

Orion New Zealand Limited

Information for Disclosure

**Pursuant to the Electricity
Information Disclosure Requirements 2004**

7 November 2006

Orion New Zealand Limited

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

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

Requirement 6 - Financial statement disclosure

Authorised for issue for and on behalf of the directors:



Director
7 November 2006



Director
7 November 2006

Statement of financial performance

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

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

Statement of movements in equity

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

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

Statement of financial position

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

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

Statement of cash flows

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

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

Statement of cash flows continued...

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

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

Notes to the financial statements

1. Statement of accounting policies

Reporting entity

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

Special purpose financial statements

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

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

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

Measurement base

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

Specific accounting policies

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

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

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

The main bases are periods not exceeding:

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

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

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

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

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

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

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

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

Changes in accounting policies

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

	2006 \$000's	2005 \$000's
2. Operating revenues		
A summary of operating revenue is as follows:		
AC rental rebates	7,181	3,189
Bad debts recovered	12	15
Capital contributions	5,079	3,379
Changes in bad debt provisions	-	156
Donated/subsidised assets	4,263	2,745
Dividends	-	-
Interest	-	-
Line revenue	151,266	144,463
Profit on sale of equipment	161	366
Other	692	428
	<u>168,654</u>	<u>154,741</u>
3. Operating surplus before tax		
Operating surplus before tax includes the following operating expenditure:		
Payment for transmission charges (prior to loss rental rebates)	40,218	39,397
AC loss-rental rebates (distribution to retailers) expense	7,181	3,189
Transfer payments to the "other" business for:		
- asset maintenance	6,818	6,642
- consumer disconnection/reconnection services	-	-
- meter data	-	-
- consumer-based load control services	-	-
- royalty and patent expenses	-	-
- avoided transmission charges on account of own generation	-	-
- other goods and services not listed	-	-
	<u>6,818</u>	<u>6,642</u>
Total	<u>6,818</u>	<u>6,642</u>

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

	2006 \$000's	2005 \$000's
Cost of offering credit:		
- bad debts written off	60	37
- increase in estimated doubtful debts	12	-
	<hr/>	<hr/>
Total	72	37
Local authority rates expense	1,653	2,001
Rebates to consumers due to ownership interest	-	-
Subvention payments	5,213	10,867
Unusual expenses	-	-
Other expenditure not listed	828	205
	<hr/>	<hr/>
Total operating expenditure	108,167	106,963
	<hr/>	<hr/>
Operating surplus before interest and income tax	60,487	47,778
	<hr/>	<hr/>
Interest expense		
- interest expense on borrowings	2,931	2,585
- financing charges related to finance leases	-	-
- other interest expense	-	-
	<hr/>	<hr/>
Total	2,931	2,585
	<hr/>	<hr/>
Operating surplus before income tax	57,556	45,193
	<hr/>	<hr/>
4. Taxation expense		
The taxation provisions are subject to Inland Revenue Department assessment.		
Surplus before taxation	57,556	45,193
	<hr/>	<hr/>
Prima facie taxation at 33%	18,993	14,914
	<hr/>	<hr/>
Taxation effect of :		
Deferred tax adjustment	54	495
Permanent differences	3,978	4,820
Under/(over) provisions in prior years	(6)	466
	<hr/>	<hr/>
Taxation as per statement of financial performance	23,019	20,695
	<hr/>	<hr/>

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

5. Accounts receivable

A summary of accounts receivable is as follows:

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

6. Inventories

A summary of inventories is as follows:

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

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

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

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

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

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

Revaluation

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

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

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

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

8. Accounts payable and accruals

A summary of accounts payable and accruals is as follows:

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

	2006 \$000's	2005 \$000's
Details of the provision follows:		
Long service leave		
Opening balance	132	186
Additional provision made	53	13
Amount utilised	<u>(40)</u>	<u>(67)</u>
Closing balance	<u>145</u>	<u>132</u>

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

9. **Non-current liabilities**

Non-current liabilities are as follows:

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

Borrowings

A summary of interest bearing debt is as follows:

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

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

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

	2006 \$000's	2005 \$000's
10. Equity		
Equity comprises:		
Share capital	120,000	120,000
Retained earnings	67,165	57,554
Reserves	<u>431,024</u>	<u>431,832</u>
Total shareholders' equity	618,189	609,386
Minority interests	<u>-</u>	<u>-</u>
Total equity	618,189	609,386
Capital notes	<u>-</u>	<u>-</u>
Total capital funds	<u><u>618,189</u></u>	<u><u>609,386</u></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	431,832	350,017
Revaluation of electricity distribution network, land & buildings	-	82,314
Disposal of revalued assets	(808)	501
Deferred tax liability adjustment	<u>-</u>	<u>(1,000)</u>
	<u>431,024</u>	<u>431,832</u>

The revaluation reserve is comprised as follows:

Land and buildings	44,837	44,925
Distribution system	<u>386,187</u>	<u>386,907</u>
	<u>431,024</u>	<u>431,832</u>

12. Financial instruments

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

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

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

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

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

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

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

Off-balance sheet risk

	2006	2005
	\$000's	\$000's
Interest rate swaps (NZD)	55,000	35,000

Interest rate risk

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

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

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

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

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

	2006 \$000's	2005 \$000's
13. Reconciliation of net surplus after taxation with net cash flow from operating activities		
Net surplus after tax	34,537	24,498
Non cash items:		
Depreciation	24,413	23,761
Deferred tax	5,943	5,444
Asset write offs	1,198	1,983
Subsidised assets	(4,263)	(2,745)
Other	210	210
Movements in other working capital items:		
(Increase)/decrease in debtors	(598)	691
(Increase)/decrease in interest receivable	-	-
(Increase)/decrease in stocks	217	(779)
Increase/(decrease) in creditors	(3,593)	10,325
Increase/(decrease) in interest payable	-	-
(Increase)/decrease in tax asset	(220)	(2,255)
Items classified as an investing activity:		
Net profit on sale of property, plant and equipment	(156)	(201)
	<hr/>	<hr/>
Net cash inflow from operating activities	<u>57,688</u>	<u>60,932</u>

14. Contingent assets and liabilities

There were no material contingent assets or contingent liabilities as at 31 March 2006 or as at 31 March 2005.

15. Commitments

At balance date, capital commitments were as follows:

Distribution system	6,343	3,745
Other	-	-
	<hr/>	<hr/>
	<u>6,343</u>	<u>3,745</u>

At balance date, lease commitments were as follows:

2007	52	58
2008	52	58
2009	52	58
2010	52	58
2011 and beyond	520	581

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

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

16. **Related parties**

Transactions with owners and directors

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

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

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

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

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

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

	2006	2005
	\$000's	\$000's
A summary of the related party transactions with the CCC, SDC and BPDC is as follows:		
Transactions with owners during the year		
Purchases from CCC, SDC and their subsidiaries	1,974	2,142
Revenues from CCC, SDC and their subsidiaries	2,426	2,398
Dividend payments to CCHL	24,104	23,659
Dividend payments to SIHL	2,896	2,896
Dividend payments to BPDC	-	445
Accounts payable to CCC, SDS and their subsidiaries as at 31 March	51	15
Accounts receivable from CCC, SDC and their subsidiaries as at 31 March	192	1,583

Transactions with “other” businesses

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

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

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

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

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

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

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

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

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

	2006 \$000's	2005 \$000's
Payments received from Connetics for services	103	158
Balance outstanding at 31 March	16	10

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

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

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

17. Significant events after balance date

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

Requirement 14

Disclosure of financial and efficiency performance measures

Performance measures as defined by the Electricity Information Disclosure Requirements 2004

Financial performance measures

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

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

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

	7.25	6.20	7.99	8.84
Efficiency performance measures				
	\$	\$	\$	\$
(a) Direct line costs per kilometre:	1,317	1,184	1,198	1,153
(b) Indirect line costs per electricity customer:	66	68	62	59

Requirement 15

Derivation of financial performance measures from financial statements

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

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

Requirement 16

ODV Reconciliation Report

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

Requirement 20

Disclosure of energy delivery efficiency performance measures and statistics

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

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

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

(h) Total number of consumers	180,541	177,718	174,450	171,608
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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	2006	2005	2004	2003
Orion	B	Planned shutdowns	288	316	241	356
	C	Unplanned cuts	499	462	403	611
Transpower	A	Planned shutdowns	-	2	4	0
	D	Unplanned cuts	5	5	8	4
			792	785	656	971

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

2 &

3 Interruption targets:

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

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

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

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

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

(b) &

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

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

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

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

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

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

8, 11,
12, 15,

16, 19 SAIDI, SAIFI and CAIDI by interruption class and in total for 2006:

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

8, 11,
12, 15,

16, 19 SAIDI, SAIFI and CAIDI by interruption class and in total for 2005:

Network or generation owner	Interruption class	Classification of interruptions	SAIDI (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

9, 13

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

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

10, 14

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

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

Certification of financial statements, performance measures and statistics disclosed

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

- (a) The attached audited financial statements of Orion New Zealand Limited prepared for the purposes of Requirement 6 of the Electricity Information Disclosure Requirements 2004, comply with those requirements; and
- (b) The attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Orion New Zealand Limited, and having been prepared for the purposes of requirements 14, 15, 20 and 21 of the Electricity Information Disclosure Requirements 2004, comply with those Requirements.

The valuations on which those financial performance measures are based are as at 31 March 2004.



Director



Director

7 November 2006

AUDIT REPORT ON THE PERFORMANCE MEASURES OF ORION NEW ZEALAND LIMITED

We have examined the information on pages 22 to 24, being:

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

that were prepared by Orion New Zealand Limited and dated 7 November 2006 for the purposes of the Commerce Commission's Electricity Information Disclosure Requirements 2004 (the Requirements).

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



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

Matters relating to the electronic presentation of the audited performance measures

This audit report relates to the performance measures included on pages 22 to 24 of the Information for Disclosure of Orion New Zealand Limited (the company) made pursuant to the Commerce Commission's Electricity Information Disclosure Requirements 2004 for the year ended 30 June 2006 included on the company's web site. The company's Board of Directors is responsible for the maintenance and integrity of the web site. We have not been engaged to report on the integrity of the web site. We accept no responsibility for any changes that may have occurred to the performance measures since they were initially presented on the web site.

The audit report refers only to the performance measures named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these performance measures. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the company's Information for Disclosure Statement and related audit report dated 7 November 2006 to confirm the performance measures presented on this web site.

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

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

We have audited the financial statements of Orion New Zealand Limited (the company) on pages 2 to 21. The financial statements provide information about the past financial performance of the company and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 7 and 8.

Directors' responsibilities

The Commerce Commission's Electricity Information Disclosure Requirements 2004 made under section 57T of the Commerce Act 1986 require the Directors to prepare financial statements which give a true and fair view of the financial position of the company as at 31 March 2006, and the results of its operations and cash flows for the year ended on that date.

Auditor's responsibilities

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

The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand to undertake the audit.

Basis of opinion

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

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

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

In addition to the audit, we have carried out audit related assignments for the company. These involved issuing an audit opinion on the annual financial statements for the year ended 31 March 2006, an audit opinion pursuant to the Commerce Act (Electricity Thresholds) Notice 2004 and a payroll review report. Other than these assignments we have no relation with or interest in the company.

Unqualified opinion

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

In our opinion:

- v proper accounting records have been maintained by the company as far as appears from our examination of those records; and
- v the financial statements of the company on pages 2 to 21:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of the company's financial position as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity Information Disclosure Requirements 2004.

Our audit was completed on 7 November 2006 and our unqualified opinion is expressed as at that date.



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

Matters relating to the electronic presentation of the audited financial statements

This audit report relates to the financial statements of Orion New Zealand Limited (the company) made pursuant to the Commerce Commission's Electricity Information Disclosure Requirements 2004 under section 57T of the Commerce Act 1986 for the year ended 30 June 2006 included on the company's web site. The company's Board of Directors is responsible for the maintenance and integrity of the web site. We have not been engaged to report on the integrity of the web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on this web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 7 November 2006 to confirm the information included in the audited financial statements presented on this web site.

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