004 onwards by \$3.5 million per annum.

Other than the above, the company's accounting policies have been applied on bases consistent with those used in previous years.

	2004 \$000's	2003 \$000's
2. Operating revenues		
A summary of operating revenue is as follows:		
Ancillary services charge	3,039	2,874
AC rental rebates	6,018	4,323
Bad debts recovered	20	14
Capital contributions	2,984	4,484
Changes in bad debt provisions	-	86
Donated/subsidised assets	2,771	1,745
Dividends	-	-
Interest	-	-
Line revenue	136,936	136,767
Profit on sale of equipment	56	85
Other	450	273
	<u>152,274</u>	<u>150,651</u>

3. Operating expenditure

Operating surplus before tax includes the following items:

Payment for transmission charges (prior to loss rental rebates)	34,807	35,040
AC loss-rental rebates (distribution to retailers) expense	6,018	4,323
Ancillary services charge	3,039	2,874
Transfer payments to the "other" business for:		
- asset maintenance	7,889	6,433
- 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	-	-
Total	<u>7,889</u>	<u>6,433</u>

	2004 \$000's	2003 \$000's
Expense to entities that are not related parties for:		
- asset maintenance	3,072	3,511
- consumer disconnection/reconnection services	-	-
- meter data	67	82
- consumer-based load control services	-	-
- royalty and patent expenses	-	-
	<hr/>	<hr/>
Total	3,139	3,593
Employee salaries, wages and redundancies	8,734	8,045
Consumer billing and information system expense	737	583
Depreciation on:		
- buildings	261	304
- distribution system	20,488	16,613
- other	1,191	1,220
	<hr/>	<hr/>
Total	21,940	18,137
Amortisation of:		
- goodwill	-	-
- other intangibles	-	-
	<hr/>	<hr/>
Total	-	-
Corporate and administration	1,039	1,034
Human resource expenses	744	675
Leasing and rental	62	60
Loss on disposal of equipment	14	39
Asset write-offs	750	594
Marketing/advertising	39	50
Merger and acquisition expenses	-	-
Takeover defence expenses	-	-
Research and development expenses	-	-
Consultancy and legal expenses	1,205	1,346
Donations	284	29
Directors fees	248	241
Auditors fees:		
- audit fees paid to principal auditors	68	60
- audit fees paid to to other auditors	-	-
- fees paid for other services provided by principal and other auditors	9	6
	<hr/>	<hr/>
Total	77	66

	2004 \$000's	2003 \$000's
Cost of offering credit:		
- bad debts written off	28	41
- increase in estimated doubtful debts	85	-
Total	113	41
Local authority rates expense	1,859	1,669
Rebates to consumers due to ownership interest	-	-
Subvention payments	-	-
Unusual expenses	-	-
Other expenditure not listed	239	237
Total operating expenditure	92,976	85,109
Operating surplus before interest and income tax	59,298	65,542
Interest expense		
- interest expense on borrowings	279	-
- financing charges related to finance leases	-	-
- other interest expense	-	-
Total	279	-
Operating surplus before income tax	59,019	65,542

4. Taxation

The taxation provisions are subject to Inland Revenue Department assessment.

Surplus before taxation	59,019	65,542
Prima facie taxation at 33%	19,476	21,629
Taxation effect of :		
Deferred tax adjustment	(50)	414
Permanent differences	3,966	2,848
Under/(over) provisions in prior years	174	698
Taxation as per statement of financial performance	23,566	25,589

	2004 \$000's	2003 \$000's
Comprising:		
Current tax	19,546	20,605
Deferred tax	<u>4,020</u>	<u>4,984</u>
	<u>23,566</u>	<u>25,589</u>
Deferred tax liability		
Opening balance	41,273	36,289
Current year movement expensed	<u>4,020</u>	<u>4,984</u>
Closing balance	<u>45,293</u>	<u>41,273</u>

5. **Accounts receivable**

A summary of accounts receivable is as follows:

Trade receivables	3,662	4,152
Tax receivable	2,547	3,346
Prepayments	897	827
Interest receivable	<u>-</u>	<u>-</u>
	7,106	8,325
Provision for doubtful debts	<u>(269)</u>	<u>(184)</u>
	<u>6,837</u>	<u>8,141</u>

6. **Inventories**

A summary of inventories is as follows:

Chargeable WIP	<u>1</u>	<u>-</u>
	<u>1</u>	<u>-</u>

	2004 \$000's	2003 \$000's
7. Property, plant and equipment		
System fixed assets (at valuation)	587,526	588,280
System fixed assets (at cost)	27,939	
Work in progress	8,211	6,240
Accumulated depreciation	(20,488)	-
	<u>603,188</u>	<u>594,520</u>
Land and buildings (at valuation)	20,743	20,759
Land and buildings (at cost)	226	-
Work in progress	93	129
Accumulated depreciation	(335)	(78)
	<u>20,727</u>	<u>20,810</u>
Consumer billing and information systems (at valuation)	692	861
Consumer billing and information systems (at cost)	2,396	2,020
Work in progress	-	9
Accumulated depreciation	(2,069)	(1,782)
	<u>1,019</u>	<u>1,108</u>
Office equipment (at valuation)	480	478
Office equipment (at cost)	410	324
Accumulated depreciation	(564)	(449)
	<u>326</u>	<u>353</u>
Motor vehicles and plant (at valuation)	995	1,203
Motor vehicles and plant (at cost)	1,572	1,311
Accumulated depreciation	(904)	(788)
	<u>1,663</u>	<u>1,726</u>
Other (at valuation)	291	297
Other (at cost)	586	332
Work in progress	-	7
Accumulated depreciation	(334)	(174)
	<u>543</u>	<u>462</u>
Total property, plant and equipment	<u>627,466</u>	<u>618,979</u>

	2004 \$000's	2003 \$000's
Totals for all asset classes		
At valuation	610,727	611,878
At cost	33,129	3,987
Work in progress	8,304	6,385
Accumulated depreciation	<u>(24,694)</u>	<u>(3,271)</u>
Carrying value	<u>627,466</u>	<u>618,979</u>

System fixed assets includes substation buildings of \$13,431,000 (2003: \$13,182,000). Land and buildings includes network land of \$9,325,000 (2003: \$9,181,000).

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

System fixed assets	603,188	594,520
Less capital work in progress	(8,211)	(6,240)
Plus network land	<u>7,984</u>	<u>9,181</u>
	<u>602,961</u>	<u>597,461</u>

Revaluation

All the Company's land and buildings were revalued to fair value at 31 March 2003 by independent valuers Ernst & Young Corporate Finance Limited.

The electricity distribution system was revalued by Orion management on an optimised depreciated replacement cost basis and was certified by independent valuers Ernst & Young Corporate Finance Limited as at 31 March 2003.

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 may 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 2004 in accordance with the Company's accounting policies.

8. Accounts payable and accruals

A summary of accounts payable and accruals is as follows:

Trade creditors	9,824	8,565
Accruals	5,775	7,855
Employee entitlements	1,378	1,122
Dividends payable	-	-
Income tax payable	-	-
Provisions	<u>186</u>	<u>1,063</u>
	<u>17,163</u>	<u>18,605</u>

	2004 \$000's	2003 \$000's
Provisions comprise:		
Long service leave	186	138
Site restoration	-	400
Revenue adjustments	-	525
	<u>186</u>	<u>1,063</u>
Details of these provisions are:		
Long service leave		
Opening balance	138	154
Additional provision made	70	23
Amount utilised	<u>(22)</u>	<u>(39)</u>
Closing balance	<u>186</u>	<u>138</u>
Site restoration		
Opening balance	400	400
Additional provision made	-	-
Unused provision reversed	<u>(400)</u>	<u>-</u>
Closing balance	<u>-</u>	<u>400</u>
Revenue adjustments		
Opening balance	525	2,025
Additional provision made	-	-
Amount utilised	(258)	-
Unused provision reversed	<u>(267)</u>	<u>(1,500)</u>
Closing balance	<u>-</u>	<u>525</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.

The provision for site restoration was an assessment of costs to remove and treat contaminated soil and to reinstate with clean soil. The approved management plan for the affected site requires only minor reinstatement works to be performed.

The provision for revenue adjustments was an allowance for possible adjustments to amounts billed to electricity retailers. As billing data is now increasingly reliable there is no longer a need for this provision.

	2004 \$000's	2003 \$000's
9. Non-current liabilities		
Non-current liabilities are as follows:		
Payables and accruals	-	-
Borrowings	40,000	-
Deferred tax (see Note 4)	45,293	41,273
Other	-	-
	<u>85,293</u>	<u>41,273</u>

Borrowings

A summary of interest bearing debt is as follows:

Current (NZD)	-	-
> 2 years (NZD)	40,000	-
	<u>40,000</u>	<u>-</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 2004 this rate was 5.6% (2003, -%). The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations (refer Note 12).

10. Equity

Equity comprises:

Share capital	120,000	120,000
Retained earnings	63,091	98,695
Reserves	<u>350,017</u>	<u>350,017</u>
Total shareholders' equity	533,108	568,712
Minority interests	<u>-</u>	<u>-</u>
Total equity	533,108	568,712
Capital notes	<u>-</u>	<u>-</u>
Total capital funds	<u>533,108</u>	<u>568,712</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.

	2004 \$000's	2003 \$000's
11. Revaluation reserve		
Opening balance	350,017	201,619
Revaluation of property, plant and equipment	-	148,398
	<u>350,017</u>	<u>350,017</u>

The revaluation reserve is comprised as follows:

Land and buildings	8,263	8,263
Distribution system	341,754	341,754
	<u>350,017</u>	<u>350,017</u>

12. Financial instruments

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

	Carrying amount 2004 \$000's	Fair value 2004 \$000's	Carrying amount 2003 \$000's	Fair value 2003 \$000's
Cash and short term investments	-	-	-	-
Borrowings	(40,000)	(40,000)	-	-
Interest rate swaps	-	(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

	2004 \$000's	2003 \$000's
Interest rate swaps (NZD)	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 payable amount of \$25,869 as at 31 March 2004 (- in 2003).

	2004 \$000's	2003 \$000's
13. Reconciliation of net surplus after taxation with net cash flow from operating activities		
Net surplus after tax	35,453	39,953
Non cash items:		
Depreciation	21,940	18,137
Deferred tax	4,020	4,984
Asset write offs	750	594
Subsidised assets	(2,771)	(1,745)
Other	210	210
Movements in other working capital items:		
(Increase)/decrease in debtors	505	(1,226)
(Increase)/decrease in interest receivable	-	-
(Increase)/decrease in stocks	(1)	19
Increase/(decrease) in creditors	(1,529)	(643)
Increase/(decrease) in interest payable	87	-
(Increase)/decrease in tax asset	799	3,269
Items classified as an investing activity:		
(Profit)/loss on sale of property, plant and equipment	(42)	(46)
Net cash inflow from operating activities	59,421	63,506

14. Contingent assets and liabilities

There were no material contingent assets or contingent liabilities as at 31 March 2004 or as at 31 March 2003.

	2004 \$000's	2003 \$000's
15. Commitments		
At balance date, capital commitments were as follows:		
Distribution system	6,323	4,894
Other	-	-
	<u>6,323</u>	<u>4,894</u>

Capital commitments of \$2.0m are uncertain as to timing (2003 \$1.7m). Other capital commitments are expected to be met in the next financial year.

At balance date, lease commitments were as follows:

2005	50	49
2006	50	49
2007	50	49
2008	50	49
2009 and beyond	498	488

Note: commitments that extend beyond 2009 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.

2004	2003
\$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	1,788	1,328
Revenues from CCC	1,906	3,722
Purchases from SDC	124	72
Revenues from SDC	489	311
Purchases from BPDC	68	47
Revenues from BPDC	5	3
Dividend payments to CCHL	58,577	20,723
Dividend payments to SCTEL	7,170	2,536
Dividend payments to BPDC	1,103	391

Outstanding balances as at 31 March

Accounts payable to CCC	30	15
Accounts receivable from CCC	857	1,012
Accounts payable to SDC	-	-
Accounts receivable to SDC	351	264
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 2004 and 2003.

A description of the intercompany transactions, revenue amounts and balances at 31 March 2004 and 2003 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 2003 to 31 March 2004, 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.

	2004 \$000's	2003 \$000's
Services provided by Connetics:		
Asset maintenance		
- asset storage	190	219
- emergency work	1,876	1,823
- other asset maintenance	5,823	4,391
	<hr/> 7,889	<hr/> 6,433
Asset construction		
- subtransmission assets	104	328
- zone substations	1,937	-
- distribution lines and cables	1,213	1,300
- medium voltage switchgear	1,003	2,383
- distribution transformers	-	23
- distribution substations	2,066	986
- low voltage lines and cables	2,383	1,409
- other system fixed assets	377	3,428
	<hr/> 9,083	<hr/> 9,857
Other services provided to line business		
- meter data	-	-
- consumer-based load control	-	-
- disconnection/reconnection services	-	-
- avoided transmission charges	-	-
- other goods and services	-	-
	<hr/> 16,972	<hr/> 16,290
Balance outstanding at 31 March	2,989	2,465

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

Some spare transformers have been sold to Connetics. These have been on a negotiated basis.

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

Payments received from Connetics for services	115	96
Payments received from Connetics for transformers	-	9
Balance outstanding at 31 March	29	8

17. Significant events after balance date

There were no significant events between the preparation and authorisation of these accounts on 7 December 2004.

Requirement 14

Disclosure of financial and efficiency performance measures

Performance measures as defined by the Electricity Information Disclosure Requirements 2004

Financial performance measures

	2004 %	2003 %	2002 %	2001 %
(a) Return on funds	11.60	14.49	14.09	14.52
(b) Return on equity	7.98	9.63	9.98	9.54
(c) Return on investment (ROI)	34.08	8.84	7.69	14.49

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

The 2002 ROI includes the impact of the recalibration of Orion's 2001 ODV by the Commerce Commission.

Excluding the impact of revaluations, ROI's were as follows:

7.99	8.84	9.14	9.42
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Efficiency performance measures

	\$	\$	\$	\$
(a) Direct line costs per kilometre:	1,198	1,153	1,198	1,133
(b) Indirect line costs per electricity customer:	62	59	54	49

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	59,298				
Operating surplus before interest and income tax adjusted pursuant to req 18 (OSBIIT)	59,298				
Interest on cash, bank balances, and short-term investments (ISTI)	0				
OSBIIT minus ISTI	59,298	a	59,298		59,298
Net surplus after tax from financial statements	35,453				
Net surplus after tax adjusted pursuant to req 18 (NSAT)	35,453	n		35,453	
Amortisation of goodwill and other intangibles	0	g	add 0	add 0	add 0
Subvention payment	0	s	add 0	add 0	add 0
Depreciation of SFA at BV (x)	20,488				
Depreciation of SFA at ODV (y)	19,195				
ODV depreciation adjustment	1,293	d	add 1,293	add 1,293	add 1,293
Subvention payment tax adjustment	0	s*t		deduct 0	deduct 0
Interest tax shield	92	q			deduct 92
Revaluations	120,495	r			add 120,495
Income tax	23,566	p			deduct 23,566
Numerator			60,591	36,746	157,428
			$OSBIIT^{ADJ} = a + g + s + d$	$NSAT^{ADJ} = n + g + s - s*t + d$	$OSBIIT^{ADJ} = a + g - q + r + s + d - p - s*t$
Fixed assets at end of PFY (FA ₀)	618,979				
Fixed assets at end of CFY (FA ₁)	627,466				
Adjusted net working capital at end of PFY (ANWC ₀)	-10,463				
Adjusted net working capital at end of CFY (ANWC ₁)	-10,238				
Average total funds employed (ATFE)*	612,872	c	612,872		612,872
Total equity at end of PFY (TE ₀)	568,712				
Total equity at end of CFY (TE ₁)	533,108				
Average total equity*	550,910	k		550,910	
WUC at end of PFY (WUC ₀)	6,240				
WUC at end of CFY (WUC ₁)	8,211				
Average total works under construction*	7,226	e	deduct 7,226	deduct 7,226	deduct 7,226
Revaluations	120,495	r			
Half of revaluations	60,248	r/2			deduct 60,248
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)	0				
Subvention payment tax adjustment at end of PFY	0				
Subvention payment tax adjustment at end of CFY	0				
Average subvention payment & related tax adjustment	0	v		add 0	
SFA at end of PFY at bv (SFA _{bv0}) - incl land	597,461				
SFA at end of CFY at bv (SFA _{bv1}) - incl land	602,961				
Average value of SFA at book value*	600,211	f	deduct 600,211	deduct 600,211	deduct 600,211
SFA at year beginning at ODV (SFA _{odv0}) - incl land	453,382				
SFA at end of CFY at ODV (SFA _{odv1}) - incl land	580,224				
Average value of SFA at ODV*	516,803	h	add 516,803	add 516,803	add 516,803
Denominator			522,239	460,277	461,991
			$ATFE^{ADJ} = c - e - f + h$	$Ave TE^{ADJ} = k - e - m + v - f + h$	$ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:			11.602	7.983	34.076
			$ROF = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$	$ROE = NSAT^{ADJ} / ATE^{ADJ} \times 100$	$ROI = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$

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	2004 \$000's	2003 \$000's	2002 \$000's	2001 \$000's
System fixed assets at ODV - end of previous year	453,382	442,840	435,510	405,978
Add system fixed assets acquired during the year at ODV	26,292	27,687	30,506	24,824
Less system fixed assets disposed of during the year at ODV	(750)	(594)	(914)	(2,116)
Less depreciation on system fixed assets at ODV	(19,195)	(16,551)	(15,674)	(14,425)
Add revaluations of system fixed assets	120,495	-	(6,588)	21,249
Equals system fixed assets at ODV - end of the financial year	<u>580,224</u>	<u>453,382</u>	<u>442,840</u>	<u>435,510</u>

Requirement 20

Disclosure of energy delivery efficiency performance measures and statistics

	2004 %	2003 %	2002 %	2001 %
1 (a) Load factor	62.4	58.0	58.6	61.3
(b) Loss ratio	4.9	4.9	4.9	4.9
(c) Capacity utilisation	36.1	39.5	37.8	35.3
2 (a) Sum of overhead and underground line circuit lengths:				
	2004 km	2003 km	2002 km	2001 km
66kV	160	157	157	117
33kV	343	340	327	317
11kV	5,172	5,128	5,090	5,032
230/400V	3,733	2,902	2,696	2,592
230V outside lighting	2,589	2,527	2,366	2,316
Communications	1,031	1,029	1,005	997
	13,028	12,083	11,641	11,371
(b) Overhead line circuit lengths:				
66kV	97	95	95	57
33kV	322	318	308	298
11kV	3,206	3,208	3,225	3,189
230/400V	1,697	1,082	1,095	1,095
230V outside lighting	990	1,000	997	1,005
	6,312	5,703	5,720	5,644
(c) Underground line (cable) circuit lengths:				
66kV	63	63	63	60
33kV	22	22	19	19
11kV	1,965	1,920	1,866	1,843
230/400V	2,035	1,819	1,601	1,497
230V outside lighting	1,599	1,527	1,369	1,311
Communications	1,031	1,029	1,004	997
	6,715	6,380	5,922	5,727

	2004	2003	2002	2001
(d) Transformer capacity at year end (kVA):	1,559,062	1,525,800	1,495,443	1,487,575
(e) Maximum demand (kW):	563,124	603,396	564,822	525,652
(f) Total electricity entering the system (before losses) in kWh:	3,080,304,668	3,064,396,511	2,901,021,409	2,821,595,986
(g) Electricity conveyed on behalf of retailers/generators (kWh):				
Retailer A	1,933,013,267	2,049,973,994	1,345,583,394	1,959,825,487
Retailer B	723,972,083	383,277,084	880,318,140	275,512,446
Retailer C	184,783,647	363,510,762	239,575,482	242,632,856
Retailer D	57,443,370	23,827,095	182,079,737	106,627,472
Retailer E	29,695,326	93,192,486	72,589,410	67,224,588
Retailer F			36,268,407	18,477,651
Retailer G			1,618,066	10,947,852
Retailer H			403,570	974,067
Retailer I				692,124

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

(h) Total number of consumers	174,450	171,608	169,371	167,539
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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	2004	2003	2002	2001
Orion	B	Planned shutdowns	241	356	220	162
	C	Unplanned cuts	403	611	404	499
Transpower	A	Planned shutdowns	4	0	0	0
	D	Unplanned cuts	8	4	2	3
			656	971	626	664

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	2005	Average 2005 - 2009
Orion	B	Planned shutdowns	385	385
	C	Unplanned cuts	555	555

4 Proportion of Class C interruptions not restored within:

(a) 3 hours	25%
(b) 24 hours	1%

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

	2004	2003	2002	2001
66kV	0.0	4.4	2.9	0.0
33kV	2.0	3.9	3.7	2.8
11kV	7.7	11.6	7.7	9.7
All	7.1	10.9	7.3	9.1

(b) &

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

	2005	Average 2005 - 2009
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:

	2004	2003	2002	2001
66kV	0.0	3.2	3.3	0.0
33kV	4.5	0.0	0.0	0.0
11kV	3.3	2.6	3.3	3.0
All	3.2	2.6	3.3	2.9

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

66kV	0	5.3	2.6	0.0
33kV	1.9	4.2	4.0	3.0
11kV	10.3	16.9	10.2	13.6
All	9.3	15.5	9.5	12.5

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

8, 11,
12, 15,
16, 19

SAIDI, SAIFI and CAIDI by interruption class and in total for 2001:

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	3	0.02	165
	C	Unplanned cuts	59	0.58	102
			62	0.60	104
Transpower	A	Planned shutdowns	0	0.00	0
	D	Unplanned cuts	0	0.00	10
			0	0.00	10
			62	0.60	103

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 2005	SAIFI Target 2005	CAIDI Target 2005
Orion	B	Planned shutdowns	8.0	0.08	105
	C	Unplanned cuts	55.0	0.67	83

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 2005 - 2009	SAIFI Average target 2005 - 2009	CAIDI Average target 2005 - 2009
Orion	B	Planned shutdowns	8.0	0.08	105
	C	Unplanned cuts	55.0	0.67	83

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 2004.



Director



Director

7 December 2004



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 2004

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 2004. 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 2004, 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 2004 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 2004 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 8 December 2004 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 7 December 2004 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
8 December 2004