



# New Zealand Gazette

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## ORION NEW ZEALAND LIMITED

### INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION  
DISCLOSURE) REGULATIONS 1999 AND THE  
ELECTRICITY (INFORMATION DISCLOSURE)  
AMENDMENT REGULATIONS 2000

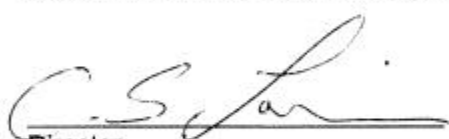
# ORION NEW ZEALAND LIMITED

The following public disclosures are made by Orion New Zealand Limited ("Orion") in accordance with the Electricity (Information Disclosure) Regulations 1999 (the "Regulations") and amendments to those Regulations.

The disclosures cover the period from 1 April 2001 to 31 March 2002 and provide comparatives for prior years where required by the Regulations.

## Regulation 6 - Financial Statement disclosure by line owners

Authorised for issue for and on behalf of directors:



Director  
23 July 2002



Director  
23 July 2002

## STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March	Notes	2002 \$000's	2001 \$000's
Operating revenues	2	<u>147,581</u>	<u>153,391</u>
Operating surplus before tax	3	62,635	62,343
Taxation expense	4	<u>21,671</u>	<u>22,916</u>
Net surplus after tax		<u>40,964</u>	<u>39,427</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>2002 \$000's</b>	<b>2001 \$000's</b>
Equity at the start of the year	10, 11	403,345	426,042
Net surplus		<u>40,964</u>	<u>39,427</u>
Total recognised revenues and expenses for the period		40,964	39,427
Adjustment to assign cash to other businesses		(1,569)	(19,495)
Recognition of deferred tax		-	(29,829)
Distributions paid or provided to shareholders during the period		<u>(24,200)</u>	<u>(12,800)</u>
Equity at the end of the year	10, 11	<u>418,540</u>	<u>403,345</u>

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

**STATEMENT OF FINANCIAL POSITION**

<b>As at 31 March</b>	<b>Notes</b>	<b>2002 \$000's</b>	<b>2001 \$000's</b>
<b>CURRENT ASSETS</b>			
Bank		-	-
Short term deposits		-	-
Accounts receivable	5	10,184	17,419
Inventories	6	19	55
Intercompany balances		-	-
		<hr/>	<hr/>
Total current assets		10,203	17,474
<b>NON-CURRENT ASSETS</b>			
Long term investments		1,680	-
Property, plant and equipment	7	462,194	442,006
Other tangible assets		-	-
		<hr/>	<hr/>
		463,874	442,006
		<hr/>	<hr/>
Total tangible assets		474,077	459,480
<b>INTANGIBLE ASSETS</b>			
Goodwill		-	-
Other intangible assets		-	-
		<hr/>	<hr/>
Total intangible assets		-	-
		<hr/>	<hr/>
Total assets		<u>474,077</u>	<u>459,480</u>
<b>CURRENT LIABILITIES</b>			
Bank overdraft		-	-
Short term borrowings		-	-
Accounts payable and accruals	8	19,248	23,140
		<hr/>	<hr/>
Total current liabilities		19,248	23,140
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	9	36,289	32,995
<b>SHAREHOLDERS' EQUITY</b>			
	10,11	418,540	403,345
		<hr/>	<hr/>
Total liabilities and equity		<u>474,077</u>	<u>459,480</u>

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

**STATEMENT OF CASH FLOWS**

<b>For the year ended 31 March</b>	<b>Notes</b>	<b>2002 \$000's</b>	<b>2001 \$000's</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash was provided from:			
Cash receipts from customers		151,149	152,461
Interest received		-	-
		<u>151,149</u>	<u>152,461</u>
Cash was applied to:			
Non-capitalised payments to suppliers and employees		71,565	71,771
Income tax paid (net of refunds)		14,743	18,877
Interest paid		-	-
		<u>86,308</u>	<u>90,648</u>
Net cash inflow from operating activities	13	<u>64,841</u>	<u>61,813</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was provided from:			
Sale of fixed assets		191	399
Cash was applied to:			
Purchase of property, plant and equipment		37,583	30,659
Long term prepayment		1,680	-
		<u>39,263</u>	<u>30,659</u>
Net cash outflow from investing activities		<u>(39,072)</u>	<u>(30,260)</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>2002 \$000's</b>	<b>2001 \$000's</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was applied to:			
Dividends paid		24,200	12,800
		<u>24,200</u>	<u>12,800</u>
Net cash outflow from financing activities		<u>(24,200)</u>	<u>(12,800)</u>
 <b>CASH FLOW SUMMARY AND RECONCILIATION</b>			
Opening bank and short term investments		-	742
Inflow from operating activities		64,841	61,813
Outflow from investing activities		(39,072)	(30,260)
Outflow from financing activities		(24,200)	(12,800)
Adjustment to assign cash to other businesses		(1,569)	(19,495)
		<u>-</u>	<u>-</u>
Closing bank and short term investments		-	-
 <b>REPRESENTED BY:</b>			
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) Regulations 1999 ("*Regulations*"), and amendments to those Regulations.

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 Regulations.

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 which materially affect the measurement of financial performance, cash flows and financial position are applied:

- (a) **Capital contributions**  
Capital contributions which 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 which 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 which 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 economic lives.

The main bases are periods not exceeding:

Electricity distribution system	55 years
Buildings	50 years
Cars and vans	5 years
Trucks	7 years
Plant and equipment	10 years
Computer equipment and software	3 years

The electricity distribution system economic lives have been set consistent with the Ministry of Economic Development's revised ODV Handbook. The economic lives range from 15 - 70 years for the different components of the distribution system. 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 group's property, plant and equipment is revalued on a cyclic basis at least once every three years by independent valuers to net current 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**

### **Taxation**

There have been no changes in accounting policies in the 2002 year. The policies have been applied on bases consistent with those used in previous years.



## 2. OPERATING REVENUES

A summary of operating revenue is as follows:

	2002 \$000's	2001 \$000's
AC rental rebates	9,014	8,228
Bad debts recovered	10	13
Capital contributions	9,241	6,020
Changes in bad debt provisions	-	135
Dividends	-	-
Interest	-	-
Line revenue	128,614	138,710
Profit on sale of equipment	47	42
Other	655	243
	<u>147,581</u>	<u>153,391</u>

## 3. OPERATING EXPENDITURE

Operating surplus before tax includes the following items:

Payment for transmission charges (prior to loss rental rebates)	35,645	43,450
AC loss-rental rebates (distribution to retailers) expense	9,014	8,228
<b>Transfer payments to the "other" business for:</b>		
- asset maintenance	7,841	5,902
- consumer disconnection/reconnection services	-	-
- meter data	20	14
- consumer-based load control services	-	-
- royalty and patent expenses	-	-
- avoided transmission charges on account of own generation	-	-
- other goods and services not listed	-	-
	<u>7,861</u>	<u>5,916</u>
<b>Total</b>	<b>7,861</b>	<b>5,916</b>

	2002 \$000's	2001 \$000's
<b>Expense to entities that are not related parties for:</b>		
- asset maintenance	1,669	3,091
- consumer disconnection/reconnection services	-	-
- meter data	65	4
- consumer-based load control services	-	14
- royalty and patent expenses	-	-
<b>Total</b>	<b>1,734</b>	<b>3,109</b>
Employee salaries, wages and redundancies	7,587	8,193
Consumer billing and information system expense	535	425
<b>Depreciation on:</b>		
- buildings	273	206
- distribution system	15,794	14,425
- other	1,170	1,468
<b>Total</b>	<b>17,237</b>	<b>16,099</b>
<b>Amortisation of:</b>		
- goodwill	-	-
- other intangibles	-	-
<b>Total</b>	<b>-</b>	<b>-</b>
Corporate and administration	1,172	760
Human resource expenses	859	886
Leasing and rental	59	60
Loss on disposal of equipment	14	-
Asset write-offs	-	2,116
Marketing/advertising	34	66
Merger and acquisition expenses	-	-
Takeover defence expenses	-	-
Research and development expenses	-	-
Consultancy and legal expenses	624	946
Donations	37	76
Directors fees	197	210
<b>Auditors Fees:</b>		
- audit fees paid to principal auditors	41	63
- audit fees paid to to other auditors	-	-
- fees paid for other services provided by principal and other auditors	14	14
<b>Total</b>	<b>55</b>	<b>77</b>

	2002 \$000's	2001 \$000's
<b>Cost of offering credit:</b>		
- bad debts written off	26	48
- increase in estimated doubtful debts	90	-
<b>Total</b>	116	48
Local authority rates expense	1,168	202
Rebates to consumers due to ownership interest	-	-
Subvention payments	-	-
Unusual expenses	-	-
Other expenditure not listed	998	181
<b>Total operating expenditure</b>	84,946	91,048
<b>Operating surplus before interest and income tax</b>	62,635	62,343
<b>Interest expense</b>		
- interest expense on borrowings	-	-
- financing charges related to finance leases	-	-
- other interest expense	-	-
<b>Total</b>	-	-
<b>Operating surplus before income tax</b>	62,635	62,343

#### 4. TAXATION

The taxation provisions are subject to Inland Revenue Department assessment.

Surplus before taxation	62,635	62,343
Prima facie taxation at 33%	20,670	20,573
Taxation effect of :		
Deferred tax adjustment	211	(516)
Permanent differences	1,400	3,495
Under/(over) provisions in prior years	(610)	(636)
<b>Taxation as per Statement of Financial Performance</b>	21,671	22,916

## 5. ACCOUNTS RECEIVABLE

A summary of accounts receivable is as follows:

	2002 \$000's	2001 \$000's
Trade receivables	2,848	6,744
Other receivables	6,616	10,250
Prepayments	990	605
Interest receivable	-	-
	<u>10,454</u>	<u>17,599</u>
Provision for doubtful debts	(270)	(180)
	<u>10,184</u>	<u>17,419</u>

## 6. INVENTORIES

A summary of inventories is as follows:

Chargeable WIP	<u>19</u>	<u>55</u>
	<u>19</u>	<u>55</u>

## 7. PROPERTY, PLANT AND EQUIPMENT

	<b>2002 \$000's</b>	<b>2001 \$000's</b>
System fixed assets (at valuation)	398,500	398,500
System fixed assets (at cost)	66,070	23,305
Work in progress	6,495	14,014
Accumulated depreciation	(30,960)	(15,166)
	<u>440,105</u>	<u>420,653</u>
Land and buildings (at valuation)	18,283	17,733
Land and buildings (at cost)	1,283	765
Work in progress	88	103
Accumulated depreciation	(534)	(207)
	<u>19,120</u>	<u>18,394</u>
Consumer billing and information systems (at valuation)	1,018	1,029
Consumer billing and information systems (at cost)	1,245	556
Accumulated depreciation	(1,251)	(675)
	<u>1,012</u>	<u>910</u>
Office equipment (at valuation)	551	630
Office equipment (at cost)	284	75
Accumulated depreciation	(434)	(274)
	<u>401</u>	<u>431</u>
Motor vehicles and plant (at valuation)	778	1,038
Motor vehicles and plant (at cost)	920	468
Accumulated depreciation	(540)	(318)
	<u>1,158</u>	<u>1,188</u>
Other (at valuation)	361	362
Other (at cost)	229	172
Accumulated depreciation	(192)	(104)
	<u>398</u>	<u>430</u>
Total property, plant and equipment	<u>462,194</u>	<u>442,006</u>

	<b>2002 \$000's</b>	<b>2001 \$000's</b>
Totals for all asset classes		
At valuation	419,491	419,292
At cost	70,031	25,341
Work in progress	6,583	14,117
Accumulated depreciation	<u>(33,911)</u>	<u>(16,744)</u>
Carrying value	<u>462,194</u>	<u>442,006</u>

System fixed assets includes substation buildings of \$8,965,000 (2001: \$6,912,000). Land and buildings includes network land of \$8,328,000 (2001: \$8,222,000).

### Revaluation

All the company's property, plant and equipment was revalued to net current value as at 31 March 2000.

The electricity distribution system was revalued on an optimised deprival value basis and was certified by independent valuers, Ernst and Young. Land and buildings were revalued to net current value by the registered valuers, Ernst and Young. All other plant and equipment was revalued to net current value on the basis of net book values and certified by independent valuers, Ernst & Young.

Depreciation has been applied to the assets for the year ended 31 March 2002 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	9,428	11,687
Accruals	6,088	6,854
Employee entitlements	1,153	1,167
Dividends payable	-	-
Income tax payable	-	-
Provisions	<u>2,579</u>	<u>3,432</u>
	<u>19,248</u>	<u>23,140</u>

	2002 \$000's	2001 \$000's
Provisions comprise:		
Long service leave	154	132
Site restoration	400	-
Revenue adjustments	2,025	3,300
	<u>2,579</u>	<u>3,432</u>

Details of these provisions are:

#### Long service leave

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.

Opening balance	132	107
Additional provision made	35	33
Amount utilised	<u>(13)</u>	<u>(8)</u>
Closing balance	<u>154</u>	<u>132</u>

#### Site restoration

The provision for site restoration relates to an assessment of costs to remove and treat contaminated soil and to reinstate with clean soil. The liability is expected to be incurred in the next few months.

Opening balance	-	-
Additional provision made	<u>400</u>	<u>-</u>
Closing balance	<u>400</u>	<u>-</u>

#### Revenue adjustments

The provision for revenue adjustments relates to allowance for possible adjustments to amounts billed to electricity retailers. This is as a consequence of improved billing data becoming available through the regular monthly billing wash up process. The liability is expected to be incurred over the next year.

Opening balance	3,300	3,000
Additional provision made	525	1,800
Amount utilised	<u>(1,800)</u>	<u>(1,500)</u>
Closing balance	<u>2,025</u>	<u>3,300</u>

## 9. NON-CURRENT LIABILITIES

Non-current liabilities are as follows:

	2002 \$000's	2001 \$000's
Payables and accruals	-	-
Borrowings	-	-
Deferred tax	36,289	32,995
Other	-	-
	<u>36,289</u>	<u>32,995</u>

## 10. EQUITY

Equity comprises:

	2002 \$000's	2001 \$000's
Share capital	120,000	120,000
Retained earnings	96,446	81,251
Reserves	202,094	202,094
Total shareholders' equity	418,540	403,345
Minority interests	-	-
Total equity	418,540	403,345
Capital notes	-	-
Total capital funds	<u>418,540</u>	<u>403,345</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

	2002 \$000's	2001 \$000's
Opening balance	202,094	231,923
Recognition of deferred tax	-	(29,829)
	<u>202,094</u>	<u>202,094</u>

The revaluation reserve is comprised as follows:

Land and buildings	3,233	3,233
Distribution system	198,861	198,861
	<u>202,094</u>	<u>202,094</u>



## 12. FINANCIAL INSTRUMENTS

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

	Carrying Amount 2002 \$000's	Fair Value 2002 \$000's	Carrying Amount 2001 \$000's	Fair Value 2001 \$000's
Cash and short term investments	-	-	-	-

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

*Cash, short term investments.* The carrying amounts of these balances are equivalent to their fair value.

## 13. RECONCILIATION OF NET SURPLUS AFTER TAXATION WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	2002 \$000's	2001 \$000's
Net surplus after tax	40,964	39,427
Non cash items:		
Depreciation	17,237	16,099
Deferred tax	3,294	3,166
Asset write offs	-	2,116
Movements in other working capital items:		
(Increase)/decrease in debtors	3,601	(888)
(Increase)/decrease in interest receivable	-	-
(Increase)/decrease in stocks	36	(27)
Increase/(decrease) in creditors	(3,892)	1,089
Increase/(decrease) in interest payable	-	-
(Increase)/decrease in tax asset	3,634	873
Items classified as an investing activity:		
(Profit)/loss on sale of property, plant and equipment	(33)	(42)
Net cash inflow from operating activities	<u>64,841</u>	<u>61,813</u>

## 14. CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets or contingent liabilities as at 31 March 2002 or as at 31 March 2001.

## 15. COMMITMENTS

At balance date, capital commitments were as follows:

	2002 \$000's	2001 \$000's
Distribution system	4,018	18,908
Other	-	-
	<u>4,018</u>	<u>18,908</u>

All of the above capital commitments are due to be met in the next financial year.

At balance date, lease commitments were as follows:

2002	-	48
2003	48	48
2004	48	48
2005	48	48
2006 and beyond	48	484
2007 and beyond	477	-

Note: commitments which extend beyond the next 4 years have been assessed for a maximum period of 10 years.

## 16. RELATED PARTIES

**Transactions with owners and directors**

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 has been 100% owned by Orion Group Limited (the Holding Company) since 23 October 1998. Prior to that date its shares were owned in the above proportions by CCHL, SCTEL and BPDC.

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, except for the following transactions with a subsidiary of the Carter Group Limited, relating to subdivision power reticulation:

Purchase	\$166,000 (2001 \$137,000)
Liability at 31 March 2002	\$88,000 (2001 \$233,000)

These transactions are conducted on an arms length commercial basis.

A summary of the related party transactions with the CCC is as follows:

	2002 \$000's	2001 \$000's
TRANSACTIONS DURING THE YEAR		
Purchases from CCC	1,568	303
Revenues from CCC	2,017	1,803
Dividend payments to CCHL	21,205	11,216
OUTSTANDING BALANCES AS AT 31 MARCH		
Accounts payable to CCC	6	1
Accounts receivable from CCC	38	645

#### Transactions with "other" businesses

For the purposes of Regulation 9 of the Regulations, 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 2001 and 2002.

A description of the intercompany transactions, revenue amounts and balances at 31 March 2002 and 2001 follows. Note that estimated data has had to be used in the determination and apportionment of costs for Connetics into the required categories.

#### Connetics

Connetics has provided construction and maintenance services to the line business for the period 1 April 2001 to 31 March 2002, 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.

## Services provided by Connetics:

	2002 \$000's	2001 \$000's
Asset maintenance		
- asset storage	189	159
- emergency work	1,234	2,046
- other asset maintenance	6,418	3,697
	<u>7,841</u>	<u>5,902</u>
Asset construction		
- subtransmission assets	423	616
- zone substations	538	673
- distribution lines and cables	1,171	2,955
- medium voltage switchgear	1,810	659
- distribution transformers	78	338
- distribution substations	983	1,388
- low voltage lines and cables	6,844	5,576
- other system fixed assets	1,548	292
	<u>13,395</u>	<u>12,497</u>
Other services provided to line business		
- meter data	20	14
- consumer-based load control	-	-
- disconnection/reconnection services	-	-
- avoided transmission charges	-	-
- other goods and services	-	-
	<u>21,256</u>	<u>18,413</u>
Balance outstanding at 31 March	2,590	3,767

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 20<sup>th</sup> of the month following date of invoice.

Payments received from Connetics for services	173	163
Payments received from Connetics for transformers	34	45
Balance outstanding at 31 March	18	22

## 17. SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events between the preparation and authorisation of these accounts on 23 July 2002.

## Regulation 15

### Disclosure by line owners of financial and efficiency performance measures

*Performance measures as defined by the Electricity (Information Disclosure) Regulations 1999 and amendments*

#### Financial performance measures

	2002 %	2001 %	2000 %	1999 %
(a) Return on funds	14.09	14.52	13.21	11.87
(b) Return on equity	9.98	9.54	8.18	8.03
(c) Return on investment (ROI)	7.69	14.49	(1.15)	7.57

*Refer to Orion's Regulation 16 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:

9.14	9.42	7.96	n/a
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#### Efficiency performance measures

	\$	\$	\$	\$
(a) Direct line costs per kilometre:	1,212	1,122	1,057	1,007
(b) Indirect line costs per electricity customer:	54	50	58	37

## FORM FOR THE DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations	Symbol in formula	ROF	ROE	ROI
Operating surplus before interest and income tax from financial statements	62,635				
Operating surplus before interest and income tax adjusted pursuant to regulation 18 (OSBIT)	62,635				
Interest on cash, bank balances, and short-term investments (ISTI)	0				
OSBIT minus ISTI	62,635	a	62,635		62,635
Net surplus after tax from financial statements	40,964				
Net surplus after tax adjusted pursuant to regulation 18 (NSAT)	40,964	n		40,964	
Amortisation of goodwill and amortisation of 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 (b)	15,794				
Depreciation of SFA at ODV (v)	15,674				
ODV depreciation adjustment	120	d	add 120	add 120	add 120
Subvention payment tax adjustment	0	s <sup>1</sup>		deduct 0	deduct 0
Interest tax shield	0	q			deduct 0
Revaluations	-6,588	r			add -6,588
Income tax	21,671	p			deduct 21,671
Numerator			62,755 $OSBIT^{ADJ} = a + g + s + d$	41,084 $NSAT^{ADJ} = n + g + s - s^1 + d$	34,496 $OSBIT^{ADJ} = a + g - q + r + s + d - p - s^1$
Fixed assets at end of previous financial year (FA <sub>p</sub> )	442,006				
Fixed assets at end of current financial year (FA <sub>c</sub> )	462,194				
Adjusted net working capital at end of previous financial year (ANWC <sub>p</sub> )	-5,666				
Adjusted net working capital at end of current financial year (ANWC <sub>c</sub> )	-9,045				
Average total funds employed (ATFE)	444,745 (or regulation 33 time-weighted average)	c	444,745		444,745
Total equity at end of previous financial year (TE <sub>p</sub> )	403,344				
Total equity at end of current financial year (TE <sub>c</sub> )	418,540				
Average total equity	410,942 (or regulation 33 time-weighted average)	k		410,942	
WUC at end of previous financial year (WUC <sub>p</sub> )	14,014				
WUC at end of current financial year (WUC <sub>c</sub> )	6,466				
Average total works under construction	10,255 (or regulation 33 time-weighted average)	e	deduct 10,255	deduct 10,255	deduct 10,255
Revaluations	-8,588	r			
Half of revaluations	-3,294	n/2			deduct -3,294
Intangible assets at end of previous financial year (IA <sub>p</sub> )	0				
Intangible assets at end of current financial year (IA <sub>c</sub> )	0				
Average total intangible asset	0 (or regulation 33 time-weighted average)	m		add 0	
Subvention payment at end of previous financial year (S <sub>p</sub> )	0				
Subvention payment at end of current financial year (S <sub>c</sub> )	0				
Subvention payment tax adjustment at end of previous financial year	0				
Subvention payment tax adjustment at end of current financial year	0				
Average subvention payment & related tax adjustment	0	v		add 0	
System fixed assets at end of previous financial year at book value (SFA <sub>bp</sub> ) - incl land	414,861				
System fixed assets at end of current financial year at book value (SFA <sub>bc</sub> ) - incl land	441,937				
Average value of system fixed assets at book value	428,399 (or regulation 33 time-weighted average)	f	deduct 428,399	deduct 428,399	deduct 428,399
System Fixed assets at year beginning at ODV value (SFA <sub>odvp</sub> ) - incl land	435,510				
System Fixed assets at end of current financial year at ODV value (SFA <sub>odvc</sub> ) - incl land	442,840				
Average value of system fixed assets at ODV value	439,175 (or regulation 33 time-weighted average)	h	add 439,175	add 439,175	add 439,175
Denominator			445,266 $ATFE^{ADJ} = c - e - f + h$	411,454 $Ave TE^{ADJ} = k - e - m + v - f + h$	448,560 $ATFE^{ADJ} = c - e - 1/2r - f + h$
Financial Performance Measure:			14.064 $ROF = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$	9.985 $ROE = NSAT^{ADJ}/ATE^{ADJ} \times 100$	7.690 $ROI = OSBIT^{ADJ}/ATFE^{ADJ} \times 100$

l = maximum statutory income tax rate applying to corporate entities    bv = book value    ave = average    odv = optimised deprival valuation    subscript '1' = end of the previous financial year  
subscript 'c' = end of the current financial year    ROF = return on funds    ROE = return on equity    ROI = return on investment

**Regulation 16A****Annual ODV Reconciliation Report**

Year ending	1999 \$000's	2000 \$000's	2001 \$000's	2002 \$000's
System fixed assets at ODV - end of previous year	477,987	448,457	405,978	435,510
Add system fixed assets acquired during the year at ODV	14,156	15,426	24,824	30,506
Less system fixed assets disposed of during the year at ODV	(30,215)	(551)	(2,116)	(914)
Less depreciation on system fixed assets at ODV	(15,405)	(15,404)	(14,425)	(15,674)
Add revaluations of system fixed assets	1,934	(50,015)	21,249	(6,588)
Equals system fixed assets at ODV - end of the financial year	448,457	397,913	435,510	442,840

The March 2000 ODV has been restated as follows:

	\$000's
System fixed asset ODV - 31 March 2000	397,913
<b>Plus</b> distribution system land	8,065
Restated 31 March 2000 ODV	405,978

Note that 2002's revaluation is primarily due to the Commerce Commission's 2001 ODV recalibration.

## Regulation 21

### Disclosure by line owners of energy delivery efficiency performance measures and statistics

	2002 %	2001 %	2000 %	1999 %
1 (a) Load Factor	58.6	61.3	57.7	59.5
(b) Loss Ratio	4.9	4.9	4.9	4.9
(c) Capacity Utilisation	37.8	35.3	36.0	30.7
2 (a) Sum of overhead and underground line circuit lengths:				
	2002 Average (km)	2001 Average (km)	2000 Average (km)	1999 Average (km)
66kV	137	116	115	115
33kV	322	321	323	323
11kV	5,061	5,057	5,063	5,092
230/400V	2,644	2,724	2,836	2,800
230V Outside Lighting	2,341	2,268	2,204	2,177
Communications	1,001	989	980	971
	11,506	11,475	11,521	11,478
(b) Overhead line circuit lengths:				
66kV	76	57	57	57
33kV	303	302	306	307
11kV	3,207	3,180	3,163	3,215
230/400V	1,095	1,300	1,506	1,506
230V Outside Lighting	1,001	957	912	918
	5,682	5,796	5,944	6,003
(c) Underground line (cable) circuit lengths:				
66kV	61	59	58	58
33kV	19	18	17	16
11kV	1,854	1,877	1,900	1,877
230/400V	1,549	1,424	1,331	1,294
230V Outside Lighting	1,340	1,311	1,292	1,260
Communications	1,001	989	980	971
	5,824	5,678	5,578	5,476



	2002	2001	2000	1999
(d) Transformer capacity at year end (kVA):	1,495,443	1,487,575	1,505,103	1,686,100
(e) Maximum demand (kW):	564,822	525,652	541,614	516,844
(f) Total electricity supplied from the system (kWh):	2,758,436,207	2,682,914,543	2,600,830,000	2,560,341,046
(g) Electricity conveyed on behalf of retailers/generators (kWh):				
Retailer A	1,415,137,397	2,061,130,028	2,346,344,539	1,744,974,597
Retailer B	925,822,306	289,753,848	109,939,646	756,238,810
Retailer C	251,959,281	255,174,692	82,134,705	52,879,656
Retailer D	191,491,547	112,139,109	72,682,725	32,897,023
Retailer E	76,341,600	70,699,467	42,738,828	28,504,294
Retailer F	38,143,142	19,432,772	34,182,383	24,776,951
Retailer G	1,701,705	11,513,753	20,186,567	19,682,224
Retailer H	424,431	1,024,417	20,079,757	13,189,456
Retailer I		727,900	7,064,732	7,959,007
Retailer J			65,134	4,966,687
Retailer K				3,369,241
Retailer L				2,941,050
Retailer M				319,033

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

(h) Total number of consumers (average for the year)	168,455	166,556	162,543	158,673
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*Note: 1. From 1999 onwards, 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(f) above.*

*Note: 2. From 2000 onwards, privately owned transformers have been removed from the disclosed information. This affects 1(c) and 2(d) above.*

## Regulation 22

### Disclosure by line owners (other than Transpower) of reliability performance measures

1 Total number of interruptions:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	2002	2001	2000	1999
Orion	B	Planned Shutdowns	220	162	313	445
	C	Unplanned Cuts	404	499	545	484
Transpower	A	Planned Shutdowns	0	0	3	2
	D	Unplanned Cuts	2	3	1	0
			626	664	862	931

Disclosure Regulation classes E, F and G do not apply to Orion and consequently results are all zero.

2 &

3 Interruption targets:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	2003	Average 2003 - 2007
Orion	B	Planned Shutdowns	385	385
	C	Unplanned Cuts	555	555

4 Proportion of Class C interruptions not restored within:

(a) 3 hours	15.35%
(b) 24 hours	0.25%

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

	2002	2001	2000	1999
66kV	2.9	0.0	1.7	1.7
33kV	3.7	2.8	4.3	3.1
11kV	7.7	9.7	10.0	8.7
All	7.3	9.1	9.5	8.2

(b) &

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

	2003	Average 2003 - 2007
66kV	2.0	2.0
33kV	4.0	4.0
11kV	12.0	12.0
All	11.3	11.3

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

	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
66kV	3.3	0.0	0.0	-
33kV	0.0	0.0	0.0	-
11kV	3.3	3.0	2.9	2.0
All	3.3	2.9	2.8	1.9

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

66kV	2.6	0.0	3.5	3.5
33kV	4.0	3.0	4.6	3.3
11kV	10.2	13.6	14.3	12.6
All	9.5	12.5	13.3	11.7

8, 11,  
12, 15,16, 19      SAIDI, SAIFI and CAIDI by interruption class and in total for **2002**:

<b>Network or Generation Owner</b>	<b>Disclosure Regulation Class</b>	<b>Classification of Interruptions</b>	<b>SAIDI (minutes per connected consumer)</b>	<b>SAIFI (interruptions per connected consumer)</b>	<b>CAIDI (minutes per consumer interrupted)</b>
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
			<b>46</b>	<b>0.70</b>	<b>66</b>

8, 11,  
12, 15,

16, 19 SAIDI, SAIFI and CAIDI by interruption class and in total for 2001:

Network or Generation Owner	Disclosure Regulation 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
			<b>62</b>	<b>0.60</b>	<b>103</b>

8, 11,  
12, 15,

16, 19 SAIDI, SAIFI and CAIDI by interruption class and in total for 2000:

Orion	B	Planned Shutdowns	6	0.03	233
	C	Unplanned Cuts	46	0.80	56
			52	0.83	62
Transpower	A	Planned Shutdowns	0	0.00	195
	D	Unplanned Cuts	0	0.02	1
			0	0.02	25
			<b>52</b>	<b>0.85</b>	<b>62</b>

8, 11,  
12, 15,  
16, 19

SAIDI, SAIFI and CAIDI by interruption class and in total for 1999:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	SAIDI (minutes per connected customer)	SAIFI (interruptions per connected customer)	CAIDI (minutes per customer interrupted)
Orion	B	Planned Shutdowns	17	0.09	186
	C	Unplanned Cuts	50	0.75	67
			67	0.84	81
Transpower	A	Planned Shutdowns	1	0.00	475
	D	Unplanned Cuts	1	0.09	14
			2	0.09	19
			<b>69</b>	<b>0.93</b>	<b>75</b>

Disclosure Regulation classes E, F and G do not apply to Orion and consequently the results are all zero.

Note that these are Orion's overall reliability performance indices. Refer to Orion'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	Disclosure Regulation Class	Classification of Interruptions	SAIDI Target 2003	SAIFI Target 2003	CAIDI Target 2003
Orion	B	Planned Shutdowns	7.0	0.07	100
	C	Unplanned Cuts	49.0	0.73	67

10, 14  
& 18

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

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	SAIDI Average Target 2003 - 2007	SAIFI Average Target 2003 - 2007	CAIDI Average Target 2003 - 2007
Orion	B	Planned Shutdowns	7.0	0.07	100
	C	Unplanned Cuts	49.0	0.73	67



**Audit New Zealand**

**REPORT OF THE AUDITOR GENERAL**

**TO THE READERS OF THE FINANCIAL STATEMENTS  
OF ORION NEW ZEALAND LIMITED FOR THE YEAR ENDED 31 MARCH 2002**

We have audited the financial statements of Orion New Zealand Limited on pages 2 to 20. The financial statements provide information about the past financial performance of Orion New Zealand Limited and its financial position as at 31 March 2002. This information is stated in accordance with the accounting policies set out on pages 7 and 8.

**Directors' Responsibilities**

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of Orion New Zealand Limited as at 31 March 2002, 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 31 of the Electricity (Information Disclosure) Regulations 1999 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 presented by the Directors 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 Limited'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.

Other than in our capacity as auditor, acting on behalf of the Auditor-General, we have no relationship with or interests 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 kept by Orion New Zealand Limited as far as appears from our examination of those records; and
- the financial statements of Orion New Zealand Limited on pages 2 to 20:
  - (a) comply with generally accepted accounting practice in New Zealand; and
  - (b) give a true and fair view of Orion New Zealand Limited's financial position as at 31 March 2002 and the results of its operations and cash flows for the year ended on that date; and
  - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 24 July 2002 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'K-J Boddy', with a stylized, looped flourish extending from the end of the signature.

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 21 to 23, being –

- (a) the derivation table specified in regulation 16;
- (b) the annual ODV reconciliation report in regulation 16A;
- (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 31 March 2002 for the purposes of regulation 15 of the Electricity ( Information Disclosure) Regulations 1999.

In our opinion, having made all reasonable enquiry, and to the best of our knowledge, that information has been prepared in accordance with the Electricity (Information Disclosure) Regulations 1999.



K J Boddy  
Audit New Zealand  
On behalf of the Auditor-General  
Christchurch, New Zealand  
24 July 2002



**Regulation 32(2)**  
**Certification of Financial Statements, Performance Measures and statistics disclosed by line owners other than Transpower**

We, Linda Susan Constable and Christopher Stephen Laurie, 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 Regulation 6 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of that regulation; 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 Regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of those regulations.

The valuations on which those financial performance measures are based are as at 31 March 2001.



Director



Director