

electricity[✦]

Annual Report for Orion New Zealand Limited **2008**

Orion
yournetwork

there is knowledge^{*}

Christchurch City Libraries issue more than six million books, CDs and DVDs each year and are a vital knowledge hub. Suburban libraries like New Brighton (also shown on cover) are modern, innovative spaces that transcend the traditional. Books and magazines sit side by side with music, computer games, PlayStations and Sky TV - all in a safe, comfortable, vibrant environment designed to encourage young people to learn and read.



there is innovation

Design innovation is a key focus at Orion's wholly-owned subsidiary, Connetics. Here, a designer uses revolutionary engineering software to create a 3D image that helps determine safe clearances between electrical equipment.



there is culture

From Louis Armstrong to Dracula, the list of great artists and successful productions featured at the Isaac Theatre Royal in its 100-year history is truly spectacular. The stunning venue is one of only four remaining Edwardian style theatres in the Southern Hemisphere.



there is science

Scientific research helps us understand the world around us and develop new ways to combat disease. Here, postgraduate students at Lincoln University use DNA sequences to detect fungi which devastate grapevines.



there is life

Christchurch's Botanic Gardens showcase one of New Zealand's finest collections of exotic and native plants. Lush and diverse plant life inhabits the historic conservatories, or 'hothouses', where electrically-powered irrigation and ventilation systems sustain optimum growing conditions.

Orion New Zealand Limited owns and operates the electricity distribution network in central Canterbury between the Waimakariri and Rakaia rivers and from the Canterbury coast to Arthur's Pass. Our network covers 8,000 square kilometres of diverse geography, including Christchurch city, Banks Peninsula, farming communities and high country.

We transport electricity from 10 Transpower grid exit points to more than 186,000 homes and businesses. We charge electricity retailers for this network delivery service and retailers, in turn, charge electricity consumers.

A reliable and safe supply of electricity is of critical importance to the community we serve. Our priority is the continued, cost-effective improvement of our network performance.

Over the last 12 months we delivered 3,325GWh of electricity and supplied a maximum demand of 623MW.

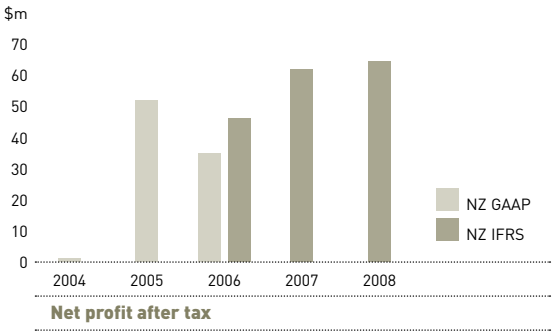
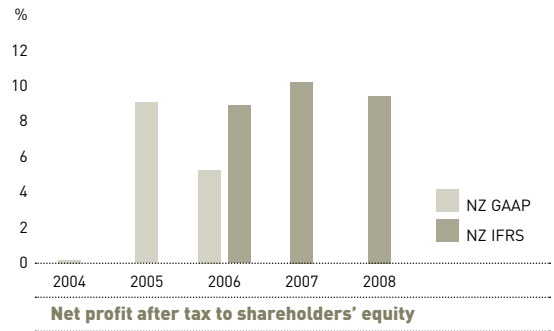
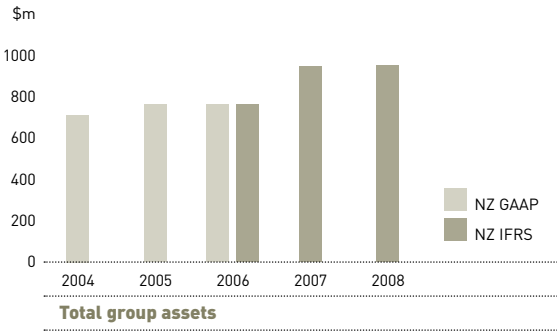
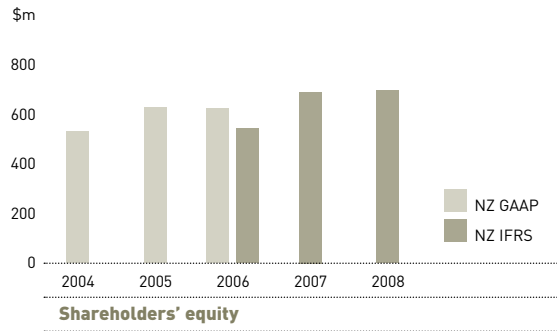
We also own the electrical contracting business, Connetics.

Our ultimate shareholders are:
Christchurch City Council (89.3%)
Selwyn District Council (10.7%).


Orion
yourNETWORK

Highlights

- Achieved an overall consolidated net profit of \$65.5m. This was \$25.8m above our statement of intent (SOI) forecast and \$4.9m above last year.
- Paid fully imputed ordinary dividends of \$45m during the year (\$10m above our SOI forecast and \$7m above last year).
- Achieved a net profit on our core electricity distribution network of \$49m (\$7m above our SOI forecast and \$3m above last year).
- Continued to rank as one of the most reliable and efficient networks in the country. In the last five years we had fewer power outages per customer than any other electricity network operator in New Zealand.
- Invested over \$36m on projects to connect new customers, reinforce our network and replace ageing equipment.
- Introduced new Ground Fault Neutraliser (GFN) technology to our network. GFN delivers a more reliable and better quality electricity supply, enhanced condition monitoring and public safety. The technology has the potential to reduce power cuts to rural customers by 20-40%.
- Committed to introducing a fully electronic network management system by the end of 2009. This new system is designed to streamline our control room functions and reporting, and improve how we manage both day-to-day and major events.



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Chairman's review

Energy is the lifeblood of our economy and electricity networks are the arteries of our energy system. Our networks need to be strong, reliable and adaptable. As demand for electricity continues to grow, we aim to deliver electricity reliably for the long term benefit of our community.



Craig Boyce CHAIRMAN

To offset increasing pressure on resources and costs, we continue to introduce new systems and methods. During the year we decided to invest in new technology – notably a fully electronic network management system and the Ground Fault Neutraliser. Orion is the first electricity network operator to introduce these systems in New Zealand and we expect they will significantly reduce the duration and frequency of power cuts.

Our pricing methods support off-peak pricing, allowing consumers who lower their electricity usage during network peak times to save money. We encourage electricity retailers to implement new metering technology that can deliver these savings to consumers. We welcome the investment that retailers are making to install this technology in our region.

A global talent shortage and record low unemployment remind us that our employees and their skills are fundamental to Orion's success. Our initiatives to encourage industry training, recruitment and development remain a company priority.

As we continue to plan to best meet the needs of our community, it is pleasing to see that many Orion initiatives are setting new benchmarks for the delivery of electricity nationally.

Financial performance

Our net profit for the year was \$65.5m – \$25.8m above our statement of intent (SOI) forecast and \$4.9m above last year's result. The following factors contributed to this excellent above budget achievement (all figures post tax):

- \$14m was due to a one-off, non-cash reduction in our deferred tax liability as a result of the change in corporate tax rate
- \$7m was due to the strong performance of our network, with:
  - \$6m from accounting for capital contributions and donated and subsidised assets on a different basis from that assumed when we budgeted
  - \$2m from cost control and below budget expenses
  - the above partially offset by \$1m increased depreciation expense from our 31 March 2007 network revaluation
- \$3m was due to the unbudgeted sale of our HumanWare investment, although due to writedowns in previous years we have recognised a \$2.8m profit on sale in the current year – overall we made a \$1.1m profit on this investment
- \$1m was due to lower than budgeted interest costs
- \$1m was due to a below budget elimination of internal profits on consolidation.

Our deferred tax liability reduced by \$19m as a result of the change in corporate tax rate from 1 April 2008. Of this reduction, \$14m has been booked to profit and \$5m has been booked directly to equity. This is a one-off adjustment that has no impact on our cashflows or the value of the group.

Distributions to shareholders

We paid a total of \$45m fully imputed ordinary dividends to shareholders during the year, \$10m above our SOI forecast. Dividends were increased to \$45m after taking into account the ongoing cash needs of the business.

Investment sales

In May 2007 we sold our investment in HumanWare as part of our general strategy to focus on our core electricity distribution business.

Prices

In January 2008 we announced an average electricity delivery price increase of 5.1%, effective 1 April 2008. This comprises a 3.7% increase for distribution and a 1.4% rise due to an increase from Transpower. The new prices comply with the Commerce Commission's price threshold regime.

Regulation

Our year was dominated by the need to respond to several significant regulatory issues, including proposed major changes to the Commerce Act. We continue to encourage government to find the right balance between consumer protection and impacts on regulated entities.

Any regulatory regime needs to provide certainty so that businesses like ours can confidently plan and invest with an assurance of a fair return over the lifetime of the investment.

In the year ahead, we will work constructively with our regulators to help ensure that new and existing rules are amended and interpreted fairly and in the best interests of our customers.

Moving forward

In March 2008, in consultation with our shareholders, we comprehensively reviewed our SOI. As a result, we set new targets for network reliability, the environment and employment.

Our SOI forms a key part of our business plan, which was also updated during the year. A core theme of our plan is 'scalability' – having good systems and processes that provide capability for Orion to capitalise on future growth opportunities.

Of the 28 electricity network operators nationally, many are locally owned through consumer or regional trusts. We are the third largest of these 28 companies and this brings benefits for our community in terms of scale. Operating on a large scale creates efficiencies in relation to costs, skills, engineering, innovative solutions and response to natural disasters such as the June 2006 'big snow' in Canterbury. We believe further economies of scale exist in New Zealand's electricity distribution sector.

Acknowledgements

At the end of another excellent year, I thank my fellow directors for their efforts. Not only have they contributed to the company's success, they have helped position the organisation for the future.

Peter Rae and Don Elder retired from the board in late 2007 and I thank them for their valuable input into the business over the last nine and five years, respectively.

The ongoing support of our shareholders, Christchurch City Holdings and Selwyn Investment Holdings, and their ultimate owners Christchurch City and Selwyn District councils, is greatly appreciated.

Special mention must also be made of the leadership of Roger Sutton and the contribution of his management team as we continue to strive to be a leader among New Zealand electricity network operators. This effort is reinforced by a commitment from our highly skilled and experienced workforce to keep the lights on and work as a team to do the job better than anyone else.



Craig Boyce
CHAIRMAN

Chief executive's review

Despite our monopoly status, we run our business to the greatest extent possible as if Orion is in a competitive market with several other electricity network operators. This customer-focused thinking dictates our approach to everything from pricing, to new investment, even how fast we respond to faults. How would we do this if we had real competitors?



Roger Sutton CHIEF EXECUTIVE OFFICER

With no big storms, this year was largely 'business as usual'. We achieved a strong financial result and I am pleased to report that both the company and its network are in good shape.

What has become increasingly apparent however is our customer base is changing, as is the way our customers use energy. An example is the rapid rise in the number of Christchurch households using heat pumps as their main form of heating, up from 8% in 2003 to 35% in 2008. This fourfold increase in five years is partly due to Environment Canterbury's clean air campaign and to changing consumer trends. Thankfully, the increase hasn't affected our winter peak demand significantly, as many of the new heat pumps have replaced less efficient conventional electric resistance heating. We expect heat pump use to grow to around 70% of households in the next 7-10 years.

Many of our rural customers have switched from sheep and crop farming to dairying, resulting in a dramatic increase in electricity demand across our rural network. It takes around 1000 litres of water to produce 1 litre of milk and most of that water is extracted from the ground using energy-intensive pumps. A big dairy farm uses the same amount of electricity in summer as a town with 1,000 people. Such farms are not dairy farms in the traditional sense – they are big businesses where the milking shed can run for 16 hours a day. Further evidence of the growth in dairy farming within our network area occurred in April 2008 when we connected our largest single customer – Synlait's milk processing factory at Dunsandel.

Our customers are using computers and other electronic devices in greater numbers than ever before. The trend is particularly evident in rural areas where modern farms are now highly reliant on electronic technology which is sensitive to variations in electricity quality. Many customers are becoming less tolerant of minor interruptions to their supply and this presents challenges for electricity network operators.

Despite all these changes and growth, the challenge we face is to do more with less. This means that, rather than just build a bigger, stronger network, we need to look carefully at whether we can work smarter to cope with peak demand – the biggest single driver of investment in our network. Without question, the need to do more with less requires innovation and during the year we initiated a process to introduce two very exciting new technologies onto our network – the Ground Fault Neutraliser (GFN) and a new network management system (NMS). (See boxed stories on pages 8 and 9). Orion's use of the GFN is a first in the Southern Hemisphere, while the NMS is a first for New Zealand.

Both technologies complement other key initiatives that we employ to reduce peak demand and therefore reduce the need for unnecessary additional investment. These initiatives include:

- ripple control of hot water cylinders
- peak pricing
- discounts for customers who agree that we can interrupt their power supply
- the energy efficiency projects that we support.

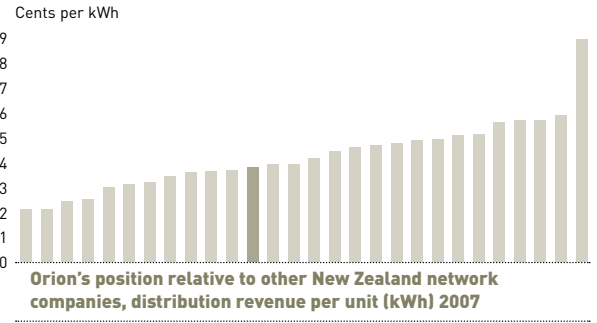
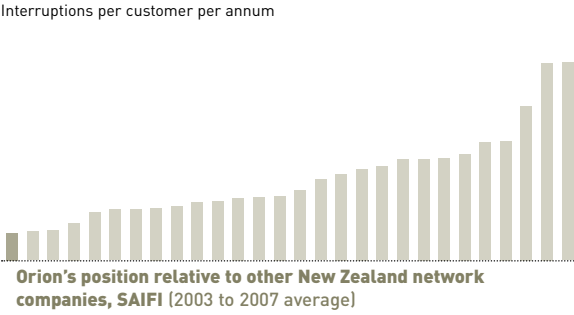
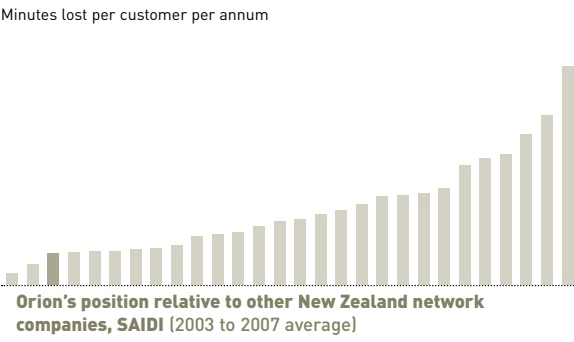
Network reliability and price

Orion has achieved a reputation as one of the best network operators in the country because we consistently operate a safe and reliable network at below average price levels.

In the five years to 31 March 2007 (a period that includes the June 2006 snow storm and is the most recent period where figures are available to compare the performance of New Zealand's 28 electricity networks):

- We had fewer power outages per customer than in any other area in New Zealand. On average our customers experienced one interruption to their electricity supply every 16 months.
- We 'kept the lights on' over 99.98% of the time. Two other New Zealand networks lost power for less time. However, both networks only serve city customers, unlike Orion which delivers electricity to customers across a diverse topography that includes remote rural areas.

Considering the excellent reliability of our network, our distribution pricing compares favourably with that of other New Zealand electricity network operators.



When we compare our 2008 results with those of other network operators, we are confident we performed well.

In the year to 31 March 2008 our customers were without power for less than an hour on average. The New Zealand average for the previous five years was three hours. We also kept the number of interruptions per customer at very low levels (SAIFI = 0.63).

In last year's report we welcomed the announcement that Arc Innovations, a subsidiary of Meridian Energy, planned to install up to 120,000 'smart meters' in Christchurch. During the year Arc installed 40,000 meters and the company plans to install a further 60,000 units over the next 12 months. Smart meters allow customers to be better informed about their energy use and to alter their patterns of use to take advantage of cheaper electricity prices at different times of the year. We remain hopeful that smart metering will lead electricity retailers to adopt more innovative pricing that encourages households to reduce energy consumption at peak network demand times.

Orion's prices are already structured to reflect the actual cost of delivering electricity across our network. Many major business customers take advantage of our 'smart pricing' options and have significantly lowered their electricity bills by reducing electrical use when network loads are high.

Network enhancements

In the last year we undertook several major projects to reinforce our network. In particular, we:

- converted Middleton district substation from 33kV to 66kV, doubling capacity for load growth in the wider Middleton and Wigram area
- purchased land in Belfast, allowing for possible diesel generation or a new Belfast district substation in 2012 when further residential growth is expected to exceed the capability of our existing network in the area
- installed a new 66kV line between Springston and Brookside to improve security and reliability of supply for rural customers, including the new Synlait milk processing plant at Dunsandel



Above: New Ground Fault Neutraliser technology installed this year has the potential to reduce power cuts to rural customers by 20-40%.

- began to install a new district substation at Dunsandel to connect Synlait's plant, which will be in full operation in August 2008
- upgraded Little River district substation to relieve the existing fully loaded plant and improve reliability of supply to the wider area
- upgraded Motukarara district substation to provide increased reliability of supply to the Banks Peninsula area and increased capacity to the Motukarara area
- installed new underground 11kV feeders in Marshland Road to provide improved quality and reliability of supply to Spencerville and Brooklands.

Capital expenditure on our network during the year totalled more than \$36m. Our network asset management and maintenance expenditure amounted to a further \$23m.

Our expenditure is expected to remain around these levels in real, inflation adjusted terms for the next 10 years due to the need to:

- increase network capacity in Christchurch city as a result of infill housing, overall urban growth and Environment Canterbury's clean air plan
- continue investment in rural areas to meet strong residential growth at Rolleston and increased dairy farming loads between the Selwyn and Rakaia rivers
- replace network assets installed in the high electricity growth years of the 1960s which are now reaching the end of their service life.

Ground Fault Neutraliser

During the year we completed a successful trial of exciting new technology called the Ground Fault Neutraliser (GFN).

This equipment, now installed at our Darfield substation, is designed to reduce the amount of electrical arcing at the point a fault occurs on the network. It reduces the level of threat to human life and minimises the risk of fire. The technology also allows us to maintain power supply to homes and businesses, while we dispatch field staff to fix the fault.

The GFN also has the ability to detect potentially faulty equipment before an outage occurs. The system can neutralise transient or momentary faults, eliminating most cases of flickering lights and short term interruptions to power supply.

Our trials show that the GFN has the potential to reduce rural power cuts by 20-40%. We believe it is the most important technology introduced on our network in 40 years and it could set new benchmarks for electricity delivery throughout Australasia.

GFN technology has been used throughout Europe for the last decade, but our trial was the first commercial application in the Southern Hemisphere.

We have budgeted to purchase and install 14 more units throughout our network area over the next three years.

A marketing programme is in place for the GFN and two sales have already been concluded. Both purchasers intend to trial the GFN with a view to ordering more units.

Further information can be found on our website oriongroup.co.nz

Over the next year, we plan to instigate major network enhancements in the Lincoln, Rolleston, Dunsandel and Sockburn areas. We also intend to replace Transpower's 11kV switchgear at Papanui and take over ownership of the equipment.

Further information on our network investment plans can be found in our network asset management plan, available on our website oriongroup.co.nz

Network management system

In April 2008 the board approved expenditure of \$3.8m over the next two years to replace our control room functions with a fully integrated network management system (NMS).

This decision was made following a review of our performance in the aftermath of the June 2006 snow storm, which cut power to 8,000 of our rural customers. Even though our response to the storm was widely recognised as excellent, there is always room to improve.

By the end of 2009, we will become the first New Zealand electricity network operator to implement such a system and take advantage of its new cost-effectiveness for networks with less than a million customer connections.

Our analysis of the NMS shows that the system has the potential to deliver overall cost savings, reduce the duration of power cuts and significantly improve our ability to manage big network emergencies.

The NMS will help us better manage our assets and, because a key aspect of the technology is its ability to minimise the potential for equipment overloading, we can programme our maintenance in smarter ways.

Our present network management methodology relies on skilled individuals with intimate knowledge of the network. While we still require highly skilled personnel, detailed knowledge of the network will be less critical.

Regulatory issues

The regulatory regime under which we operate continues to present challenges. Fundamental to good regulation is the need to:

- deliver positive long term outcomes for customers
- give incentives to invest and innovate
- create robust processes around government regulatory decision making.

Government, regulatory bodies and their advisors need a thorough understanding of issues in the sector if they are to develop appropriate legislative and regulatory structures. As a responsible industry participant we aim to provide comprehensive and objective input on the issues and choices facing the industry. As decision makers consider changes to



Above: A trainee hones his skills at the new CPIT Distribution Trades Training Centre. Orion has committed around \$1.5m to this project to help address ongoing industry skill shortages.

the Commerce Act and Electricity Governance Rules, we will contribute our own in-house expertise and analysis from a range of external sources and advocate for:

- certain and robust methodologies to establish price levels
- an opportunity to review key regulatory decisions on their merits
- timely resolution of regulatory actions against companies.

Managing the future

We reinforced our commitment to a sustainable, responsible and safe future this year when the board formally integrated a range of environmental, employment and community targets into our statement of intent (SOI). The targets can be viewed in full in the SOI section of our website oriongroup.co.nz

Our people

The majority of our employment targets are driven by the need to address ongoing issues of an ageing workforce and an industry shortage of skilled employees. Others highlight the importance of providing a safe, enjoyable and supportive working environment for all our employees and contractors.

Measurable results this financial year include:

- One new employee engaged in our in-house trainee programme. Our four-year advanced engineering programme currently has five trainees. One trainee completed his national diploma in electro-technology in the last year.

- At year end, our subsidiary company Connetics had 17 apprentices. During the year, 12 Connetics apprentices completed their training.
- Work continued on the new CPIT Distribution Trades Training Centre at CPIT's Sullivan Avenue site. Cable jointer and line training started during the year and a simulated subdivision is planned to replicate actual field work. We have committed \$1.5m to this trade training project specifically for the electricity distribution sector. Government funding to match our contribution was secured through the Government's Partnership for Excellence scheme.



- Maintained overall levels of employee satisfaction, according to results from our annual Orion employee survey. Not only are we committed to developing the potential of our employees, we believe it is important to understand their concerns. In 2007 our employees rated their overall satisfaction levels at approximately 3.8 out of 5.0, up from 3.7 the previous year.

Our community

As with our employment targets, we introduced several new community-related targets. These include:

- Continuing our public safety education and awareness programme on the safe use of electricity. Messages range from the need for care when digging near underground cables to the responsibilities of tree owners where branches encroach on overhead power lines.
- Continuing our free "Understanding Electricity" materials and support for school teachers.
- Supporting the Greater Christchurch Urban Development Strategy through our network asset management plan.

We remain committed to our sponsorship of Community Energy Action (CEA), a charitable trust that provides energy



Above: Connetics staff install a 66kV cable, doubling capacity for load growth in the Middleton and Wigram areas. Our capital expenditure on programmes like this totalled more than \$36m this year.

efficiency services for people on low incomes. CEA aims to eliminate cold, damp and poorly insulated houses in Christchurch. It is New Zealand's most enduring energy efficiency initiative and provides long term benefits to our region.

Earth Hour on 28 March 2008 successfully communicated the importance of electricity to our region. We were a primary Earth Hour supporter and, together with the Christchurch City Council, were proud to be associated with such a successful event.

Connetics

Our wholly-owned subsidiary, Connetics, constructs and maintains substations, overhead and underground lines and associated equipment. The company also operates an equipment supply and distribution business and provides engineering design and consultancy services.



Above: Conversion to dairying has brought a dramatic increase in electricity demand across our rural network. It takes around 1000 litres of water to produce 1 litre of milk and most of that water is extracted from the ground using energy-intensive pumps.

Connetics maintains operational bases in Wellington and Dunsandel but most activities are driven from its site at Chapmans Road, Christchurch. During the year new offices opened in Lock Crescent to house the design and engineering, supply and logistics, and IT business units.

Safety is a key priority and the company implemented continuous improvement safety initiatives during the year, highlighted by a safety interaction programme. Ongoing accreditation of quality, safety and employer license management systems was maintained to the relevant AU/NZ standards.

The business achieved its target net profit of \$1.35m.

Connetics retained several Orion contracts covering emergency response, cable supply, emergency spare storage and engineering design. In addition to ongoing work for Vector in Wellington, the company undertook projects for MainPower, Electricity Ashburton, TelstraClear, ElectroNet, Network Waitaki and Buller Electricity. New business was secured with Christchurch City Networks involving design, engineering, project management and material supply related to the city's fibre network installation project.

Despite ongoing investment in recruitment, training and development, Connetics continued to be constrained by a tight labour market. A new project was initiated with the Engineering, Printing and Manufacturing Union (EPMU) to target opportunities for productivity improvement.

Acknowledgements

I've always believed that it's our people that make Orion special. I am genuinely proud of their dedication and desire to do the very best they can. This report marks a culmination of their efforts and achievements during the year.

Orion continues to be one of New Zealand's leading electricity network operators and, together with our board and stakeholders, we will strive to achieve similar outcomes in the coming year.

Roger Sutton
CHIEF EXECUTIVE OFFICER

there is safety

Safe, secure supply of electricity is our goal. Comprehensive training and educational programmes, equipment testing schedules and advanced safety gear help keep people safe around our network. Here, an Orion technician tests for faulty electrical conductors which, if undetected, could cause safety risks.



Board of directors



Craig Boyce

B Com, FCA, FNZIM, FNZID
Chairman since August 2006.
Director since 2002. Craig is chairman of Snowy Peak Limited, Smiths City Group Limited and its subsidiary companies, Bernard Matthews NZ Limited, Progressive Leathers Limited and Transdiesel Limited. He is a director of Datacom Group Limited, Thermocell Limited and Combined Rural Traders Limited.

Michael Andrews

Director since August 2006.
Michael is a director of Tenon Limited, Eastland Infrastructure Limited, Eastland Network Limited, Eastland Port Limited and the National Centre for Advanced Bio-Protection Technologies hosted by Lincoln University.

John Dobson

B Com, AF.Inst.D
Director since August 2003.
John is chairman of Rural Transport Limited and deputy chairman of Smiths City Group Limited and its subsidiary companies. He is a director of Gough Holdings Limited and its subsidiary companies, NZ Express Transport 2006 Limited, Securitised Equipment Receivables Limited, Gough Securities Limited and Wilson Bulk Transport.

George Gould

LLB
Director since August 2001.
George is chairman of Gould Holdings Limited and a director of George Gould Limited, Southern Hemisphere Proving Grounds Limited, Milford Dart Limited, Mitre Peak Cruises Limited, Chong Bureau Limited and Gloucester Cambridge Holdings Limited.

Bill Heaps

IEng MIET
Director since August 2006. Bill is managing director of Strata Energy Limited and Strata Energy Consulting Limited. He is a director of The Sustainable Capital Company Limited and chairman of the Electricity Commission's transmission and wholesale market advisory groups.

Gail Sheriff

Director since April 2005.
Christchurch City Councillor and member of the Burwood/Pegasus Community Board. Gail is a director of Canterbury Development Corporation and Canterbury Economic Development Fund Trustee Limited.

Corporate management



Roger Sutton

CHIEF EXECUTIVE OFFICER

Brendan Kearney

GENERAL MANAGER
CORPORATE SERVICES

Rob Jamieson

GENERAL MANAGER
COMMERCIAL

Craig Kerr

GENERAL MANAGER
INFORMATION SERVICES

John O'Donnell

GENERAL MANAGER
INFRASTRUCTURE

Tas Scott

GENERAL MANAGER
NETWORK DEVELOPMENT

Audited financial statements

The board of directors is pleased to present the audited financial statements of Orion New Zealand Limited and its subsidiaries for the year ended 31 March 2008.

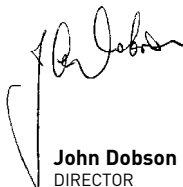
The company's audited financial statements also include three audited statements of performance:

- financial
- electricity network reliability
- environmental.

Authorised for issue on 10 June 2008 for and on behalf of the board of directors:



Craig Boyce
CHAIRMAN
Christchurch, 10 June 2008



John Dobson
DIRECTOR
Christchurch, 10 June 2008



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Income statement

For the year ended 31 March 2008

		Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
	Notes				
Operating revenue	2	208,989	193,482	191,578	181,019
Other income	3	3,829	4,816	2,979	4,880
		212,818	198,298	194,557	185,899
Operating expenses	4	101,546	96,526	85,556	82,428
Depreciation, amortisation and impairment	5	35,056	28,370	32,581	26,886
Finance expenses	6	2,257	2,924	2,257	2,924
		138,859	127,820	120,394	112,238
Profit before income tax expense		73,959	70,478	74,163	73,661
Income tax expense	7	8,449	21,324	7,968	20,729
Profit from continuing operations		65,510	49,154	66,195	52,932
Profit from discontinued operations	9	-	11,454	-	11,454
Profit for the year attributable to the parent entity		65,510	60,608	66,195	64,386

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

Balance sheet

As at 31 March 2008

		Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
	Notes				
Current assets					
Cash and cash equivalents		339	461	312	445
Trade and other receivables	10	5,931	6,464	3,476	4,132
Other current financial assets	11	4,366	4,025	10,187	11,049
Inventories	12	3,450	3,492	298	283
Current tax assets		393	3,254	493	3,213
Other	13	608	733	383	557
Total current assets		15,087	18,429	15,149	19,679
Non current assets					
Trade and other receivables	14	102	117	102	117
Inventories	15	784	618	784	618
Investments in subsidiaries and associates		-	-	6,551	6,551
Other financial assets	21	3,749	9,720	65	4,648
Property, plant and equipment	18	933,289	917,997	930,165	914,471
Investment property	17	5,860	6,215	5,860	6,215
Other intangible assets	20	1,622	1,952	1,598	1,908
Other	16	574	-	574	-
Total non current assets		945,980	936,619	945,699	934,528
Total assets		961,067	955,048	960,848	954,207
Current liabilities					
Trade and other payables	22	25,404	26,873	22,147	23,915
Borrowings	23	33	32	33	32
Provisions	24	119	210	79	103
Total current liabilities		25,556	27,115	22,259	24,050
Non current liabilities					
Borrowings	25	43,562	38,954	43,562	38,954
Deferred tax liabilities	7	191,153	211,500	192,781	212,799
Provisions	26	805	743	575	507
Total non current liabilities		235,520	251,197	236,918	252,260
Equity					
Issued capital	28	120,000	120,000	120,000	120,000
Reserves	29	130,368	127,709	130,368	127,875
Retained earnings		449,623	429,027	451,303	430,022
Total equity attributable to parent equity holders		699,991	676,736	701,671	677,897
Total liabilities and equity		961,067	955,048	960,848	954,207

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

Statement of changes in equity

For the year ended 31 March 2008

	Notes	Share capital \$000	Retained earnings \$000	Asset revaluation reserve \$000	Available-for-sale revaluation reserve \$000	Total equity \$000
Consolidated entity						
Balance as at 1 April 2006		120,000	406,419	-	(166)	526,253
Gain on property, plant and equipment revaluation		-	-	182,625	-	182,625
Available-for-sale investment valuation gain		-	-	-	2,780	2,780
Income tax on items taken directly to equity	7	-	-	(57,152)	(378)	(57,530)
Net income recognised directly in equity		-	-	125,473	2,402	127,875
Profit for the year		-	60,608	-	-	60,608
Total recognised income and expense for the year		-	60,608	-	-	60,608
Dividends	30	-	(38,000)	-	-	(38,000)
Balance as at 31 March 2007		120,000	429,027	125,473	2,236	676,736
Impairment losses		-	-	(246)	-	(246)
Deferred tax on items transferred from equity	7	-	-	35	-	35
Net income recognised directly in equity		-	-	(211)	-	(211)
Available-for-sale investment transferred to profit on sale		-	-	-	(2,780)	(2,780)
Reversal of deferred tax on realisation of available-for-sale investment	7	-	-	-	378	378
Available-for-sale investment transferred to profit on impairment		-	-	-	166	166
Realised gain on disposal of property, plant and equipment		-	86	(86)	-	-
Impact of change in the corporate tax rate on deferred tax liability	7	-	-	5,192	-	5,192
Profit for the year		-	65,510	-	-	65,510
Total recognised income and expense for the year		-	65,596	5,106	(2,236)	68,466
Dividends	30	-	(45,000)	-	-	(45,000)
Balance as at 31 March 2008		120,000	449,623	130,368	-	699,991

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

	Notes	Share capital \$000	Retained earnings \$000	Asset revaluation reserve \$000	Available-for-sale revaluation reserve \$000	Total equity \$000
Parent entity						
Balance as at 1 April 2006		120,000	403,636	-	-	523,636
Gain on property, plant and equipment revaluation		-	-	182,625	-	182,625
Available-for-sale investments valuation gain		-	-	-	2,780	2,780
Income tax on items taken directly to equity	7	-	-	(57,152)	(378)	(57,530)
Net income recognised directly in equity		-	-	125,473	2,402	127,875
Profit for the year		-	64,386	-	-	64,386
Total recognised income and expense for the year		-	64,386	-	-	64,386
Dividends	30	-	(38,000)	-	-	(38,000)
Balance as at 31 March 2007		120,000	430,022	125,473	2,402	677,897
Impairment losses		-	-	(246)	-	(246)
Deferred tax on items transferred from equity	7	-	-	35	-	35
Net income/(expense) recognised directly in equity		-	-	(211)	-	(211)
Available-for-sale investment transferred to profit on sale		-	-	-	(2,780)	(2,780)
Reversal of deferred tax on realisation of available-for-sale investment	7	-	-	-	378	378
Realised gain on disposal of property, plant and equipment		-	86	(86)	-	-
Impact of change in the corporate tax rate on deferred tax liability	7	-	-	5,192	-	5,192
Profit for the year		-	66,195	-	-	66,195
Total recognised income and expense for the year		-	66,281	5,106	(2,402)	68,985
Dividends	30	-	(45,000)	-	-	(45,000)
Balance as at 31 March 2008		120,000	451,303	130,368	-	701,671

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

Cash flow statement

For the year ended 31 March 2008

Notes	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
Cash flows from operating activities				
Receipts from customers	199,581	189,742	180,856	171,386
Interest received	348	282	499	365
Dividends received	-	1	1,500	4,698
Payments to suppliers and employees	(102,852)	(94,855)	(87,459)	(76,904)
Interest and other finance costs paid	(1,832)	(2,528)	(1,832)	(2,526)
Subvention payments	-	-	-	(1,745)
Income tax paid	(20,329)	(20,870)	(19,660)	(19,958)
Net cash provided by operating activities	32 74,916	71,772	73,904	75,316
Cash flows from investing activities				
Payment for investment securities	(256)	(475)	-	-
Proceeds from sale of investment securities	6,216	4,039	5,071	3,724
Disposal of discontinued operation (net of cash disposed of)	-	13,391	-	12,000
Proceeds from repayment of related party loans	-	181	894	181
Amounts advanced to related parties	(7)	(6)	(7)	(3,369)
Payment for property, plant and equipment	(40,141)	(30,717)	(38,948)	(29,481)
Proceeds from sale of property, plant and equipment	706	310	509	119
Deposit paid for property purchase	(574)	-	(574)	-
Payment for intangible assets	(591)	(739)	(591)	(739)
Payment to joint venture	-	(100)	-	(100)
Net cash used in investing activities	(34,647)	(14,116)	(33,646)	(17,665)
Cash flows from financing activities				
Proceeds from borrowing	4,700	710	4,700	710
Repayment of borrowings	(91)	(21,024)	(91)	(21,024)
Dividends paid	(45,000)	(38,000)	(45,000)	(38,000)
Net cash used in financing activities	(40,391)	(58,314)	(40,391)	(58,314)
Net decrease in cash and cash equivalents	(122)	(658)	(133)	(663)
Summary				
Cash and cash equivalents at beginning of year	461	1,119	445	1,108
Net decrease in cash and cash equivalents	(122)	(658)	(133)	(663)
Cash and cash equivalents at end of year	32 339	461	312	445

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

Notes to the financial statements

For the year ended 31 March 2008

1. Statement of accounting policies

Statement of compliance

Orion New Zealand Limited (the company) is a profit-oriented company incorporated in New Zealand under the Companies Act 1993. The group consists of Orion New Zealand Limited and its subsidiaries (refer also to note 41). The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act and section 44 of the Energy Companies Act 1992.

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards as appropriate for profit-oriented entities.

Compliance with NZ IFRS ensures that the group financial statements comply with International Financial Reporting Standards (IFRS). The parent entity financial statements also comply with NZ IFRS.

Basis of financial statement preparation

These financial statements are presented in New Zealand dollars, rounded to the nearest thousand.

These financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments as outlined in note 1(f), property, plant and equipment as outlined in note 1(m) below, and investment property as outlined in note 1(n). Cost is based on the fair value of the consideration given in exchange for assets.

Accounting policies have been selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The accounting policies set out below have been applied in preparing these financial statements for the year ended 31 March 2008 and the comparative information presented in these financial statements for the year ended 31 March 2007.

Critical judgements, estimates and assumptions in applying the entity's accounting policies

Preparing financial statements to conform with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions have been based on historical experience and other factors that are believed to be reasonable under the circumstances. These estimates and assumptions have formed the basis for making judgements about the carrying values of assets and liabilities, where these are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are regularly reviewed. Any change to estimates is recognised in the year if the change affects only that year, or into future years if it also affects future years. In the process of applying the company's accounting policies, management has made the following judgements, estimates and assumptions that have had the most significant impact on the amounts recognised in these financial statements.

The company operates an extensive integrated electricity distribution network comprising large numbers of relatively minor individual network asset components. These components are replaced over time as part of an ongoing maintenance/refurbishment programme, consistent with the group's approved network asset management plan. The costs associated with recording and tracking all individual components replaced and removed from the network substantially outweigh the benefits of doing so. Management has estimated the quantities and the carrying values of components removed from the network in each reporting period. Any errors in the estimates of such removals are corrected at the next asset revaluation, and are not considered to be material on either an annual or a cumulative basis with respect to either reported net profits or carrying values of the network. Refer also to note 1(m) property, plant and equipment regarding revaluations.

The company enters into arrangements with customers to purchase new network assets at below current replacement costs. Management has estimated the difference between the cash costs and the replacement costs of these assets and the differences are reported within revenue. Any errors in estimating the carrying values of these assets are corrected at the next asset revaluation and are not considered to be material on either an annual or a cumulative basis with respect to either reported net profits or carrying values of the network.

The company invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for the latest washed-up data available from the electricity wholesale market and certain metering data from electricity retailers. Management has made an allowance in revenue and in current assets/liabilities for any amounts which are estimated to be under/over charged during the reporting period. However, as final wash-up metering data is not available for more than twelve months, it is possible that the final amounts payable or receivable may vary from that calculated.

Notes to the financial statements continued
For the year ended 31 March 2008

1. Statement of accounting policies continued

Other areas where judgement has been exercised in preparing these financial statements are in relation to calculating provisions for doubtful debts, assessing the level of any unrecoverable work in progress and calculating provisions for employee benefits.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of these financial statements:

(a) Basis of consolidation

SUBSIDIARIES

Subsidiaries are entities controlled by the group.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its subsidiaries. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the difference is credited to the income statement in the year of acquisition. The consolidated financial statements include the information and results of each subsidiary from the date on which the group obtains control until such time as the group ceases to control the subsidiary. In preparing the consolidated financial statements, all intergroup balances and transactions, and unrealised profits arising within the group are eliminated in full.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet.

ASSOCIATES

Associates are entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for in the parent's financial statements using the cost less impairment method and in the consolidated financial statements using the equity method, after initially being recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the parent's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

JOINT VENTURES

Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement. The group's share of the assets, liabilities, revenues and expenses of any joint venture is incorporated into the group's financial statements on a line-by-line basis using the proportionate method.

(b) Discontinued operations

A discontinued operation is a component of the group's business that represents a separate major line of business that has been disposed of. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is restated as if the operation had been discontinued from the start of the comparative period.

1. Statement of accounting policies continued

(c) Goods and services tax

Revenues, expenses, cash flows and assets are recognised net of the amount of goods and services tax (GST), except for receivables and payables which are recognised inclusive of GST. Where GST is not recoverable as an input tax it is recognised as part of the related asset or expenses. Cashflows in respect of payments to and receipts from the Inland Revenue Department are shown net in the statement of cash flows.

(d) Foreign currency

The functional and presentation currency is New Zealand dollars. Transactions in foreign currencies are translated at the foreign exchange rate ruling on the day of the transaction. Foreign currency monetary items at balance date are translated at the exchange rate ruling at that date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates ruling at the date when the fair value was determined. Exchange differences are recognised in the income statement in the year in which they arise.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks (including bank overdrafts) and investments in money market instruments with maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(f) Financial assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under contractual terms that require delivery of the investment within the timeframe established by the market concerned.

The classification into the following categories depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

FINANCIAL ASSETS AT FAIR VALUE THROUGH INCOME STATEMENT

The group has certain derivatives which are stated at fair value and the movements are recognised in the income statement.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Certain shares and convertible notes held by the group are classified as being available-for-sale and are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the available-for-sale revaluation reserve (except for impairment losses that are recognised in the income statement), until the investment is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in the income statement for the year.

Investments in subsidiaries, associates and joint ventures are stated at cost less impairment. Details of the impairment tests performed are disclosed in note 1(l).

LOANS AND RECEIVABLES

Accounts receivable are stated at cost less impairment losses. All known bad debts are written off during the financial year. Hire purchase debtors exclude unearned interest (calculated using the effective interest rate method). Intergroup balances due from subsidiaries and associates are stated at cost less impairment losses.

Details of the impairment tests performed are disclosed in note 1(l).

(g) Inventories and work in progress

Inventories are valued at the lower of cost (first in first out (FIFO) or weighted average) and net realisable value, with additional allowances for obsolescence where necessary. The cost of finished goods comprises direct materials and where applicable, direct labour and other direct variable costs incurred in order to bring inventories to their present location and condition. Costs are assigned to individual items of inventory on a weighted average cost basis. The cost of chargeable work in progress includes direct materials and labour and an allocation of overheads that directly relate to the work performed. Net realisable value is the estimated amount the inventories are expected to realise in the ordinary course of business less an estimate of any costs to completion and applicable variable selling expenses.

(h) Income tax

Income tax expense in relation to the surplus or deficit for the year comprises current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using rates that have been enacted or substantively enacted by balance date.

Notes to the financial statements continued

For the year ended 31 March 2008

1. Statement of accounting policies continued

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised. Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit. Deferred tax is recognised on taxable temporary differences arising on investments in subsidiaries and associates and interest in joint ventures, except where the company can control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, using tax rates that have been enacted or substantively enacted by balance date.

Current tax and deferred tax are charged or credited to the income statement, except when they relate to items charged or credited directly to equity, in which case the tax is dealt with in equity.

(i) **Non current assets held for sale**

Non current assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell, and are not amortised or depreciated.

Non current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. The sale of the asset is expected to be completed within one year from the date of classification.

(j) **Leased assets**

Leases are classified as finance leases whenever the lease terms transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

CONSOLIDATED ENTITY AS LESSOR

Amounts due from lessees under finance leases are recorded as receivables. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

CONSOLIDATED ENTITY AS LESSEE

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(k) **Derivative financial instruments**

The group enters into swaps, forward rate agreements and options transactions. Such transactions are undertaken within board-approved policies and limits for the primary purpose of managing exposure to fluctuations in interest rates and foreign exchange rates arising from operational, financing and investing activities. 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 forward rate agreements, the differential to be paid or received is accrued as rates change and is recognised over the life of the agreements. The group does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

The group has not designated any derivatives as hedges. Derivatives are initially recognised at fair value on the date a derivative contract is entered into. Subsequent to initial recognition derivatives are revalued to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the income statement depends on the nature of the hedge relationship.

The fair value of interest rate swaps is the estimated amount that the group would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward rate agreements is their quoted market price at the balance sheet date, being the present value of the quoted forward price.

1. Statement of accounting policies continued

(l) **Impairment of assets**

The carrying amounts of the group's assets, other than inventory, investment property and deferred tax assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists for an asset, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent of other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amounts are the higher of fair value (less costs to sell) and value in use. In assessing value in use, the estimated future pre tax cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Goodwill is tested for impairment annually and whenever there is an indication that it may be impaired. An impairment of goodwill is not subsequently reversed.

If a revalued asset is determined to be impaired, then the impairment is firstly applied against the related component of the revaluation reserve, with any remaining impairment loss expensed in the income statement. If the impairment loss is subsequently reversed, the reversal is firstly applied to the income statement to the extent of previously expensed impairment losses relating to that asset, with any further increase taken to the revaluation reserve.

For assets which are not revalued, an impairment loss is expensed immediately in the income statement. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

Equity instruments are deemed to be impaired whenever there is a significant or prolonged decline in fair value below the original purchase price. Any subsequent recovery of an impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit and loss.

(m) **Property, plant and equipment**

Land and buildings are valued at fair value. Fair value is determined on the basis of a periodic independent market valuation prepared by external valuers, based on discounted cash flows or capitalisation of net income (as appropriate). The fair values are recognised in these financial statements of the group, and are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings is not materially different from fair value.

The electricity distribution network is valued at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers, based on an optimised depreciated replacement cost methodology. The fair values are recognised in these financial statements of the group and are reviewed at the end of each reporting period to ensure that the carrying value of the distribution system is not materially different from fair value. Consideration is given to whether the distribution system is impaired as detailed in note 1(l).

Any revaluation increase arising on the revaluation of land and buildings and the distribution system is credited to the asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit or loss, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the distribution system is charged as an expense in the income statement to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation on revalued buildings and the distribution system is charged to the income statement. On the subsequent sale or retirement of a revalued item, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings. Other plant and equipment and leasehold improvements are valued at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. The cost of self-constructed assets includes the cost of materials and direct labour and an allowance for overheads.

Notes to the financial statements continued
For the year ended 31 March 2008

1. Statement of accounting policies continued

Depreciation is calculated on a straight-line basis to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method is reviewed at the end of each annual reporting period. The main bases for the calculation of depreciation are periods not exceeding:

	Years
Electricity distribution network	60
Building structures	70
Building services	30
Building fit-out	20
Cars and vans	5
Trucks	10
Plant and equipment	10
Computer equipment	3

The carrying amount for an item of property, plant and equipment is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve in respect of those assets are transferred to retained earnings.

(n) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the year in which those gains or losses arise.

(o) Intangible assets

Internally-generated intangible assets for finite life intangibles are stated at cost less accumulated amortisation and impairment and are amortised on a straight-line basis over their useful lives.

COMPUTER SOFTWARE

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives. Usually this period does not exceed three years.

Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives. Usually this period does not exceed three years.

PATENTS, TRADEMARKS AND LICENCES

Patents, trademarks and licences are finite life intangibles and are recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over their estimated useful lives of 20 years. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period.

RESEARCH AND DEVELOPMENT COSTS

Expenditure on research activities is recognised as an expense in the year in which it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if future benefits are expected to exceed these costs. Otherwise development expenditure is recognised as an expense in the year in which it is incurred.

1. Statement of accounting policies continued

(p) Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and is not amortised, but it is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the income statement and is not subsequently reversed. Refer also to note 1(l).

(q) Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade payables are recognised at cost.

(r) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate method.

(s) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Provisions for warranty costs are recognised at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the group's liability.

(t) Employee benefits

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months, such as long service leave, are measured as the present value of the estimated future cash outflows to be made by the group in respect of services provided by employees up to the reporting date taking into account years of service, years to entitlement and the likelihood that staff will reach the point of entitlement.

Contributions to multi-employer defined benefit schemes are expensed when incurred.

(u) Financial instruments issued by the group

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instruments or component parts of compound instruments.

(v) Revenue recognition

Revenue from the sale of goods is recognised when the group has transferred to the buyer the significant risks and rewards of ownership of the goods. Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the balance date as measured by progress invoices raised to customers in conjunction with an assessment of costs incurred to date.

Dividend revenue from investments is recognised when the shareholders' rights to receive payment have been established. Interest revenue is recognised in the income statement as it accrues, using the effective interest rate method.

(w) 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 group.

Notes to the financial statements continued
For the year ended 31 March 2008

1. Statement of accounting policies continued

(x) Capital contributions and Government grants

Capital contributions that are refundable to customers are treated as current liabilities until refunded. Non-refundable cash contributions from customers, including Government agencies, relating to assets, are credited directly to income when the asset is connected to the network.

The group acquires certain distribution assets for less than their replacement cost. Such assets are capitalised at their replacement cost to the group, and the difference between the cash cost and the replacement cost is recognised as revenue in the year of acquisition.

(y) Borrowing costs

Borrowing costs are expensed using the effective interest rate method. No borrowing costs have been capitalised.

Changes in accounting policies

The accounting policies detailed above have been applied in preparation of these financial statements for the year ended 31 March 2008 and have been consistently applied throughout the year. There have been no changes in accounting policies in comparison with the prior year.

New standards and interpretations on issue but not yet effective

The following standards are relevant to the group's operations and will become mandatory for the group's 2010 financial statements:

- NZ IFRS 8 Operating Segments, which supersedes NZ IAS 14 Segment Reporting. This new standard provides guidance on the disclosure requirements in respect of the operating segments of entities. The group has not yet determined the potential impact of this new standard
- NZ IAS 1 Presentation of Financial Statements (revised). This revision changes the presentation and components of the statement of changes in equity and introduces a new statement of comprehensive income. The group has not determined the potential impact of this revised standard
- NZ IAS 23 Borrowing Costs (revised). This revision removes the option to expense borrowing costs incurred in respect of qualifying assets. The group does not expect that this revised standard will materially impact on its financial statements.

The following standards and interpretations are not relevant to the group's operations and are not expected to have any significant impact:

	Effective for the financial year ending
• NZ IFRS 2 Amendments to Share Based Payments	2011
• NZ IFRS 3 Business Combinations (revised)	2011
• NZ IFRS 4 Insurance Contracts (amendments)	2010
• NZ IAS 27 Consolidated and Separate Financial Statements (amended)	2011
• NZ IAS 32 Financial Instruments Presentation	2011
• NZ IFRIC 12 Service Concession Arrangements	2009
• NZ IFRIC 13 Customer Loyalty Programmes	2010
• NZ IFRIC 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	2009

2. Operating revenue

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
Delivery revenue	169,372	160,664	169,372	160,664
Transmission rental rebates	4,217	5,700	4,217	5,700
Contracting revenue	13,158	10,754	-	-
Sale of goods	5,940	6,534	-	-
Consumer capital contributions	4,088	2,401	4,088	2,401
Donated and subsidised assets	8,696	4,496	8,696	4,496
Rental revenue:				
Investment properties	309	282	309	282
Other properties	350	221	350	221
Interest revenue:				
Finance lease interest revenue	12	14	12	14
Bank deposits	31	22	31	22
Other	164	189	164	209
Related parties	141	-	293	61
Dividends:				
Subsidiaries	-	-	1,500	4,697
Associates	-	1	-	1
Other	2,511	2,204	2,546	2,251
	208,989	193,482	191,578	181,019

3. Other income

Gain on disposal of property, plant and equipment	226	58	177	33
Gain on disposal of investments	786	3,910	-	4,014
Realisation of available-for-sale revaluation reserve	2,780	-	2,780	-
Gain on hedging	407	412	407	412
Change in fair value of financial assets designated as fair value through the income statement	(30)	306	(30)	306
Change in fair value of investment property	(355)	115	(355)	115
Other	15	15	-	-
	3,829	4,816	2,979	4,880

Notes to the financial statements continued

For the year ended 31 March 2008

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
4. Operating expenses				
Write-down of inventory to net realisable value	-	15	-	-
Direct operating expenses of investment properties generating rental income	65	41	65	41
Donations	52	66	50	60
Movement in provisions	64	140	44	77
Minimum operating lease payments	527	475	70	65
Employee benefit expenses:				
Multi-employer defined benefit plans	156	141	84	76
Other employee benefits	26,977	25,362	12,766	11,642
Network maintenance	16,396	16,162	16,396	16,162
Subvention payments	-	-	-	43
Transmission expenses	44,148	41,749	44,148	41,749
Transmission rental rebates	4,217	5,700	4,217	5,700
Other	8,944	6,675	7,716	6,813
	<u>101,546</u>	<u>96,526</u>	<u>85,556</u>	<u>82,428</u>
5. Depreciation, amortisation and impairment				
Depreciation of non current assets	31,873	25,816	30,557	24,590
Amortisation of non current assets	930	836	900	794
Impairment of property, plant and equipment	-	417	-	403
Impairment of financial assets	1,452	524	309	524
Reversals of impairment losses – property, plant and equipment	(14)	-	-	-
Reversals of impairment losses – financial assets	-	(205)	-	(407)
Replaced assets written off	815	982	815	982
	<u>35,056</u>	<u>28,370</u>	<u>32,581</u>	<u>26,886</u>
6. Finance expenses				
Interest expense on loans	2,199	2,575	2,199	2,575
Other interest expense	58	349	58	349
	<u>2,257</u>	<u>2,924</u>	<u>2,257</u>	<u>2,924</u>

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
7. Income taxes				
Income tax expense recognised in profit				
Tax expense comprises:				
Current tax expense	22,999	21,259	22,234	20,462
Adjustments recognised in current year in relation to the current tax of prior years	193	183	148	178
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(577)	(118)	(328)	89
Deferred tax income relating to change in tax rate	(13,924)	-	(14,086)	-
Benefit arising from previously unrecognised tax losses of prior years	(324)	-	-	-
Deferred tax expense relating to use of prior year's losses	82	-	-	-
Total income tax expense recognised in profit	<u>8,449</u>	<u>21,324</u>	<u>7,968</u>	<u>20,729</u>
The prima facie income tax expense on pre tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
Profit before tax from continuing operations	73,959	70,478	74,163	73,661
Prima facie income tax expense calculated at 33%	24,406	23,258	24,474	24,308
Non-deductible expenses	675	295	293	291
Non-assessable income	(2,302)	(1,879)	(2,538)	(3,531)
Other deductible items	(12)	(402)	(12)	(375)
Previously unrecognised and unused tax losses now recognised as deferred tax assets	(242)	-	-	-
Effect on deferred tax balances due to the change in income tax rate from 33% to 30% effective 1 April 2008	(13,924)	-	(14,086)	-
	<u>8,601</u>	<u>21,272</u>	<u>8,131</u>	<u>20,693</u>
Under/(over) provision of income tax in previous year	(152)	52	(163)	36
Total income tax expense recognised in profit	<u>8,449</u>	<u>21,324</u>	<u>7,968</u>	<u>20,729</u>
The impact of the change in tax rate on deferred taxation has been credited as follows:				
Income tax expense	13,924	-	14,086	-
Asset revaluation reserve	5,192	-	5,192	-
	<u>19,116</u>	<u>-</u>	<u>19,278</u>	<u>-</u>

The tax rate used in the above reconciliation is the corporate tax rate of 33% payable by New Zealand companies on taxable profits under New Zealand tax law. There has been no change in the corporate tax rate from the previous year.

The corporate tax rate in New Zealand changes from 33% to 30% with effect from 1 April 2008. This revised rate has no impact on the current tax payable for the current year but will do so in future periods. However, the impact of the change in tax rate has been taken into account in the measurement of deferred taxes at the end of the reporting period.

Notes to the financial statements continued

For the year ended 31 March 2008

7. Income taxes continued

Consolidated group for the year ended
31 March 2008

Taxable and deductible temporary
differences arise from:

DEFERRED TAX LIABILITIES

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Disposals \$000	Change in tax rate \$000	Closing balance \$000
Property, plant and equipment	212,533	(538)	(35)	-	(19,270)	192,690
Intangible assets	37	34	-	-	(6)	65
Fair value through profit or loss financial assets	142	(10)	-	-	(12)	120
Available-for-sale financial assets	377	-	-	(377)	-	-
	<u>213,089</u>	<u>(514)</u>	<u>(35)</u>	<u>(377)</u>	<u>(19,288)</u>	<u>192,875</u>

DEFERRED TAX ASSETS

Provisions	1,313	195	-	-	(137)	1,371
Doubtful debts and impairment losses	41	(6)	-	-	(3)	32
Finance lease liability	226	(128)	-	-	(9)	89
Tax losses	-	242	-	-	(22)	220
Other	9	2	-	-	(1)	10
	<u>1,589</u>	<u>305</u>	<u>-</u>	<u>-</u>	<u>(172)</u>	<u>1,722</u>
Net deferred tax liability	<u>211,500</u>	<u>(819)</u>	<u>(35)</u>	<u>(377)</u>	<u>(19,116)</u>	<u>191,153</u>

Consolidated group for the year ended
31 March 2007

DEFERRED TAX LIABILITIES

Property, plant and equipment	155,276	105	57,152	-	-	212,533
Intangible assets	15	22	-	-	-	37
Fair value through profit or loss financial assets	41	101	-	-	-	142
Available-for-sale financial assets	-	-	377	-	-	377
	<u>155,332</u>	<u>228</u>	<u>57,529</u>	<u>-</u>	<u>-</u>	<u>213,089</u>

DEFERRED TAX ASSETS

Provisions	1,574	138	-	(399)	-	1,313
Doubtful debts and impairment losses	42	(1)	-	-	-	41
Finance lease liability	-	226	-	-	-	226
Other	2	7	-	-	-	9
	<u>1,618</u>	<u>370</u>	<u>-</u>	<u>(399)</u>	<u>-</u>	<u>1,589</u>
Net deferred tax liability	<u>153,714</u>	<u>(142)</u>	<u>57,529</u>	<u>399</u>	<u>-</u>	<u>211,500</u>

7. Income taxes continued

Parent entity for the year ended
31 March 2008

Taxable and deductible temporary
differences arise from:

DEFERRED TAX LIABILITIES

	Opening balance \$000	Charged to income \$000	Charged to equity \$000	Disposals \$000	Change in tax rate \$000	Closing balance \$000
Property, plant and equipment	213,244	(440)	(35)	-	(19,343)	193,426
Intangible assets	37	34	-	-	(6)	65
Fair value through profit or loss financial assets	142	(10)	-	-	(12)	120
Available-for-sale financial assets	377	-	-	(377)	-	-
	<u>213,800</u>	<u>(416)</u>	<u>(35)</u>	<u>(377)</u>	<u>(19,361)</u>	<u>193,611</u>

DEFERRED TAX ASSETS

Provisions	725	44	-	-	(70)	699
Doubtful debts and impairment losses	41	(6)	-	-	(3)	32
Finance lease liability	226	(128)	-	-	(9)	89
Other	9	2	-	-	(1)	10
	<u>1,001</u>	<u>(88)</u>	<u>-</u>	<u>-</u>	<u>(83)</u>	<u>830</u>
Net deferred tax liability	<u>212,799</u>	<u>(328)</u>	<u>(35)</u>	<u>(377)</u>	<u>(19,278)</u>	<u>192,781</u>

Parent entity for the year ended
31 March 2007

DEFERRED TAX LIABILITIES

Property, plant and equipment	155,816	276	57,152	-	-	213,244
Intangible assets	15	22	-	-	-	37
Fair value through profit or loss financial assets	41	101	-	-	-	142
Available-for-sale financial assets	-	-	377	-	-	377
	<u>155,872</u>	<u>399</u>	<u>57,529</u>	<u>-</u>	<u>-</u>	<u>213,800</u>

DEFERRED TAX ASSETS

Provisions	647	78	-	-	-	725
Doubtful debts and impairment losses	42	(1)	-	-	-	41
Finance lease liability	-	226	-	-	-	226
Other	2	7	-	-	-	9
	<u>691</u>	<u>310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,001</u>
Net deferred tax liability	<u>155,181</u>	<u>89</u>	<u>57,529</u>	<u>-</u>	<u>-</u>	<u>212,799</u>

Notes to the financial statements continued
For the year ended 31 March 2008

7. Income taxes continued

Unrecognised deferred tax benefit

A subsidiary of the group has overseas tax losses which, prior to 1 April 2007, could only be offset against the subsidiary's share of future net income from the same source. With the application of the New Zealand Fair Dividend Rate (FDR) taxation regime from 1 April 2007, the subsidiary's accumulated losses are available to offset FDR income. Consequently the subsidiary now recognises the tax benefit of the remaining tax losses as a deferred tax asset. As at 31 March 2008 the deferred tax asset recognised totalled \$220,000 (2007: nil). As at 31 March 2007 the subsidiary and group had an unrecognised deferred tax asset of \$324,000 related to accumulated tax losses of \$983,000.

Imputation credit account balances

The Orion consolidated tax group for imputation credit account purposes includes the company, Connetics Limited and, from 1 April 2007, Orion Group Limited – therefore the parent and consolidated group imputation credit accounts are the same.

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
Opening balance	2,506	496		
Amalgamation of Orion Group Limited	479	-		
Use of money interest received	138	123		
Taxation paid	22,368	20,747		
Refunds received	(2,177)	-		
Attached to dividends paid	(22,164)	(18,716)		
Attached to deemed dividends	-	(144)		
Closing balance	1,150	2,506		

8. Remuneration of auditors

Auditor of the parent entity:

Audit of the financial statements	160	171	116	129
Audit of the NZ IFRS transition	9	50	9	40
Audit related services or review of the financial statements not reported above	23	55	23	55
	192	276	148	224

The auditor of the company and its subsidiaries is Audit New Zealand on behalf of the Auditor-General.

Audit related services comprise the review of the company's regulatory disclosures in accordance with the Electricity (Information Disclosure) Requirements and the price path threshold regime under Part 4A of the Commerce Act 1986. Audit New Zealand also undertook a review of the company's payroll system and processes in the 2007 financial year.

9. Discontinued operations

Profits attributable to the discontinued operations

Operating revenue	-	228	-	-
Other income	-	168	-	-
	-	396	-	-
Operating expenses	-	3,817	-	1,701
Depreciation, amortisation and impairment	-	79	-	-
Finance expenses	-	292	-	-
	-	4,188	-	1,701
Profit/(loss) before income tax expense	-	(3,792)	-	(1,701)
Attributable income tax benefits	-	1,248	-	1,224
Profit/(loss) after income tax	-	(2,544)	-	(477)
Gain/(loss) on sale of discontinued operations	-	13,998	-	11,931
Profit/(loss) from discontinued operations	-	11,454	-	11,454

Cash flows from discontinued operations

Net cash from operating activities	-	(1,791)	-	(477)
Net cash from investing activities	-	(185)	-	-
Net cash inflow from disposal	-	13,391	-	11,931
	-	11,415	-	11,454

Impact of disposal on the financial position of the group

Trade and other receivables	-	744
Other financial assets	-	1,337
Inventories	-	3,661
Other current assets	-	334
Property, plant and equipment	-	745
Investments accounted for using the equity method	-	8,649
Deferred tax asset	-	399
Current borrowings	-	(29)
Trade and other payables	-	(1,428)
Other financial liabilities	-	(3,152)
Provisions	-	(654)
Non current borrowings	-	(12,673)
Net identifiable assets and (liabilities) disposed	-	(2,067)

Consideration received in cash	-	13,362
Current borrowings liability relinquished	-	29
Net cash inflow	-	13,391

On 1 July 2006 the company sold all but 5% of its investment in Whisper Tech Limited and all of its shares in Orion (Whisper Tech) Limited (effectively being its 60% interest in the Whisper Tech Joint Venture) to Meridian Energy Limited for \$12m. The disposal of this business interest was consistent with the group's intention to focus on the electricity distribution network. In 2007 the company used a subvention payment and a tax loss offset with Orion (Whisper Tech) Limited to utilise the tax losses available from the Whisper Tech joint venture. Following the sale, these tax losses were no longer available to the company.

Notes to the financial statements continued
For the year ended 31 March 2008

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
10. Current trade and other receivables				
Trade receivables	5,817	6,575	3,342	4,243
Allowance for impairment of receivables	(85)	(125)	(65)	(125)
	5,732	6,450	3,277	4,118
Finance lease receivable	15	14	15	14
GST receivable	184	-	184	-
	5,931	6,464	3,476	4,132
Bad debts written off	251	62	236	46
Bad debts recovered	29	28	29	28
Movement in allowance	(40)	(18)	(60)	(3)

An allowance has been made for estimated irrecoverable amounts from the provision of goods and services, determined by reference to past default experience. The net movement in the allowance was recognised in the income statement for the current financial year. The allowance for impairment of receivables has been reduced in the current year because a large receivable, outstanding as at 31 March 2007, has now been resolved.

Bad debts written off include interest receivable on loans to an associate which will not be recovered.

There are no significant concentrations of credit risk within trade receivables.

Electricity retailers are invoiced on the 10th day of the month of usage with payment due on 20th of that month. This means that by month's end there should be no electricity delivery revenue outstanding. Invoiced amounts are subject to a subsequent wash-up process as outlined under critical judgements, estimates and assumptions in note 1.

No interest is charged on trade receivables from most customers.

11. Other current financial assets

At fair value

Interest rate swaps	327	-	327	-
Foreign currency forward contracts	7	-	7	-
	334	-	334	-

At amortised cost

Interest bearing loans advanced to subsidiaries	-	-	5,821	7,024
Non interest bearing advances to parent entity	4,032	4,025	4,032	4,025
	4,032	4,025	9,853	11,049
	4,366	4,025	10,187	11,049

Amounts receivable from related entities

Receivables from entities related to the company are included within the parent company financial statements in accordance with funding arrangements in place with those parties. These arrangements may include a charge for interest. Receivables from subsidiaries and the parent are repayable on demand and therefore are not overdue. The carrying value of the company's advances to subsidiaries is calculated after the deduction of a \$1,867,000 (2007: \$1,558,000) allowance for impairment, as the net tangible assets of the borrower are not sufficient to cover the debt. During the year the allowance for impairment on these advances to subsidiaries was increased by \$309,000 (2007: reduced by \$202,000).

As at 31 March 2007 the group assessed a \$0.5m advance to an associate as impaired and expensed the amount through the income statement in the year ended 31 March 2007.

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
12. Current inventories				
Chargeable work in progress	377	458	19	33
Goods for sale	1,026	998	-	-
Maintenance items	2,200	2,149	321	250
Less allowance for impairment	(153)	(113)	(42)	-
	3,450	3,492	298	283

Certain inventories are subject to security interests created by retention of title clauses.

13. Other current assets

Prepayments	608	733	383	557

14. Non current trade and other receivables

Finance lease receivable	102	117	102	117

15. Non current inventories

Maintenance items	784	618	784	618

16. Other non current assets

Prepayments	574	-	574	-

In March 2008 the company entered into a contract to purchase a property. The sale and purchase contract is conditional for up to two years while the purchaser obtains various legal consents required to use the property as a substation site. The purchase price is held in solicitors' trust accounts and, if the company is unable to obtain the required consents, the contract can be cancelled and the purchase price will be refunded to the company.

17. Investment property

Balance at beginning of financial year	6,215	6,100	6,215	6,100
Net gain/(loss) from fair value adjustments	(355)	115	(355)	115
Balance at end of financial year	5,860	6,215	5,860	6,215

The company's investment properties were valued by independent registered valuer Mr John Schellekens, a director of CB Richard Ellis Limited, as a contractor to Ernst & Young Corporate Finance Limited as at 31 March 2006. Mr Schellekens has over 15 years' experience in property valuation and is a senior member of the Property Institute of New Zealand.

The company's investment property was valued by independent registered valuer Mr Marius Ogg of CB Richard Ellis Limited as at 31 March 2007 and 31 March 2008. Mr Ogg is a senior member of the Property Institute of New Zealand and is a director of CB Richard Ellis Limited.

The valuations were performed to assess fair value in accordance with NZ IAS 40. Various valuation approaches were undertaken relating closely to appropriate market evidence.

Notes to the financial statements continued
For the year ended 31 March 2008

18. Property, plant and equipment

	Freehold land at fair value \$000	Buildings at fair value \$000	Electricity distribution network at fair value \$000	Leasehold improvements plant and equipment at cost \$000	Total \$000
Consolidated group					
GROSS CARRYING AMOUNT					
Balance as at 1 April 2006	34,038	3,133	727,660	17,971	782,802
Additions	123	47	32,160	2,980	35,310
Disposals	-	-	(1,065)	(2,133)	(3,198)
Impairment loss charged to profit	(10)	(451)	-	-	(461)
Net revaluation increments/(decrements)	9,437	(229)	104,348	-	113,556
Balance as at 31 March 2007	43,588	2,500	863,103	18,818	928,009
Additions	483	322	44,546	3,353	48,704
Disposals	(220)	-	(839)	(1,722)	(2,781)
Net revaluation increments/(decrements)	(140)	(106)	-	-	(246)
Balance as at 31 March 2008	43,711	2,716	906,810	20,449	973,686
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT					
Balance as at 1 April 2006	-	308	45,196	8,998	54,502
Disposals	-	-	(82)	(1,190)	(1,272)
Impairment loss charged to profit	-	(66)	8	14	(44)
Net adjustments from revaluation increments/(decrements)	-	(397)	(68,672)	-	(69,069)
Depreciation expense	-	155	23,596	2,144	25,895
Balance as at 31 March 2007	-	-	46	9,966	10,012
Disposals	-	-	(17)	(1,457)	(1,474)
Impairment loss charged to profit	-	-	-	(14)	(14)
Depreciation expense	-	115	29,496	2,262	31,873
Balance as at 31 March 2008	-	115	29,525	10,757	40,397
Net book value as at 31 March 2007	43,588	2,500	863,057	8,852	917,997
Net book value as at 31 March 2008	43,711	2,601	877,285	9,692	933,289
				2008 \$000	2007 \$000
Capital work in progress in the consolidated group is contained in the following categories:					
Buildings				24	10
Electricity distribution network				11,312	10,641
				11,336	10,651

18. Property, plant and equipment continued

	Freehold land at fair value \$000	Buildings at fair value \$000	Electricity distribution network at fair value \$000	Leasehold improvements plant and equipment at cost \$000	Total \$000
Parent entity					
GROSS CARRYING AMOUNT					
Balance as at 1 April 2006	34,038	3,133	729,555	6,193	772,919
Additions	123	47	32,697	1,111	33,978
Disposals	-	-	(1,065)	(384)	(1,449)
Impairment loss charged to profit	(10)	(451)	-	-	(461)
Net revaluation increments/(decrements)	9,437	(229)	104,348	-	113,556
Balance as at 31 March 2007	43,588	2,500	865,535	6,920	918,543
Additions	483	322	44,987	1,850	47,642
Disposals	(220)	-	(839)	(1,036)	(2,095)
Net revaluation increments/(decrements)	(140)	(106)	-	-	(246)
Balance as at 31 March 2008	43,711	2,716	909,683	7,734	963,844
ACCUMULATED DEPRECIATION, AMORTISATION AND IMPAIRMENT					
Balance as at 1 April 2006	-	308	45,196	3,485	48,989
Disposals	-	-	(82)	(298)	(380)
Impairment loss charged to profit	-	(66)	8	-	(58)
Net adjustments from revaluation increments/(decrements)	-	(397)	(68,672)	-	(69,069)
Depreciation expense	-	155	23,596	839	24,590
Balance as at 31 March 2007	-	-	46	4,026	4,072
Disposals	-	-	(17)	(933)	(950)
Depreciation expense	-	115	29,496	946	30,557
Balance as at 31 March 2008	-	115	29,525	4,039	33,679
Net book value as at 31 March 2007	43,588	2,500	865,489	2,894	914,471
Net book value as at 31 March 2008	43,711	2,601	880,158	3,695	930,165
				2008 \$000	2007 \$000
Capital work in progress in the parent entity is contained in the following categories:					
Buildings				24	10
Electricity distribution network				11,312	10,641
				11,336	10,651

Notes to the financial statements continued
For the year ended 31 March 2008

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000

18. Property, plant and equipment continued

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

Buildings	115	155	115	155
Leasehold improvements	29	22	-	-
Electricity distribution network	29,448	23,550	29,448	23,550
Plant and equipment and leasehold improvements	2,233	2,122	946	839
Equipment under finance lease	48	46	48	46
	31,873	25,895	30,557	24,590

Carrying amounts of property, plant and equipment had they been recognised under the cost model:

Freehold land	34,454	34,151	34,454	34,151
Buildings	2,921	2,291	2,921	2,291
Electricity distribution network	712,406	692,510	712,406	692,510
Plant and equipment and leasehold improvements	9,691	8,852	3,694	2,894
	759,472	737,804	753,475	731,846

Revaluations and impairment review

The company's electricity distribution network and substation buildings were revalued to fair value of \$657m as at 1 April 2004 by Ms Lynne Taylor, a director, and Mr Craig Rice, a partner of independent valuers PricewaterhouseCoopers. Pricewaterhouse Coopers was assisted by Sinclair Knight Merz, registered valuers. Subsequently, the electricity distribution network and substation buildings were revalued to \$854m as at 31 March 2007 by Ms Lynne Taylor and Mr Craig Rice of PricewaterhouseCoopers. Ms Taylor and Mr Rice have been responsible for all of the electricity network valuations undertaken by PricewaterhouseCoopers for financial reporting purposes over the last decade. The valuations were performed to assess fair value in accordance with FRS-3 / NZ IAS 16 and were undertaken on an optimised depreciated replacement cost basis. Additions since that valuation date have been added at cost, depreciation applied to the assets and disposals removed.

The company's land and other buildings were revalued to fair value of \$41m as at 1 April 2004 by independent registered valuer Mr John Schellekens, a principal of Ernst & Young Corporate Finance Limited. Mr Schellekens has extensive experience in the property valuation field, and holds a Master of Property Studies (with distinction). Subsequently, most of the company's land and other building assets were revalued to \$51.5m as at 31 March 2007 by independent registered valuer Mr Marius Ogg of CB Richard Ellis Limited. Mr Ogg is a senior member of the Property Institute of New Zealand and is a director of CB Richard Ellis Limited. The valuations were performed to assess fair value in accordance with FRS-3 / NZ IAS 16. Various valuation approaches were undertaken relating closely to appropriate market evidence. Additions since 1 April 2007 have been added at cost, depreciation applied to the assets and disposals removed.

The company's other minor land and building assets were revalued to a fair value of \$0.6m as at 31 March 2007, by registered valuer Ms Melanie Holcroft of Quotable Value Limited. Ms Holcroft is a member of the New Zealand Institute of Valuers and the New Zealand Property Institute. This valuation, using a market value approach, was performed in accordance with NZ IAS 16.

The company's other plant and equipment was reviewed for impairment as at 31 March 2003 by independent registered valuer Ernst & Young Corporate Finance Limited, who determined that as no significant impairment existed, these assets could be carried at their then-existing carrying values. Assets in this category were last revalued as at 31 March 2000. Additions since 1 April 2003 have been added at cost, depreciation applied to the assets and disposals removed. As noted below, the company has performed an impairment review of its other plant and equipment as at 31 March 2006, 31 March 2007 and 31 March 2008 and determined that no evidence of impairment exists.

18. Property, plant and equipment continued

In accordance with NZ IAS 36, the company has undertaken a review to determine whether the carrying values of any items of property, plant and equipment might be impaired.

PricewaterhouseCoopers has reviewed the carrying values of the company's electricity distribution network and substation buildings as at 31 March 2008 and concluded that these assets are not impaired.

CB Richard Ellis Limited has reviewed the carrying values of the company's network land as at 31 March 2008 and determined that these assets are not impaired. However, the carrying value of certain other land and buildings was assessed to be above fair value and these have been written down to fair value. As these affected assets had previously been revalued, the write-down was offset against the asset revaluation reserve. Land assets were written down by \$140,000 (2007: nil) and building assets were written down by \$106,000 (2007: nil).

Based on evidence from asset disposals and advice received from its advisers, the group does not believe that any other property, plant and equipment carrying values are materially impaired as at 31 March 2008.

19. Investments accounted for using the equity method

Associate company

As at 31 March 2008 and 31 March 2007 the group has a 26% ownership interest in 4RF Communications Limited, a company incorporated in New Zealand (the associate).

The carrying value of this investment is nil (2007: nil). The group has not recognised its 26% share of the accumulated losses relating to the associate amounting to \$8.8m. The group has no obligation in respect of these losses. This total includes the associate's \$0.1m profit for 2008 and \$0.6m loss for 2007. The group's carrying value for this investment was nil as at 31 March 2008 (2007: nil).

No public price quotation exists for this investment.

	2008 \$000	2007 \$000
Summarised financial information of associate		
Current assets	10,220	9,541
Non current assets	1,068	1,395
	11,288	10,936
Current liabilities	7,027	8,730
Non current liabilities	7,524	6,000
	14,551	14,730
Net assets/(liabilities)	(3,263)	(3,794)
Revenue	19,082	18,373
Net profit/(loss)	525	(2,415)
Dividends received from associate	-	1
Movements in carrying value of equity-accounted investees		
Balance as at 1 April	-	9,507
Disposals	-	(9,507)
Balance as at 31 March	-	-

Notes to the financial statements continued
For the year ended 31 March 2008

	Software \$000	Other \$000	Total \$000
20. Other intangible assets			
Consolidated group			
GROSS CARRYING AMOUNT			
Balance as at 1 April 2006	3,407	2,100	5,507
Additions	650	-	650
Additions from internal developments	109	-	109
Disposals	(138)	-	(138)
Balance as at 31 March 2007	4,028	2,100	6,128
Additions	453	-	453
Additions from internal developments	148	-	148
Disposals	(178)	-	(178)
Balance as at 31 March 2008	4,451	2,100	6,551
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance as at 1 April 2006	2,368	1,050	3,418
Amortisation expense	626	210	836
Disposals	(78)	-	(78)
Balance as at 31 March 2007	2,916	1,260	4,176
Amortisation expense	720	210	930
Disposals	(177)	-	(177)
Balance as at 31 March 2008	3,459	1,470	4,929
Net book value as at 31 March 2007	1,112	840	1,952
Net book value as at 31 March 2008	992	630	1,622

Amortisation expense is included in the line item depreciation, amortisation and impairment in the income statement.

	Software \$000	Other \$000	Total \$000
20. Other intangible assets continued			
Parent entity			
GROSS CARRYING AMOUNT			
Balance as at 1 April 2006	2,861	2,100	4,961
Additions	630	-	630
Additions from internal developments	109	-	109
Balance as at 31 March 2007	3,600	2,100	5,700
Additions	443	-	443
Additions from internal developments	148	-	148
Disposals	(178)	-	(178)
Balance as at 31 March 2008	4,013	2,100	6,113
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance as at 1 April 2006	1,948	1,050	2,998
Amortisation expense	584	210	794
Balance as at 31 March 2007	2,532	1,260	3,792
Amortisation expense	690	210	900
Disposals	(177)	-	(177)
Balance as at 31 March 2008	3,045	1,470	4,515
Net book value as at 31 March 2007	1,068	840	1,908
Net book value as at 31 March 2008	968	630	1,598

Amortisation expense is included in the line item depreciation, amortisation and impairment in the income statement.

Notes to the financial statements continued

For the year ended 31 March 2008

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
21. Other non current financial assets				
At fair value				
Available-for-sale:				
EnerTech Capital Partners II LP	3,684	5,072	-	-
Shares – HumanWare Limited	-	4,219	-	4,219
Interest rate swaps	65	429	65	429
	3,749	9,720	65	4,648
At amortised cost				
Jointly-controlled entity – Orion New Zealand Limited and Meridian Energy Limited Energy Efficiency Programme Joint Venture	-	-	-	-
	3,749	9,720	65	4,648

Investment in EnerTech limited liability partnership

The EnerTech investment is made with an off-shore venture capital limited liability partnership, which invests in individual high technology and start-up type entities. Individual investments remain in the name of the venture capital partnership. The investment held is not publicly traded, and is recorded at the directors' estimate of fair value, and is revalued annually. The valuation is based on the group's share of the partnership's net assets converted using the closing USD/NZD exchange rate as at 31 March.

	Country of incorporation	Ownership interest 2008 %	Ownership interest 2007 %
Jointly-controlled entity			
Orion New Zealand Limited and Meridian Energy Limited Energy Efficiency Programme Joint Venture	NZ	-	50
		2008 \$000	2007 \$000
Summarised financial information of the jointly-controlled entity			
Current assets		-	23
Current liabilities		-	9
Net assets		-	14
Revenue		37	147
Net profit/(loss)		13	(197)
Share of jointly-controlled entity's net profit/(loss)		7	(98)

The energy efficiency joint venture was wound up as at 29 February 2008 and the remaining cash is to be returned to the Electricity Commission. The carrying value of the joint venture was written down in 2007 to nil in anticipation of the expected winding up.

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
22. Current trade and other payables				
Trade payables	19,617	21,518	19,230	21,183
GST payable	225	307	-	40
Employee entitlements	4,768	4,323	2,123	1,967
Other	794	725	794	725
	25,404	26,873	22,147	23,915

23. Current borrowings

Unsecured at amortised cost

Finance lease liability (see note 31)	33	32	33	32

24. Current provisions

Restructuring	-	47	-	-
Employee benefits	119	163	79	103
	119	210	79	103

Refer also to notes 26 and 27 regarding these provisions.

25. Non current borrowings

Unsecured loans	43,000	38,300	43,000	38,300
Unsecured finance lease liability (see note 31)	562	654	562	654
	43,562	38,954	43,562	38,954

All parent company bank debt is unsecured against the company, however a deed of negative pledge and guarantee requires the company to comply with certain covenants. This facility matures on 25 August 2008 (2007 : 27 August 2007) and may be extended for up to two years at the option of the company.

Interest bearing debt by the parent and group comprise New Zealand dollar borrowings.

Interest rates for all borrowings are floating based on bank bill rates plus a margin. As at 31 March 2008 this rate averaged 8.95% (2007: 7.93%). The company has entered into derivative contracts to hedge its exposure to interest rate fluctuations (refer to note 37).

26. Non current provisions

Employee benefits	805	743	575	507

The provision for long service leave is 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. While most of the liability is expected to be incurred over the next five years, the liability covers a period up to 40 years as employees complete service entitling them to long service leave benefits.

Key assumptions in the calculation of the provision include:

- risk-free rate 6.5% (2007: 6.09%)
- salary inflation 4.00% (2007: 4.00%)
- discount rate 0.94 (2007: 0.94).

Notes to the financial statements continued
For the year ended 31 March 2008

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
27. Provisions				
Warranty provision				
Balance at beginning of financial year	-	720	-	-
Reductions arising from payments or other sacrifices of future economic benefits	-	(66)	-	-
Liability sold as part of discontinued operation	-	(654)	-	-
Balance at end of financial year	-	-	-	-
Restructuring provision				
Balance at beginning of financial year	47	-	-	-
Provision recognised	-	47	-	-
Amount utilised	(47)	-	-	-
Balance at end of financial year	-	47	-	-

The warranty provision related to WhisperGen units. The amount of the liability was estimated using historical warranty data and industry information where available. Costs were expected to be incurred over the next three years. As the group has sold its interest in the Whisper Tech Joint Venture, the liability no longer exists in the group.

The restructuring provision relates to a planned restructure of a section within a group company which was advised to all impacted parties in March 2007 and completed by the end of April 2007.

28. Capital and other equity instruments

Fully paid ordinary shares	120,000	120,000	120,000	120,000

The 80 million (\$1.50) ordinary shares were issued in April 1993 pursuant to the approved establishment plan and sale and purchase agreement and are fully paid up. There were no issues or redemptions of shares during the year.

29. Reserves

The asset revaluation reserve arises on the revaluation of the electricity distribution network, land and buildings. Where a revalued asset is sold, that portion of the asset revaluation reserve which relates to that asset, and is effectively realised, is transferred directly to retained profits.

The available-for-sale revaluation reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, that portion of the reserve which relates to that financial asset and is effectively realised, is recognised in the income statement. Where a revalued financial asset is impaired, that portion of the reserve which relates to that financial asset is recognised in the income statement.

An analysis of reserves is shown in the statement of changes in equity on pages 20 and 21.

	2008 cents per share	2007 cents per share	2008 \$000	2007 \$000

30. Dividends

Recognised amounts:				
Fully paid ordinary shares	56.25	47.50	45,000	38,000

31. Leases

Operating lease commitments

No later than one year	648	483	73	57
Later than one year and not later than five years	1,233	1,062	211	211
Later than five years	665	526	528	526
	2,546	2,071	812	794

Non-cancellable operating lease receivables

No later than one year	533	458	533	458
Later than one year and not later than five years	929	977	929	977
Later than five years	82	205	82	205
	1,544	1,640	1,544	1,640

OPERATING LEASE COMMITMENTS

The company leases a number of sites for electrical kiosks and substations. There is a range of rental amounts and terms, although many lease payments are indexed to changes in the consumer price index. Leases which extend beyond five years have been reported to a maximum of 10 years beyond that time. In addition, a group company leases properties under operating leases, with commitments until 1 April 2014 and an operational right of renewal every three years until 31 March 2020.

NON-CANCELLABLE OPERATING LEASE RECEIVABLES

The company leases land and buildings at its head office site to a variety of tenants, on a range of different terms. The company also leases some land at substation sites to a range of tenants. The leasing operation is incidental to the company's principal business.

	Minimum future lease receivables		Present value of minimum future lease receivables	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Finance lease receivable				
No later than one year	26	26	15	14
Later than one year and not later than five years	104	104	77	70
Later than five years	26	52	25	47
Minimum future lease payments	156	182	117	131
Less unearned finance income	(39)	(51)	-	-
Present value of minimum lease payments	117	131	117	131
Included in the financial statements as:				
Current trade and other receivables			15	14
Non current trade and other receivables			102	117
			117	131

Notes to the financial statements continued

For the year ended 31 March 2008

	Minimum future lease payables		Present value of minimum future lease payables	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
31. Leases continued				
Finance lease liability				
No later than one year	86	96	33	32
Later than one year and not later than five years	346	382	170	164
Later than five years	554	705	392	490
Minimum lease payments	986	1,183	595	686
Less future finance charges	(391)	(497)	-	-
Present value of minimum lease payments	595	686	595	686
Included in the financial statements as:				
Current borrowings (note 23)			33	32
Non current borrowings (note 25)			562	654
			595	686

The finance lease receivable above relates to equipment leased for a total term of 10 years, whereby the purchaser owns the equipment at the end of the term. The residual value at the end of the lease is nil. The parent company is the only entity in the group which has a finance lease receivable.

The finance lease liability above relates to agreements with Transpower New Zealand Limited (Transpower) for Transpower to construct assets at Transpower grid exit points. The agreements are for terms of 10 or 20 years. The company does not own the assets at the end of the lease term and there is no residual value. There is no security provided for the arrangements. The monthly payment amount may be reviewed annually by Transpower and the risk-free portion of the interest rate may be adjusted. The parent company is the only entity in the group which has a finance lease liability.

32. Notes to the cash flow statement

Reconciliation of profit for the year to net cash flows from operating activities

Net profit for the year	65,510	60,608	66,195	64,386
Adjustments for				
Gain on disposal of property, plant and equipment	(226)	(58)	(177)	(33)
Gain on disposal of investment	(786)	(17,977)	-	(16,014)
(Gain)/loss on revaluation of investment property	355	(115)	355	(115)
(Gain)/loss on revaluation of fair value through profit or loss financial assets	30	(306)	30	(306)
Cumulative gain transferred from equity on sale of available-for-sale financial assets	(2,780)	-	(2,780)	-
Cumulative loss transferred from equity on impairment of available-for-sale financial asset	166	-	-	-
Share of jointly-controlled entities' profit	-	100	-	100
Depreciation and amortisation of non current assets	32,803	26,745	31,457	26,768
Impairment/(reversal of impairment) of assets	2,087	1,703	1,124	117
Donated and subsidised assets	(8,696)	(4,496)	(8,696)	(4,496)
Other	21	1,032	21	58
	22,974	6,628	21,334	6,079
Changes in tax balances				
(Increase)/decrease in current tax balances	2,861	(652)	2,721	(542)
Increase/(decrease) in deferred tax balances	(14,743)	(142)	(14,414)	89
(INCREASE)/DECREASE IN ASSETS				
Current receivables	(689)	918	(216)	269
Current inventories	43	(1,012)	(15)	120
Other current assets	173	(142)	173	50
Non current receivables	15	14	15	14
Non current inventories	(166)	(459)	(166)	(459)
INCREASE/(DECREASE) IN LIABILITIES				
Current payables	(1,081)	5,984	(1,768)	5,233
Current provisions	(44)	10	(24)	76
Non current provisions	63	17	69	1
	(13,568)	4,536	(13,625)	4,851
Net cash from operating activities	74,916	71,772	73,904	75,316

Notes to the financial statements continued
For the year ended 31 March 2008

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
32. Notes to the cash flow statement continued				
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	339	461	312	445
Bank overdraft	-	-	-	-
	<u>339</u>	<u>461</u>	<u>312</u>	<u>445</u>
Financing facilities				
Unsecured bank overdraft facility, reviewed annually and payable at call:				
Amount used	-	-	-	-
Amount unused	500	500	500	500
	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>
Unsecured bank loan facility maturing 25 August 2008 (27 August 2007) which may be extended by mutual agreement:				
Amount used	43,000	38,300	43,000	38,300
Amount unused	137,000	141,700	137,000	141,700
	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>	<u>180,000</u>

33. Related party transactions

Group structure
The parent entity in the consolidated group is Orion New Zealand Limited, which is 100% owned by Orion Group Limited (OGL). OGL is owned in the following proportions:
- Christchurch City Holdings Limited which is 100% owned by the Christchurch City Council (CCC) – 89.275%   - Selwyn Investment Holdings Limited which is 100% owned by the Selwyn District Council (SDC) – 10.725%.
Other related parties include:
- subsidiaries – refer to note 41   - associates – refer to note 41   - joint ventures – refer to note 41   - other related parties which comprise the various subsidiaries of CCC and SDC and their key management personnel   - the group’s key management personnel – refer to note 34.

The group undertakes many transactions with CCC and SDC 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 to OGL, were entered into with related parties.

During the year no transactions were entered into with any of the company’s directors, other than the payment of directors’ fees and the reimbursement of valid company-related expenses such as travel costs to board meetings. Some minor transactions were entered into with companies, in which some directors held directorships, and with other related parties. These transactions were carried out on a commercial and arms-length basis.

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
33. Related party transactions continued				
Transactions during the year				
Dividends paid to Orion Group Limited	45,000	38,000	45,000	38,000
Purchases from CCC/SDC	1,805	1,661	1,792	1,630
Revenues from CCC/SDC	6,000	6,069	2,071	1,819
Purchases from subsidiaries	-	-	20,270	20,323
Revenues from subsidiaries (including interest)	-	-	545	179
Dividends from subsidiaries	-	-	1,500	4,697
Revenues from associates	141	6	141	6
Dividends from associates	-	1	-	1
Funding contribution to joint ventures	-	-	-	100
Revenues from joint ventures	1	-	1	89
Purchases from other related parties	444	445	171	168
Revenues from other related parties	2,096	540	276	201
Outstanding balances as at 31 March				
Accounts payable to CCC/SDC	1	30	-	26
Accounts receivable from CCC/SDC	632	649	84	54
Accounts payable to subsidiaries	-	-	3,371	2,393
Accounts receivable from subsidiaries	-	-	101	10
Accounts receivable from joint ventures	-	-	-	6
Accounts payable to other related parties	23	30	5	20
Accounts receivable from other related parties	252	67	18	2

Notes to the financial statements continued
For the year ended 31 March 2008

33. Related party transactions continued

In the 2004 financial year the company wrote down the value of its intercompany advance to Orion New Zealand Ventures Limited by \$2.1m on the basis that the net assets of this subsidiary did not support the debt to the parent. The intercompany balance impairment has been adjusted in subsequent years as follows, including a further write-down in the 2008 financial year:

	Parent 2008 \$000	Parent 2007 \$000	Parent 2006 \$000
Orion New Zealand Ventures Limited	[309]	202	344

As referred to in note 11, the group assessed a \$0.5m loan to an associate to be impaired, and expensed the amount through the income statement in the year ended 31 March 2007. In the year ended 31 March 2008, the interest due on loans to the associate was written off as not recoverable [\$0.1m].

Other than the above, no provisions were made for doubtful debts relating to the amount of outstanding balances and no bad or doubtful debts expense was recognised in relation to related parties during the year.

Other transactions involving related parties

The group paid directors’ fees totalling \$288,000.

Key management personnel of the group purchased goods and services from group companies during the year which in total did not exceed \$1,000 for any individual with the exception of three personnel who each purchased a second-hand vehicle from the company for between \$7,000 and \$13,500 each (2007: all less than \$1,000). Leaving gifts were made to two retiring directors totalling \$3,333 (2007: \$5,039). There were no outstanding balances with key management personnel at the end of the year (2007: nil). All transactions were conducted on standard commercial terms and in the case of the second-hand vehicles, were based on independent valuations.

During the year ended 31 March 2008 the following transactions occurred between the group and an organisation in which a key management person of the group holds a position of control:

- Community Energy Action (CEA) of which a group employee was a trustee until September 2007. CEA paid for goods and services totalling \$1,256 (2007: vehicle \$7,111). The group contributed sponsorship to CEA projects of \$75,000 and human resources advice of \$1,515 (2007: \$76,956). The group provided property and related services to CEA at no cost and the market value of these benefits was estimated at approximately \$80,000 (2007: \$72,000). There was a balance due to the group from CEA as at 31 March 2008 of \$761 (2007: nil).
- Energy Efficiency Conservation Authority (EECA) of which a group employee is the chairman. EECA paid directors’ fees and reimbursed meeting expenses to the group totalling \$30,245 (2007: \$22,137) and paid an energy audit incentive grant of \$3,906 (2007: nil). There was a balance due to the group from EECA as at 31 March 2008 of \$1,507 (2007: \$2,291). EECA provides policy advice that can impact on the group and is also responsible for setting minimum energy performance standards for certain equipment that the group may purchase.
- Electricity Supply Industry Training Organisation (ESITO) of which a group employee is a director. The group received training subsidies, directors’ fees and property services from and paid membership to ESITO totalling \$66,690 (2007: \$88,035). There was a balance due to the group from ESITO as at 31 March 2008 of \$17,622 (2007: \$5,033).
- Electricity Engineers’ Association (EEA) of which two group employees are executive committee members. The group paid sponsorship, membership and course fees totalling \$62,048 (2007: \$31,787) and received reimbursements for travel costs of \$4,190 (2007: \$6,567). There was a balance due from the group to the EEA as at 31 March 2008 of \$13,147 (2007: \$7,325).
- Power Engineering Excellence Trust (PEET) and Electric Power Excellence Centre (EPEC) (both managed by the University of Canterbury) of which a group employee is a trustee and board member respectively. The group paid membership fees of \$20,000 to PEET (2007: \$20,000) and sponsorship of \$5,840 to EPEC (2007: nil).
- A director of the ultimate holding company (CCHL) is a partner in a business which provides consulting services to the group. Payments to this business during the year were \$25,095 (2007: \$600). There was a balance due by the group to this business as at 31 March 2008 of \$18,107 (2007: nil).

All transactions with EECA, ESITO, EEA, PEET, EPEC and consulting companies were conducted on normal commercial terms. A director of the company was also a councillor of the Christchurch City Council in the year ended 31 March 2008 (2007: two directors).

34. Key management personnel

The compensation of the directors and executives, being the key management personnel of the entity, is set out below:

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
Salaries and short term employee benefits	3,313	3,068	2,450	2,233

Executive staff remuneration comprises salary and other short term benefits. Orion executives appointed to the boards of related companies do not receive directors’ fees personally.

35. Segmental reporting

The company and its subsidiaries operate predominantly in the electricity distribution network sector.

36. Significant events after balance date

There were no significant events that the directors are aware of between the preparation and authorisation of these financial statements on 10 June 2008.

37. Financial instruments

Exposure to interest rates, foreign currency market and credit risk arises in the normal course of the group’s business.

INTEREST RATE RISK

Interest rate risk is the risk that the value of the group’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, forward rate agreements (FRAs) and options 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, FRAs and options contracts, the cash requirements are limited to interest payable or receivable.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of the group’s assets and liabilities or revenues and expenses will fluctuate due to changes in foreign exchange rates. The group is exposed to currency risk as a result of transactions that are denominated in a currency other than New Zealand dollars. The group’s policy is to hedge any material foreign currency exposure, usually with FRAs.

LIQUIDITY RISK

Liquidity risk represents the risk that the group may not have the financial ability to meet its contractual obligations. The group evaluates its liquidity requirements on an ongoing basis. In general, the group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has funding in place to cover potential shortfalls.

MARKET RISK

Market risk is the risk that the value of the group’s assets and liabilities will fluctuate due to changes in market prices. These changes may be caused by factors specific to the individual security or its issuer, or factors affecting all securities traded in the market. The group is exposed to market risk through its investments in unlisted companies. It is not the group’s policy to hedge its exposures to market risk. The group has specific policies and procedures to identify and evaluate investment opportunities.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the group to concentrations of credit risk consist principally of cash and short term investments, trade receivables and interest rate swaps. The group places its cash and short term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution in accordance with its board-approved treasury policy.

Notes to the financial statements continued
For the year ended 31 March 2008

37. Financial instruments continued

The group manages its exposure to credit risk arising from trade receivables by performing credit evaluations on all customers requiring credit, wherever practicable, and continuously monitors the outstanding credit exposure to individual customers. The group generally requires collateral security (such as bank letters of credit) from its electricity retailer customers against credit risk, but not generally from its other customers.

The carrying value is the maximum exposure to credit risk for bank balances, accounts receivable and interest rate swaps.

The group has not renegotiated the terms of any financial assets other than some trade receivables. The parent company has debtors who have damaged network assets. Many of these debtors are unable to settle their accounts immediately and the company enters arrangements with these debtors to allow them to pay the debts off over time. The receivables in the 'past due over 60 days' category predominantly represents these debts.

The status of trade and related party receivables as at the reporting date is as follows:

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
Not past due	5,211	6,142	2,965	3,896
Past due 0 to 30 days	249	156	149	92
Past due 31 to 60 days	128	66	37	54
Past due greater than 60 days	229	211	191	201
	5,817	6,575	3,342	4,243

The allowance for impairment of receivables relates to debts past due by more than 60 days and is based on an analysis of individual debtors' balances.

Interest rate swap contracts outstanding at balance date

INTEREST RATE SWAP CONTRACTS

Under interest rate swap contracts, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The group has not designated any swap contracts as hedges.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the reporting date:

	Contracted fixed interest rate		Notional principal amount		Fair value	
	2008 %	2007 %	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Outstanding floating for fixed contracts:						
Less than 1 year	6.70	-	20,000	-	327	-
1 to 2 years	7.45	6.70	6,000	20,000	65	391
2 to 5 years	-	7.45	-	6,000	-	38
			26,000	26,000	392	429

37. Financial instruments continued

Forward foreign currency contracts outstanding at balance date

FORWARD FOREIGN EXCHANGE CONTRACTS

It is the policy of the group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts where the committed exposure is greater than NZ\$50,000.

The following table details the forward foreign currency contracts outstanding as at the reporting date:

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008	2007	2008 FC000	2007 FC000	2008 NZ\$000	2007 NZ\$000	2008 NZ\$000	2007 NZ\$000
Buy EURO								
Less than 3 months	0.52	-	94	-	182	-	7	-

As at the reporting date, the aggregate amount of unrealised gains under forward foreign exchange contracts relating to anticipated future transactions is \$7,000 (2007: nil). The group has not designated any forward foreign exchange contracts as hedges.

Capital management

The group's capital includes share capital, reserves and retained earnings. The group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The allocation of capital between the group's specific business segment operations and activities is, to a large extent, driven by risk-adjusted optimisation of the returns achieved on capital allocated. The process of allocating capital to specific business segment operations and activities is undertaken independently of those responsible for the operations and activities.

The group policies in respect of capital management and allocation are reviewed regularly by the board of directors. There have been no material changes to the group's management of capital during the year.

The company is not subject to any externally imposed capital requirements, however it has provided certain covenants to its key lenders by way of a negative pledge deed that it will not create any security interest over its assets, except under certain agreed circumstances. The deed has other covenants restricting certain asset disposals, the lending of money to other parties, non-commercial transactions with related parties, the alteration of share capital where this would have a material adverse effect and any material change of business. The deed includes an interest coverage requirement and an obligation that the guaranteeing group be at least 75% of the group in terms of assets and earnings. The deed also places other specific undertakings and obligations on the company – for example the obligation to provide relevant lenders with information, comply with the law and to pay taxes as they fall due. The company has complied with all covenants.

Sensitivity analysis

In managing interest rate and currency risks the group aims to reduce the impact of short term fluctuations on the group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates will impact on profit.

As at 31 March 2008 it is estimated that a general increase of one percentage point in interest rates on the group's borrowings would increase the group's profit before income tax by approximately \$208,000 (2007: \$343,000). The valuation of interest rate swaps has been included in this calculation.

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have increased the group's profit before income tax by less than \$10,000 for the year ended 31 March 2008 (2007: less than \$10,000).

A decrease in both interest rates and exchange rates would have opposite impacts on profit than those described above.

Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and financial liabilities recorded in the financial statements approximate their fair values. The fair values and net fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices
- for investments in other companies, where quoted market prices are not available and valuation techniques are not appropriate, the company has determined fair value using cost less impairment.

Notes to the financial statements continued

For the year ended 31 March 2008

	Notes	Designated at fair value \$000	Loans and receivables \$000	Available- for-sale \$000	Other amortised cost \$000	Total carrying amount \$000
37. Financial instruments continued						
Classification of financial instruments						
Consolidated group as at 31 March 2008						
CURRENT ASSETS						
Cash and cash equivalents		-	339	-	-	339
Trade and other receivables	10	-	5,931	-	-	5,931
Other current financial assets	11	334	4,032	-	-	4,366
		334	10,302	-	-	10,636
NON CURRENT ASSETS						
Trade and other receivables	14	-	102	-	-	102
Other financial assets	21	65	-	3,684	-	3,749
Other non current assets	16	-	574	-	-	574
		65	676	3,684	-	4,425
Total financial assets		399	10,978	3,684	-	15,061
CURRENT LIABILITIES						
Trade and other payables	22	-	-	-	25,404	25,404
Borrowings	23	-	-	-	33	33
Provisions	24	-	-	-	119	119
		-	-	-	25,556	25,556
NON CURRENT LIABILITIES						
Borrowings	25	-	-	-	43,562	43,562
Provisions	26	-	-	-	805	805
		-	-	-	44,367	44,367
Total financial liabilities		-	-	-	69,923	69,923
Consolidated group as at 31 March 2007						
CURRENT ASSETS						
Cash and cash equivalents		-	461	-	-	461
Trade and other receivables	10	-	6,464	-	-	6,464
Other financial assets	11	-	4,025	-	-	4,025
		-	10,950	-	-	10,950
NON CURRENT ASSETS						
Trade and other receivables	14	-	117	-	-	117
Other financial assets	21	429	-	9,291	-	9,720
		429	117	9,291	-	9,837
Total financial assets		429	11,067	9,291	-	20,787
CURRENT LIABILITIES						
Trade and other payables	22	-	-	-	26,873	26,873
Borrowings	23	-	-	-	32	32
Provisions	24	-	-	-	210	210
		-	-	-	27,115	27,115
NON CURRENT LIABILITIES						
Borrowings	25	-	-	-	38,954	38,954
Provisions	26	-	-	-	743	743
		-	-	-	39,697	39,697
Total financial liabilities		-	-	-	66,812	66,812

	Notes	Designated at fair value \$000	Loans and receivables \$000	Available- for-sale \$000	Other amortised cost \$000	Total carrying amount \$000
37. Financial instruments continued						
Classification of financial instruments						
Parent entity as at 31 March 2008						
CURRENT ASSETS						
Cash and cash equivalents		-	312	-	-	312
Trade and other receivables	10	-	3,476	-	-	3,476
Other current financial assets	11	334	9,853	-	-	10,187
		334	13,641	-	-	13,975
NON CURRENT ASSETS						
Trade and other receivables	14	-	102	-	-	102
Other financial assets	21	65	-	-	-	65
Other non current assets	16	-	574	-	-	574
		65	676	-	-	741
Total financial assets		399	14,317	-	-	14,716
CURRENT LIABILITIES						
Trade and other payables	22	-	-	-	22,147	22,147
Borrowings	23	-	-	-	33	33
Provisions	24	-	-	-	79	79
		-	-	-	22,259	22,259
NON CURRENT LIABILITIES						
Borrowings	25	-	-	-	43,562	43,562
Provisions	26	-	-	-	575	575
		-	-	-	44,137	44,137
Total financial liabilities		-	-	-	66,396	66,396
Parent entity as at 31 March 2007						
CURRENT ASSETS						
Cash and cash equivalents		-	445	-	-	445
Trade and other receivables	10	-	4,132	-	-	4,132
Other financial assets	11	-	11,049	-	-	11,049
		-	15,626	-	-	15,626
NON CURRENT ASSETS						
Trade and other receivables	14	-	117	-	-	117
Other financial assets	21	429	-	4,219	-	4,648
		429	117	4,219	-	4,765
Total financial assets		429	15,743	4,219	-	20,391
CURRENT LIABILITIES						
Trade and other payables	22	-	-	-	23,915	23,915
Borrowings	23	-	-	-	32	32
Provisions	24	-	-	-	103	103
		-	-	-	24,050	24,050
NON CURRENT LIABILITIES						
Borrowings	25	-	-	-	38,954	38,954
Provisions	26	-	-	-	507	507
		-	-	-	39,461	39,461
Total financial liabilities		-	-	-	63,511	63,511

Notes to the financial statements continued

For the year ended 31 March 2008

	Weighted average effective interest rate %	Variable interest rate \$000	Fixed maturity dates \$000	Non interest bearing \$000	Total \$000
37. Financial instruments continued					
Maturity profile of financial instruments					
Consolidated group as at 31 March 2008					
The following table details the group's exposure to interest rate risk:					
FINANCIAL ASSETS					
Cash and cash equivalents	6.5	326	-	13	339
Trade receivables	-	-	-	5,916	5,916
Finance lease receivables	10.0	-	117	-	117
Foreign currency forward contracts	-	-	-	7	7
Interest rate swaps	-	-	-	392	392
Related party loans	-	-	-	4,032	4,032
Venture capital investment	-	-	-	3,684	3,684
Deposit for property purchase	-	-	-	574	574
		326	117	14,618	15,061
FINANCIAL LIABILITIES					
Trade payables	-	-	-	19,842	19,842
Other payables	-	-	-	794	794
Bank loans	8.9	43,000	-	-	43,000
Finance lease liabilities	9.2	463	132	-	595
Employee benefits	-	-	-	5,692	5,692
		43,463	132	26,328	69,923

An analysis of the fixed maturity dates is as follows:

	Finance lease receivable \$000	Finance lease liability \$000
Less than 1 year	15	10
1 to 2 years	17	12
2 to 3 years	18	13
3 to 4 years	20	14
4 to 5 years	22	16
More than 5 years	25	67
	117	132

	Weighted average effective interest rate %	Variable interest rate \$000	Fixed maturity dates \$000	Non interest bearing \$000	Total \$000
37. Financial instruments continued					
Maturity profile of financial instruments					
Consolidated group as at 31 March 2007					
The following table details the group's exposure to interest rate risk:					
FINANCIAL ASSETS					
Cash and cash equivalents	5.5	461	-	-	461
Trade receivables	-	-	-	6,450	6,450
Finance lease receivables	10.0	-	131	-	131
Interest rate swaps	-	-	-	429	429
Shares	-	-	-	4,219	4,219
Related party loans	-	-	-	4,025	4,025
Venture capital investment	-	-	-	5,072	5,072
		461	131	20,195	20,787
FINANCIAL LIABILITIES					
Trade payables	-	-	-	21,518	21,518
Other payables	-	-	-	1,032	1,032
Bank loans	7.9	38,300	-	-	38,300
Finance lease liabilities	9.5	530	156	-	686
Employee benefits	-	-	-	5,229	5,229
Other provisions	-	-	-	47	47
		38,830	156	27,826	66,812

An analysis of the fixed maturity dates is as follows:

	Finance lease receivable \$000	Finance lease liability \$000
Less than 1 year	14	11
1 to 2 years	15	12
2 to 3 years	17	14
3 to 4 years	18	15
4 to 5 years	20	16
More than 5 years	47	88
	131	156

Notes to the financial statements continued

For the year ended 31 March 2008

	Weighted average effective interest rate %	Variable interest rate \$000	Fixed maturity dates	Non interest bearing \$000	Total \$000
37. Financial instruments continued					
Maturity profile of financial instruments					
Parent entity as at 31 March 2008					
The following table details the group's exposure to interest rate risk:					
FINANCIAL ASSETS					
Cash and cash equivalents	6.5	299	-	13	312
Trade receivables	-	-	-	3,461	3,461
Finance lease receivables	10.0	-	117	-	117
Foreign currency forward contracts	-	-	-	7	7
Interest rate swaps	-	-	-	392	392
Related party loans	10.8	1,923	-	7,930	9,853
Deposit for property purchase	-	-	-	574	574
		2,222	117	12,377	14,716
FINANCIAL LIABILITIES					
Trade payables	-	-	-	19,230	19,230
Other payables	-	-	-	794	794
Bank loans	8.9	43,000	-	-	43,000
Finance lease liabilities	9.2	463	132	-	595
Employee benefits	-	-	-	2,777	2,777
		43,463	132	22,801	66,396

An analysis of the fixed maturity dates is as follows:

	Finance lease receivable \$000	Finance lease liability \$000
Less than 1 year	15	10
1 to 2 years	17	12
2 to 3 years	18	13
3 to 4 years	20	14
4 to 5 years	22	16
More than 5 years	25	67
	117	132

	Weighted average effective interest rate %	Variable interest rate \$000	Fixed maturity dates	Non interest bearing \$000	Total \$000
37. Financial instruments continued					
Maturity profile of financial instruments					
Parent entity as at 31 March 2007					
The following table details the group's exposure to interest rate risk:					
FINANCIAL ASSETS					
Cash and cash equivalents	5.5	445	-	-	445
Trade receivables	-	-	-	4,118	4,118
Finance lease receivables	10.0	-	131	-	131
Interest rate swaps	-	-	-	429	429
Shares	-	-	-	4,219	4,219
Related party loans	9.8	1,956	-	9,093	11,049
		2,401	131	17,859	20,391
FINANCIAL LIABILITIES					
Trade payables	-	-	-	21,183	21,183
Other payables	-	-	-	765	765
Bank loans	7.9	38,300	-	-	38,300
Finance lease liabilities	9.5	530	156	-	686
Employee benefits	-	-	-	2,577	2,577
		38,830	156	24,525	63,511

An analysis of the fixed maturity dates is as follows:

	Finance lease receivable \$000	Finance lease liability \$000
Less than 1 year	14	11
1 to 2 years	15	12
2 to 3 years	17	14
3 to 4 years	18	15
4 to 5 years	20	16
More than 5 years	47	88
	131	156

Notes to the financial statements continued
For the year ended 31 March 2008

	Group 2008 \$000	Group 2007 \$000	Parent 2008 \$000	Parent 2007 \$000
38. Commitments for expenditure				
Capital expenditure commitments				
Distribution network	9,075	10,831	9,075	10,831
Other plant and equipment	-	106	-	-
Intangible assets	3,075	-	3,075	-
Investments	191	490	191	490
Lease commitments				
See note 31.				

For most commitments expenditure is expected to be incurred in the next financial year, however the timing of the investment expenditure is unknown and could be any time up until 2010.

39. Contingent liabilities and contingent assets

Contingent liabilities				
Performance bonds in relation to contract work	247	286	-	-

The group is a participating employer in the National Provident Fund's Defined Benefit Plan Contributors Scheme (the scheme) which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the scheme, the group could be responsible for the entire deficit of the scheme (see note 40). Similarly, if a number of employers ceased to participate in the scheme, the group could be responsible for an increased share of the deficit. The group estimates that during the next financial year the group's contribution to the scheme will be approximately \$45,000 (2007: \$69,000).

Other than the above, the group had no material or significant contingent liabilities or contingent assets as at 31 March 2008 or 31 March 2007.

40. Defined benefit superannuation scheme

As outlined in note 39, the group contributes to a multi-employer defined benefit superannuation scheme (the scheme), operated by the National Provident Fund. The Fund has advised that insufficient information is available to use defined benefit accounting as it is not possible to determine, from the terms of the scheme, the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

As at 31 March 2007, the scheme had an estimated past service surplus of \$33.7 million (11.4% of the estimated liabilities). This amount is exclusive of specified superannuation contribution withholding tax. This surplus was calculated by the actuary to the scheme using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19. The actuary to the scheme has recommended the employer contribution reduces from 2.0 times contributors' contributions to 1.0 times contributor contributions. The 1.0 times is inclusive of specified superannuation contribution withholding tax. The equivalent information as at 31 March 2008 is not available at the date of preparation of these financial statements.

Refer also to accounting policy 1(t) – employee benefits.

41. Group entities

The company's subsidiary, associate and other investments as at 31 March were as follows:

	Designation 2008	Effective ownership 2008	Effective ownership 2007	Year end
Connetics Limited	Subsidiary	100%	100%	31 March
4RF Communications Limited	Associate	26%	26%	31 March
HumanWare Limited	-	-	13%	30 June
Orion New Zealand Limited and Meridian Energy Limited Energy Efficiency Programme Joint Venture	-	-	50%	31 March
Orion New Zealand Ventures Limited	Subsidiary	100%	100%	31 March
Whisper Tech Limited	Investment	4%	5%	31 March

The effective ownership and the voting interests in the above investments are the same.
All of the group entities are incorporated in New Zealand.

Performance statement – financial

	Notes	Actual 2008	Statement of intent target 2008	Actual 2007
Financial				
Profit after tax (\$m)	1	65.5	39.7	60.6
Net profit to average shareholders' equity (%)	1	9.5	6.7	10.1
Electricity network regulatory return on investment (%)	2	-	8.1	8.2
Debt (%)	3	6	9	5
Equity (%)	3	94	91	95
Equity / total assets (%)		73	70	71
Dividends (\$m)	4	45	35	38

Notes:

1. The group's 2008 statement of intent (SOI) targets were set in February 2007. The net profit to average shareholders' equity target of 6.7% was based on a budgeted profit of \$39.7m and average shareholders' equity of \$592m.
- Two major changes happened on 31 March 2007. Firstly, the group's SOI target anticipated property, plant and equipment revaluation of \$100m, whereas the actual revaluation was close to \$180m. This increase added a further \$60m to average shareholders' equity after taking account of the associated impact on the group's deferred tax liability. Secondly, the group's SOI target assumed that council capital contributions would be treated as a deferred income liability and amortised to revenue over time. Final accounting advice was that this treatment was not required and the \$20m deferred income liability assumed in the SOI target was reclassified as equity. These two changes increased actual average shareholders' equity by \$80m.
- The group's 2008 net profit was \$25.8m above the SOI target due largely to a one-off reduction in the group's deferred tax liability as a result of the change in the corporate tax rate (a \$14m increase in net profit).
- As a result of the above-target profit, partially offset by the above-target increase in shareholders' funds, the group's net profit to average shareholders' equity performance for 2008 was 9.5%, or 2.8% above the group's 6.7% target.
2. The group has not published an actual regulatory return on investment this year because:
- the Commerce Commission has still not promulgated its new Information Disclosure Requirements for the 2008 year
  - there is great uncertainty about the content of the new requirements as they will effectively be the first under NZ IFRS.
3. As outlined in note 1 above, the group's 31 March 2008 actual shareholders' equity was substantially higher than that assumed in the group's SOI, which has reduced the group's debt : equity ratio compared with target.
4. The group pays dividends to its shareholders after taking into account the group's financial position, profitability and future investment requirements. The dividends payable to shareholders are determined by the board after consideration of the group's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993. Following a review, the board determined that \$45m of dividends would be paid during the year, \$10m above the group's SOI target.

Performance statement – electricity network reliability

	Actual 2008	Target 2008	Actual 2007	Disclosed average 2007
Electricity network reliability				
ALL INTERRUPTIONS:				
The following targets include interruptions sourced from the Orion network, Transpower network and the generation companies.				
Duration of supply interruptions				
SAIDI – minutes per year less than target				
• urban	13	20	19	-
• rural	344	432	1,147	-
• overall	54	68	154	348
Number of supply interruptions				
SAIFI – times per year less than target				
• urban	0.3	0.5	0.3	-
• rural	4.2	4.0	3.8	-
• overall	0.7	0.9	0.7	3.1
ORION NETWORK INTERRUPTIONS ONLY:				
The following targets include interruptions sourced from the Orion network only.				
Duration of supply interruptions				
SAIDI – minutes per year less than target				
• urban	13	19	18	-
• rural	271	412	1,118	-
• overall	45	64	150	272
Number of supply interruptions				
SAIFI – times per year less than target				
• urban	0.3	0.4	0.3	-
• rural	3.3	3.6	3.7	-
• overall	0.6	0.8	0.7	2.3

The disclosed average 2007 figures are stated only where comparable data is available.

Minutes lost due to outages on the company's network, and the number of outages, were less than the target for the year due to:

- a focus on preventative maintenance rather than reactive maintenance
- a relatively storm-free year.

Note that the 2007 actual result was significantly distorted by the severe June 2006 snowstorm.

Interruptions on the Transpower transmission network were over the company's target, with approximately twice the number of interruptions compared with the previous year. These interruptions particularly affected rural customers.

Targets have been set based on five-year averages, so it is expected that in any one year the company's actual results could be above or below targets.

Performance statement – environmental

1. Map our impact on the environment

Target date: September 2008
Status: Ongoing

International environmental consulting firm, MWH, has been engaged to help the company complete this project. To date MWH has calculated Orion’s carbon emissions from the activities which are normally assessed as part of a carbon footprint exercise – electricity, fuel and paper usage, air travel and waste disposal. Measured this way, the company’s emissions, including those of its subsidiary Connetics, are around 2,000 tonnes of carbon dioxide equivalent per year. Over the coming months Orion will endeavour to determine whether its carbon footprint is in line with comparable organisations. Targets will also be developed for carbon reduction where these can realistically be achieved.

MWH will next determine the carbon impact and other environmental impacts of the remainder of Orion’s activities. This includes the impact of manufacture of the company’s primary network equipment, and activities such as digging trenches for cables. Mapping the company’s environmental impacts in such a comprehensive way is an ambitious exercise. Orion is not aware of any other electricity network operators in the world, let alone companies in any business sector, going this far to determine their full environmental impact.

2. Achieve a 10% reduction in our head office building energy costs by March 2008 and a further 5% by March 2009

Target date: March 2009
Status: Not achieved

This target is related to reducing the company’s energy use. However the target is written as ‘reduce energy costs’ because Orion aims to use less energy at times when energy use impacts most on the environment. In New Zealand this is usually in winter when more fossil fuel is used to generate electricity and when the network operates at peak load. As energy prices are typically higher during winter, the company believes that ‘energy costs’ is a better measure of reduced environmental impact.

In the first year of this target, electricity costs were up 4.7% on the previous year versus a target of a 10% reduction. While electricity volumes were the same, a combination of higher prices and problems with the office building’s heating system, forcing the use of more expensive day-time electricity, meant that costs actually increased.

Failure to achieve this target is disappointing but not overly surprising as the company has already undertaken a number of efforts to reduce energy usage in its office building. Further savings will continue to be sought, however Orion’s failure to achieve this target may indicate that further significant savings are unlikely.

3. Work with Community Energy Action (CEA) to ensure that at least a further 500 low income homes are insulated in Christchurch by March 2008

Target date: March 2008
Status: Achieved

CEA is a Christchurch-based charitable trust focused on improving energy efficiency in the low income housing sector. Orion has supported CEA since its establishment in 1994. This financial year CEA insulated a total of 679 low income households under contracts supported by the company. This was over half the total number of homes insulated by CEA during the year. Rent-free premises are also provided for CEA, as well as practical support such as information technology services and building maintenance.

4. Examine the feasibility and economics of installing photovoltaic energy systems at five remote rural sites currently supplied by our power lines

Target date: March 2008
Status: Achieved

Solar panels may be a cost-effective means of delivering power to remote rural sites. However issues of reliability and potential loss of easements over property (when power lines are removed) need to be considered. The company has examined the feasibility and economics of installing photovoltaic energy systems (solar panels) at five separate remote rural sites. There may be economic benefits if some remote lines are replaced with photovoltaic systems when the lines reach the end of their physical lives.

Issues associated with replacing lines in this way include:

- customers’ acceptance of risk for ongoing maintenance of supply
- security of supply for customers, as some customers provide infrastructure and essential services
- current technology – technological advancements should improve reliability over time and therefore improve the economics of photovoltaic use
- the strategic value of the line if the land use in the area changes in the future.

The company will review the impacts of these issues as its remote lines approach the end of their physical lives. This will occur progressively over the next 40 years with the first of these remote lines due for replacement in approximately three years’ time.

5. Examine the ability for additional low-emission diesel generation capacity to operate at network peak loading times, to secure electricity supply for Christchurch and central Canterbury

Target date: March 2008
Status: Ongoing

Low-emission diesel generation can reduce network peak loads and reduce the need for additional investment in the electricity distribution network. While diesel generation can be perceived as polluting, lower sulphur diesel and modern efficient generators have very low emissions. Emissions are also reduced because diesel generation operates for very few hours (generally less than 100) in any year during peak network loads or when there is a network, generation or transmission emergency.

Local low-emission generation is also more environmentally beneficial than distant fossil fuel generation due to lower transmission losses.

The company has identified approximately 20MW of existing diesel generation in Christchurch at customers’ premises which is not currently operating at network peak loading or emergency times. A partnership is in place with Transpower to investigate the potential for using this spare capacity to reduce peak network loads. This work should be completed by July 2008.

Orion is also taking an appeal to the Environment Court to challenge some provisions in the Natural Resources Regional Plan, approved by Environment Canterbury, in order to reduce the barriers to installing and operating this type of back-up peak generation.

AUDIT REPORT

To the readers of Orion New Zealand Limited and group's financial statements and statement of service performance for the year ended 31 March 2008

The Auditor-General is the auditor of Orion New Zealand Limited (the company) and group. The Auditor-General has appointed me, Julian Tan, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and statement of service performance of the company and group, on his behalf, for the year ended 31 March 2008.

Unqualified opinion

In our opinion:

- The financial statements of the company and group on pages 16 to 65:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of:
    - the company and group's financial position as at 31 March 2008;
    - the results of their operations and cash flows for the year ended on that date.
- The statement of service performance of the company and group on pages 66 to 69 gives a true and fair view of the achievements measured against the performance targets adopted for the year ended 31 March 2008.
- Based on our examination the company and group kept proper accounting records.

The audit was completed on 10 June 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the board of directors and the auditor, and explain our independence.

Basis of opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the board of directors;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the board of directors and the auditor

The board of directors is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must give a true and fair view of the financial position of the company and group as at 31 March 2008. They must also give a true and fair view of the results of their operations and cash flows for the year ended on that date. The board of directors is also responsible for preparing the statement of service performance that gives a true and fair view of service performance achievements for the year ended 31 March 2008. The board of directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 45(1) of the Energy Companies Act 1992.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit of the annual financial statements, we have carried out other audit assignments for the company during the reporting period. These involved issuing an audit report on the information disclosure statement for the year ended 31 March 2007 pursuant to the Commerce Act (Electricity Information Disclosure Requirements) Notice 2004 and audit reports on the threshold compliance statements as at 31 March 2007 and 31 March 2008 pursuant to the Commerce Act (Electricity Distribution Thresholds) Notice 2004. These assignments are compatible with those independence requirements.

Other than the audit and these assignments, we have no relationship with or interests in the company or any of its subsidiaries.



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 and performance information

This audit report relates to the financial statements and performance information of Orion New Zealand Limited (the company) and group for the year ended 31 March 2008 included on the company's website. The company's board of directors is responsible for the maintenance and integrity of the website. We have not been engaged to report on the integrity of the website. We accept no responsibility for any changes that may have occurred to the financial statements and performance information since they were initially presented on the website.

The audit report refers only to the financial statements and performance information named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the financial statements and performance information. 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 performance information and the related audit report dated 10 June 2008 to confirm the information included in the audited financial statements and performance information presented on this website.

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

Statutory information

Ownership

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

The holding company is owned in the following proportions:

• by Christchurch City Holdings Limited (which is 100% owned by the Christchurch City Council)	89.275%
• by Selwyn Investment Holdings Limited (which is 100% owned by the Selwyn District Council)	10.725%
	100.000%

Principal activities

The company's principal activities during the year were:

- to provide network distribution services to electricity retailers on behalf of consumers
- to provide other services such as contracting in the utilities sector
- to seek investment opportunities in the infrastructure and energy sectors.

Directors

Directors Craig Boyce and Gail Sheriff retire by rotation at the company's annual meeting in August 2008.

Directors' remuneration

During the year the total of the remuneration and value of other benefits received by the directors of the company was as follows:

	Orion New Zealand Limited directors' fees \$000	Subsidiary company directors' fees \$000
Michael Andrews	35	7
Craig Boyce	68	-
John Dobson	39	-
Don Elder – retired from the board 31 December 2007	27	-
George Gould	34	-
Bill Heaps	33	-
Peter Rae – retired from the board 8 August 2007	16	5
Gail Sheriff	36	-
	288	12

Directors' insurance

The company has arranged insurance policies for directors' liability insurance within the limits and requirements as set out in the Companies Act 1993.

Loans to directors

There were no loans made to directors.

Board standing committees

During the year the following directors served as standing committee members:

AUDIT AND RISK MANAGEMENT COMMITTEE	REMUNERATION COMMITTEE
Peter Rae (until 8 August 2007)	Don Elder (until 31 December 2007)
John Dobson (chairman from 9 August 2007)	George Gould (chairman from 1 January 2008)
Michael Andrews	Craig Boyce
Craig Boyce	
Gail Sheriff	

Statutory information

continued

Interests register

The company maintains an interests register in which particulars of certain transactions and matters involving the directors are recorded. These records are a requirement under the Companies Act 1993. The following entries were recorded by the company's directors in the interests register during the year ended 31 March 2008.

Michael Andrews	Centre for Research Excellence in Bio-Protection Technologies	Director
	Eastland Infrastructure Limited	Director
	Eastland Network Limited	Director
	Eastland Port Limited	Director
	Tenon Limited	Director
Craig Boyce	Bernard Matthews New Zealand Limited	Director
	Combined Rural Traders Limited	Director
	Connexionz Limited	Director
	Datacom Group Limited	Director
	Progressive Leathers Limited	Director
	Smiths City Group Limited and subsidiaries	Director
	Snowy Peak Limited	Director
	The Christchurch Arts Centre	Trustee
	Thermocell Limited	Director
	Transdiesel Limited	Director
John Dobson	Gough Holdings Limited and subsidiaries	Director
	Gough Securities Limited	Director
	New Zealand Express Transport 2006 Limited	Director
	Real Journeys Limited	Director
	Rural Transport Limited	Director
	Securitised Equipment Holdings Limited	Director
	Securitised Equipment Receivables Limited	Director
	Smiths City Group Limited and subsidiaries	Director
	Wilson Bulk Transport	Director
Don Elder	ASB Bank Limited	Director
	ASB Group (Life) Limited	Director
	Biodiesel NZ Limited	Director
	CO2 Co-operative Research Centre, Australia	Director
	Coal Association of NZ	Director
	Innovative Carbon Technologies Pty Limited	Director
	Solid Energy Land Holdings Limited	Director
	Solid Energy New Zealand Limited – also a director of its subsidiaries	Chief executive officer
	Spring Creek Mine Holdings Limited	Director
	Spring Creek Mining Company	Director
	World Coal Institute (UK)	Director
George Gould	Chong Bureau Limited and its subsidiaries	Director
	George Gould Limited	Director
	Gould Holdings Limited	Director
	Milford Dart Limited	Director
	Mitre Peak Cruises Limited	Director
	Pod Limited	Director
	Southern Hemisphere Proving Grounds Limited	Director

Bill Heaps	Business Symmetrics Limited	Director
	Electricity Commission's transmission and wholesale market advisory groups	Member
	Strata Energy Consulting Limited	Director
	Strata Energy Limited	Director
	Strata Limited	Director
	The Sustainable Capital Company Limited	Director
Peter Rae	764 Colombo Street Limited	Director
	Connetics Limited	Director
	Lye Properties Limited	Director
	Mutual Credit Finance Limited	Director
	Peter Rae Industries Limited and subsidiaries	Director
	Red Bus Limited	Director
	Transport Haulage & Equipment Finance Limited	Director
	W H Collins Limited	Director
	Waitaki Transport Limited	Director
Gail Sheriff	A Beach Café Limited	Director
	Christchurch City Council	Councillor
	Oceanside Apartments Limited	Director

Subsidiary companies

The following persons held office of subsidiary companies during the year, or in the case of those persons with the letter (R) after their name, ceased to hold office during the year. Except where shown below and above, no director of any subsidiary company within the Orion group receives directors' fees or other benefits as a director. The remuneration of employees acting as directors of subsidiary companies is disclosed in the relevant bandings in the group employee remuneration section following.

Connetics Limited	Brendan Kearney, Roger Sutton, Peter Rae (R) \$4,612, Michael Andrews \$7,583, Robert Taylor	
Orion New Zealand Ventures Limited	Roger Sutton	

Apart from the interest register entries disclosed above, the further entries made in the subsidiary companies' interests registers were as follows:

Brendan Kearney	4RF Communications Limited	Director
Roger Sutton	Community Energy Action	Trustee
	Energy Efficiency and Conservation Authority	Chairman
	4RF Communications Limited	Director
Robert Taylor	Electricity Supply Industry Training Organisation	Director
	Electricity Engineers' Association	Committee member

Statutory information continued

Group employee remuneration

The number of group employees and former employees, other than directors of the company, whose remuneration and benefits fall within specified bands is listed below. Remuneration includes all non-cash benefits and redundancy payments where applicable.

Remuneration \$000	Number of current and former employees 2008	Number of current and former employees 2007
100 - 110	15	9
110 - 120	7	3
120 - 130	4	4
130 - 140	5	2
140 - 150	2	2
150 - 160	1	1
160 - 170	1	1
170 - 180	1	-
250 - 260	-	1
260 - 270	-	1
270 - 280	1	1
290 - 300	1	-
300 - 310	1	-
330 - 340	-	1
360 - 370	1	-
410 - 420	-	1
480 - 490	1	-
570 - 580	-	1
640 - 650	1	-

Auditor

In accordance with section 45 of the Energy Companies Act 1992 and section 15 of the Pubic Audit Act 2001, the Auditor-General remains as auditor of the company.

Five-year trends

	NZ IFRS 2008	NZ IFRS 2007	NZ IFRS 2006	2005	2004
Group operating revenues (gross) (\$m)	213	198	196	208	172
Net surplus after tax attributable to parent company shareholders (\$m)	65.5	60.6	46.3	52.3	0.2
Net surplus attributable to parent company shareholders per share (cents)	81.9	75.8	57.9	65.4	0.3
Net surplus attributable to parent company shareholders to average ordinary shareholders' equity (%)	9.5	10.1	8.8	9.1	0.0
Ordinary dividends per share (cents)	56.3	47.5	47.5	33.8	33.6
Total group assets (\$m)	961	955	776	778	716
Total group liabilities (\$m)	261	278	250	152	197
Orion shareholders' equity (\$m)	700	677	526	626	519
External debt : debt plus equity ratio (parent) (%)	5.8	5.4	10.2	10.2	19.7
Net tangible asset backing per share (\$)	8.73	8.43	6.55	7.80	6.45
Electricity maximum demand (MW)	623	630	592	577	563
Electricity deliveries into the network (GWh) (includes embedded generation)	3,325	3,287	3,258	3,194	3,080

Five-year trend information for the 2006 financial year above has been restated to reflect the adoption of NZ IFRS, however years prior to 2006 have not been restated.

Corporate governance statement

The directors are pleased to present the company's corporate governance statement. This statement provides an overview of the company's main corporate governance practices.

Role of the board

The board is responsible for the proper direction and control of the company's activities. This responsibility includes such areas of stewardship as:

- commercial performance
- business plans and budgets
- corporate policies
- financial and dividend policies
- management oversight and development
- delegations of authority
- identification and control of business risks
- identification and control of business opportunities
- internal control systems
- integrity of management information systems
- compliance with relevant law
- reports to shareholders.

In accordance with section 36 of the Energy Companies Act 1992, the company's principal objective is to operate as a successful business.

Code of conduct

The board has adopted a code of conduct. The purposes of the code are to clarify how the board and directors shall define and deal with:

- the role and fundamental obligations of the board
- independence and conflicts of interest, including any conflicts with management
- insider trading
- board procedures, including the role of the chairman and interaction with the chief executive officer
- reliance on information and independent advice
- confidentiality of company information
- shareholder participation
- training and continuing education
- board and director performance review and development.

The board formally reviews the code of conduct, along with the company's other significant policy documents, every year and makes changes to the code and the policies to reflect good practice.

Board performance review and development

The board regularly reviews its own performance and the performance of the chief executive officer. The principal purposes of the reviews are to identify opportunities for performance development and improvement and set in place plans to achieve those opportunities.

Board committees

While the board may delegate some responsibilities and tasks to a board committee, it cannot avoid the ultimate accountability for any committee's actions or inactions. The board has two standing committees as follows:

- the audit and risk management committee of the board liaises with the company's auditor and provides additional assurance regarding the quality and reliability of internal controls and financial information used by and issued by the board. The committee also oversees the company's insurance practices and monitors the effectiveness of the company's risk and loss control activities
- the remuneration committee of the board assists the board to establish remuneration policies and practices to set and review remuneration of the company's chief executive officer and other senior executives.

Statement of intent

In accordance with section 39 of the Energy Companies Act 1992, the board submits a draft statement of intent (SOI) for the coming financial year. This SOI sets out the company's overall objectives, intentions, and financial and performance targets. After due consultation with the company's shareholders, and after considering any comments from those shareholders, the final SOI is approved by the board, delivered to the company's shareholders and placed on the company's website.

The board also aims to ensure that the shareholders are informed of all major developments affecting the company's state of affairs.

Legislative compliance

The company has a comprehensive approach to compliance with relevant law. Compliance manuals and training are made available to all employees. Where appropriate, external experts are engaged to advise the company on the appropriate practices to ensure compliance. The board receives regular updates from management on compliance. Areas of relevant law include corporate, taxation, financial and regulatory reporting, commercial, environmental, human resources, health and safety and privacy.

Investments in other companies

The board receives regular updates on and monitors the performance of each investee company. The company's most significant trading investment is Connetics Limited and this company has at least one non-executive Orion New Zealand Limited director on its board.

Directory

Directors

Craig Boyce
CHAIRMAN

Michael Andrews

John Dobson

George Gould

Bill Heaps

Gail Sheriff

Corporate management

Roger Sutton
CHIEF EXECUTIVE OFFICER

Brendan Kearney
GENERAL MANAGER CORPORATE SERVICES

Rob Jamieson
GENERAL MANAGER COMMERCIAL

Craig Kerr
GENERAL MANAGER INFORMATION SERVICES

John O'Donnell
GENERAL MANAGER INFRASTRUCTURE

Tas Scott
GENERAL MANAGER NETWORK DEVELOPMENT

Adrienne Sykes
HUMAN RESOURCES MANAGER (from June 2008)

Head office

218 Manchester Street
PO Box 13896
Christchurch
New Zealand

Phone + 64 3 363 9898
Fax + 64 3 363 9899
Email info@oriongroup.co.nz
Website oriongroup.co.nz

Auditors

Audit New Zealand on behalf of the
Auditor-General

Principal solicitors

Chapman Tripp
Christchurch

Sources of information

A range of information about our policies and operations is available on our website oriongroup.co.nz. Paper copies are available from our head office at 218 Manchester Street, Christchurch. Information includes our:

- network asset management plan
- network quality report
- network pricing guide and detailed information on our pricing
- daily load management
- guide to connecting distributed generation
- safety guidelines for working on our network
- discussion of environmental issues.

Other websites which contain information of interest include:

- Commerce Commission
comcom.govt.nz
- Consumer electricity information
consumer.org.nz/powerswitch
- Electricity and Gas Complaints Commission
egcomplaints.co.nz
- Electricity Commission
electricitycommission.govt.nz
- Electricity Networks Association
electricity.org.nz
- Environment Canterbury
ecan.govt.nz
- Ministry of Economic Development
med.govt.nz



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there is growth[⚡]

Strong, reliable electricity networks are essential for economic growth. This year we connected our largest single customer - Synlait's new milk processing factory at Dunsandel - which converts raw milk into high-value products, creating economic benefits and job opportunities for the region.



