New Zealand Limited

2014
Annual Report

This report is Part 2 of our 2014 annual report. Part 1, which is available online at oriongroup.co.nz and in print, summarises the year in review.

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Above: Our 24 hour control centre is the hub of our network operations. Ian Ainsworth, Network Controller, is part of the team who monitor and control our network.

Front cover: Chris Kappely, Network Operator, gets ready to turn the power on to a commercial development in the Christchurch central business district.

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 2014.

The company's audited financial statements also include five audited performance statements:

- financial
- electricity network reliability
- earthquake recovery
- environment
- community and employment.

Authorised for issue on 11 June 2014.

For and on behalf of the board of directors:

CRAIG BOYCE DIRECTOR
11 June 2014

PAUL MUNRO DIRECTOR
11 June 2014

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Statement of comprehensive income

For the year ended 31 March 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Revenues	2	268,201	260,882	228,353	227,301
Expenses	3	159,120	154,009	124,442	123,687
Depreciation, amortisation and other impairment expenses	4	36,473	37,367	34,643	35,664
		195,593	191,376	159,085	159,351
Earnings before net interest expense and tax (EBIT)		72,608	69,506	69,268	67,950
Interest income	5	161	212	393	525
Interest expense	6	3,687	3,998	3,685	3,998
Profit before income tax		69,082	65,720	65,976	64,477
Income tax expense	8	18,627	16,729	17,742	16,353
Net profit		50,455	48,991	48,234	48,124
Other comprehensive income:					
Gain on revaluation of property, plant and equipment	17	108,894	-	106,142	-
Deferred tax expense on revaluation of property, plant and equipment	8	(29,258)	-	(28,487)	-
		79,636	-	77,655	-
Total comprehensive income		130,091	48,991	125,889	48,124

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 2014

	Notes	Share capital $000	Retained earnings $000	Asset revaluation reserve $000	Total equity $000
Consolidated entity					
Balance as at 1 April 2012		120,000	474,111	25,803	619,914
Net profit		-	48,991	-	48,991
Other comprehensive income		-	-	-	-
Total comprehensive income		-	48,991	-	48,991
Transfers between reserves:					
Realised gain on disposal of property, plant and equipment		-	33	(33)	-
Deferred tax reversed on sale of property, plant and equipment		-	(9)	9	-
Dividends paid	27	-	(32,000)	-	(32,000)
Balance as at 31 March 2013		120,000	491,126	25,779	636,905
Net profit		-	50,455	-	50,455
Other comprehensive income		-	-	79,636	79,636
Total comprehensive income		-	50,455	79,636	130,091
Transfers between reserves:					
Realised gain on disposal of property, plant and equipment		-	34	(34)	-
Deferred tax reversed on sale of property, plant and equipment		-	(10)	10	-
Dividends paid	27	-	(34,000)	-	(34,000)
Balance as at 31 March 2014		120,000	507,605	105,391	732,996

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

Statement of changes in equity continued

For the year ended 31 March 2014

	Notes	Share capital $000	Retained earnings $000	Asset revaluation reserve $000	Total equity $000
Parent entity					
Balance as at 1 April 2012		120,000	474,283	22,425	616,708
Net profit		-	48,124	-	48,124
Other comprehensive income		-	-	-	-
Total comprehensive income		-	48,124	-	48,124
Transfers between reserves:					
Realised gain on disposal of property, plant and equipment		-	33	(33)	-
Deferred tax reversed on sale of property, plant and equipment		-	(9)	9	-
Dividends paid	27	-	(32,000)	-	(32,000)
Balance as at 31 March 2013		120,000	490,431	22,401	632,832
Net profit		-	48,234	-	48,234
Other comprehensive income		-	-	77,655	77,655
Total comprehensive income		-	48,234	77,655	125,889
Transfers between reserves:					
Realised gain on disposal of property, plant and equipment		-	34	(34)	-
Deferred tax reversed on sale of property, plant and equipment		-	(10)	10	-
Dividends paid	27	-	(34,000)	-	(34,000)
Balance as at 31 March 2014		120,000	504,689	100,032	724,721

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

Statement of financial position

As at 31 March 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Current assets					
Cash and cash equivalents	9	616	1,362	315	1,122
Trade and other receivables	10	10,759	10,194	6,601	3,807
Financial assets	11	3,647	15	7,693	4,641
Inventories	12	7,090	4,881	241	227
Prepayments		2,446	2,595	1,638	1,762
Investment property	16	-	8,805	-	8,805
Total current assets		24,558	27,852	16,488	20,364
Non current assets					
Subsidiaries	14	-	-	6,551	6,551
Financial assets	15	263	-	248	-
Prepayments		33	101	33	101
Property, plant and equipment	17	1,010,114	855,076	1,001,616	850,000
Intangible assets	18	4,498	5,534	2,008	3,132
Goodwill		250	250	-	-
Total non current assets		1,015,158	860,961	1,010,456	859,784
Total assets		1,039,716	888,813	1,026,944	880,148
Current liabilities					
Trade and other payables	19	38,052	29,186	34,315	24,265
Borrowings	20	1,486	153	1,486	153
Income tax liability	8	5,167	3,701	4,740	3,587
Provisions	21	133	169	80	92
Financial liabilities	22	67	17	67	-
Total current liabilities		44,905	33,226	40,688	28,097
Non current liabilities					
Borrowings	23	74,412	61,088	74,412	61,088
Provisions	24	1,156	1,200	669	739
Financial liabilities	25	380	1,402	380	1,402
Deferred tax	8	185,867	154,992	186,074	155,990
Total non current liabilities		261,815	218,682	261,535	219,219
Equity					
Share capital	26	120,000	120,000	120,000	120,000
Asset revaluation reserve		105,391	25,779	100,032	22,401
Retained earnings		507,605	491,126	504,689	490,431
Total equity		732,996	636,905	724,721	632,832
Total liabilities and equity		1,039,716	888,813	1,026,944	880,148

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

Statement of cash flows

For the year ended 31 March 2014

	Notes	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Cash flows from operating activities					
Receipts from customers		264,148	249,411	224,641	217,951
Interest received		119	214	356	513
Payments to suppliers and employees		(158,258)	(153,359)	(123,066)	(124,372)
Payments for interest and other finance costs		(4,916)	(4,010)	(4,913)	(4,010)
Payments for income tax		(15,545)	(14,357)	(14,993)	(13,794)
Subvention payments		-	-	(27)	(34)
Net cash provided from operating activities	30	85,548	77,899	81,998	76,254
Cash flows from investing activities					
Proceeds from insurance claims on investment property		-	11,179	-	11,179
Proceeds from sale of investment property		7,619	-	7,619	-
Proceeds from sale of available-for-sale investments		-	1,818	-	1,714
Proceeds from sale of property, plant and equipment		1,463	514	1,267	348
Payments for property, plant and equipment		(60,623)	(63,042)	(57,936)	(60,866)
Payments for intangible assets		(802)	(1,671)	(416)	(1,020)
Payment for interest rate swap closeout		-	(870)	-	(870)
Payment for goodwill		-	(250)	-	-
Payments for investment property		-	(186)	-	(186)
Amounts advanced from/(to) related parties		-	-	612	(1,091)
Net cash used in investing activities		(52,343)	(52,508)	(48,854)	(50,792)
Cash flows from financing activities					
Proceeds from borrowings		3,200	7,500	3,200	7,500
Repayment of borrowings		(3,151)	(161)	(3,151)	(161)
Dividends paid		(34,000)	(32,000)	(34,000)	(32,000)
Net cash used in financing activities		(33,951)	(24,661)	(33,951)	(24,661)
Net increase/(decrease) in cash and cash equivalents		(746)	730	(807)	801
Summary					
Cash and cash equivalents at beginning of year		1,362	632	1,122	321
Net increase/(decrease) in cash and cash equivalents		(746)	730	(807)	801
Cash and cash equivalents at end of year	9	616	1,362	315	1,122

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

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 and the Energy Companies Act 1992. The group consists of Orion New Zealand Limited and its subsidiaries (refer also to note 14). 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.

The parent and group financial statements comply with International Financial Reporting Standards.

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(e), property, plant and equipment as outlined in note 1(k), and investment property as outlined in note 1(l). In these instances, carrying values are based on fair value.

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 were applied in preparing these financial statements for the year ended 31 March 2014 and the comparative information presented in these financial statements for the year ended 31 March 2013.

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

Preparing financial statements to conform with NZ IFRS requires the company to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The company's 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 assumptions are regularly reviewed. Any change is recognised in the year if the change affects only that year, and in future years if it also affects future years. In the process of applying the company's and group'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 invoices its customers (predominantly electricity retailers) monthly for electricity delivery services on the basis of an estimation of usage, adjusted for later (more accurate) data from the electricity wholesale market and certain metering data from electricity retailers. The company 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. As final metering data is not available for up to 12 months, it is possible that the final amounts payable or receivable may vary from that calculated.

The company operates an extensive integrated electricity distribution network in Christchurch and central Canterbury, comprising large numbers of individual network asset components. The network equipment components are replaced over time as part of the company's ongoing maintenance/refurbishment programme, consistent with the company'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. The company has estimated the quantities and the carrying values of components removed from the network in each reporting period. Any changes in the estimates of such removals are recognised 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 electricity distribution network.

The company has estimated the impacts of the Canterbury earthquakes on company's future cash flows. The estimates contain some uncertainty. The company's estimates are relevant to the company's cyclical reviews and revaluations of carrying value of the electricity distribution network.

The company has adopted certain key assumptions and made certain key estimates in its discounted cash flow valuation of its electricity distribution network. These include the relevant discount rate and the amounts and timing of future cash flows. These assumptions and estimates are described in note 17.

1. Statement of accounting policies continued

In February 2013 the company applied to the Commerce Commission for a customised price-quality path (CPP). The company's CPP application proposed that, in light of the impacts of the earthquakes on the company's operations and cash flows, the Commission authorise the company to increase its electricity distribution network prices above the company's default price-quality path (DPP) levels, starting on 1 April 2014.

The Commerce Commission announced its final price control decision on the company's CPP proposal on 29 November 2013. The Commission's final price control decision authorised a price increase above the company's DPP level effective from 1 April 2014, but at a lower level than the company proposed in its CPP application. The Commission's decision covers the company's network prices for the five years starting 1 April 2014. Therefore, in forecasting future cash flows, there is relatively more uncertainty about the company's future revenue cash flows from when the company's network prices will be reset again from 1 April 2019, than for the five years ending 31 March 2019.

The company assesses whether individual assets or a grouping of related assets (which generate cash flows independently) are impaired by estimating the future cash flows that those assets are expected to generate. Assumptions, such as rates of expected revenue growth or decline, expected future margins and the selection of an appropriate discount rate for discounting future cash flows, are required.

On initial recognition of items of property, plant and equipment and intangible assets with finite lives, the group makes judgements about whether costs incurred relate to bringing an asset to working condition for its intended use, and therefore are appropriate for capitalisation as part of the asset cost, or whether they should be expensed as incurred. Thereafter, the group's judgement is required to assess whether subsequent expenditure increases the future economic benefits to be obtained from that asset and is therefore also appropriate for capitalisation or whether such expenditure should be treated as maintenance and expensed.

The company acquires certain electricity distribution assets for less that their replacement cost. Up until 31 March 2013, the company capitalised these acquisitions at their estimated replacement cost, and the difference between the cash cost and the estimated replacement cost was recognised as revenue in the year of acquisition. From 1 April 2013 the company now values these asset acquisitions at nil because they are not recognised under the Commerce Commission's regulatory price control regime and therefore these assets do not generate future cash flows for the company.

The group has determined estimated useful lives for particular assets. The group has exercised judgements over the expected length of service potential of assets, the likelihood of assets becoming obsolete as a result of technological advances and the likelihood of the company and group ceasing to use assets in its business operations.

The company estimates and eliminates intragroup profits that are recognised in new electricity distribution network assets.

Other areas where judgement has been exercised in preparing these financial statements include calculating provisions for doubtful debts, assessing any unrecoverable work in progress, calculating provisions for employee benefits, estimating the expected movement in the deferred tax liability and in the determination of network reliability (SAIDI/SAIFI) measures in the statement of electricity network reliability performance.

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

A subsidiary is an entity where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 profit or loss 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 intra-group balances and transactions, and unrealised profits arising within the group, are eliminated in full.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income and statement of changes in equity.

1. **Statement of accounting policies** continued

Parent company

Investments in subsidiaries held by the parent are accounted for at cost less any impairment charges in the separate financial statements of the parent entity. Dividends received from subsidiaries are recorded as a component of other revenues and do not impact the recorded cost of the investment in the separate balance sheet of the parent entity. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

(b) 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 expense. Cash flows in respect of payments to and receipts from the Inland Revenue Department are shown net in the statement of cash flows.

(c) 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 profit or loss in the year in which they arise.

(d) 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 statement of financial position.

(e) 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 profit or loss

The group has certain derivatives which are stated at fair value and the movements are recognised in profit or loss (refer to note 1(i)).

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 profit or loss), until the investment is disposed of or is determined to be impaired. At this time the cumulative gain or loss previously recognised in the available-for-sale revaluation reserve is included in profit or loss for the year.

Loans and receivables

Accounts receivable are stated at cost less an allowance for impairment. All known bad debts are written off during the financial year. Hire purchase debtors exclude unearned interest (calculated using the effective interest rate method).

Intra-group balances due from subsidiaries and associates are stated at cost less impairment losses.

The cost of chargeable work in progress includes direct materials and labour, an allocation of overheads that directly relate to the work performed and the expected margin or loss on the costs incurred to date.

(f) Inventories

Inventories are valued at the lower of cost 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. 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.

1. Statement of accounting policies continued

(g) Income tax

Income tax expense in relation to the profit or loss 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.

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 these 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, 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.

For investment property measured at fair value, there is a rebuttable presumption that any deferred tax will be recovered through the sale of the asset. The carrying value of the asset is therefore used to calculate any deferred tax balance.

Current tax and deferred tax are charged or credited to profit or loss. When deferred tax relates to items charged or credited to other comprehensive income, then deferred tax is also recognised in other comprehensive income.

(h) Leased assets and lease liabilities

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.

Group 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.

Group as lessee

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

Finance leases, which transfer to the group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term if there is no reasonable certainty that the group will obtain ownership by the end of the lease term.

(i) Derivative financial instruments

The group enters into swaps, foreign currency forward rate agreements and foreign currency 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 for financial reporting purposes. 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 profit or loss immediately. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative and they are offset against each other if the company has a legal right of offset.

The fair value of interest rate swaps is the estimated amount the group would receive or pay to terminate the swap at balance 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 balance date, being the present value of the quoted forward price.

1. Statement of accounting policies continued

(j) 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) or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a 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 revaluation reserve related to that asset, with any remaining impairment loss expensed in profit or loss. If the impairment loss is subsequently reversed, the reversal is firstly applied to profit or loss 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 profit or loss. If an impairment loss is subsequently reversed, the carrying value of the asset is stated at not more than what its carrying value would have been had the earlier impairment not occurred.

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 or loss.

(k) Property, plant and equipment

Land and buildings are measured at fair value. Fair value is determined on the basis of a periodic independent market valuation prepared by external valuers, based on comparable market sales, 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 measured at fair value. Fair value has been determined on the basis of a periodic independent valuation prepared by an external valuer, based on a discounted cash flow methodology. The fair value of the network has been recognised in the financial statements of the group and has been reviewed at the end of each reporting period to assess whether the carrying value is not materially different from fair value.

Any revaluation increase arising on the revaluation of land and buildings and the electricity distribution network 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 profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of land and buildings and the electricity distribution network is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to previous revaluations of that asset.

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. Revenue expenditure is defined as expenditure that does not meet the definition of capital expenditure.

Constructed assets are included in property, plant and equipment as each becomes operational and available for use.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation on revalued buildings and the electricity distribution network is charged to profit or loss.

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 recognised 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.

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 are 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 profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve in respect of those assets are transferred to retained earnings.

(l) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property held for a currently undetermined future use), 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 profit or loss in the year in which those gains or losses arise.

(m) Intangible assets

Intangible assets with a finite life are stated at cost less accumulated amortisation and impairment. All the group's intangible assets are 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. This period does not usually exceed three years – however for some significant projects, estimated useful lives may be assessed as up to 10 years.

Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred. Costs directly associated with the production of identifiable and unique software products controlled by the group, are recognised as intangible assets if the completion of the product is technically feasible, the company has the intention to complete and ability to use the asset, the asset will generate probable future economic benefits, the company has adequate resources available to complete the development of the asset and the company has the ability to reliably measure the expenditure attributable to the asset during development.

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 – however for some significant projects, estimated useful lives may be assessed as up to 10 years.

(n) 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 profit or loss and is not subsequently reversed.

(o) Payables

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

(p) 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 profit or loss over the period of the borrowing using the effective interest rate method.

1. Statement of accounting policies continued

(q) 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 cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. 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.

(r) 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.

(s) 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 statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

(t) 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.

Earthquake insurance proceeds are recognised as revenues in these financial statements when they are received or when it is virtually certain that they will be received under the company's insurance contracts and the amounts can be reliably measured or estimated. If insurance cash receipts relate partially to business interruption and partially to property, plant and equipment, the cash flows are allocated between cash flows from operating activities (for example for the business interruption portion of the claim) and cash flows from investing activities (for example for the property, plant and equipment portion of the claim). Insurance cash receipts that relate to property, plant and equipment claims are classified as cash flows from investing activities. Insurance cash receipts that do not relate to property, plant and equipment (for example for increased operating cost or loss of revenue claims) are classified as operating activities.

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

(u) Capital contributions and grants

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

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (an asset that takes a substantial period of time to get ready for intended sale or use) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period in which they occur.

1. Statement of accounting policies continued

Changes in accounting policies and disclosures

The accounting policies detailed above have been applied in the preparation of these financial statements and have been consistently applied throughout the year.

The following new and amended New Zealand equivalents to International Financial Reporting Standards have been adopted as of 1 April 2013:

- NZ IAS 1 Presentation of Items of Other Comprehensive Income – Amendment to NZ IAS 1
- NZ IAS 19 Employee Benefits (Revised)
- NZ IAS 28 Investments in Associates and Joint Ventures
- Amendments to NZ IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
- NZ IFRS 10 Consolidated Financial Statements
- NZ IFRS 11 Joint Arrangements
- NZ IFRS 12 Disclosure of Interests in Other Entities
- NZ IFRS 13 Fair Value Measurement
- Annual Improvements NZ IFRS 2009 – 2011 Cycle.

Adoption of the above standards did not have a material impact on the financial statements of the group.

NZ IFRS Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the group for the annual reporting period ending 31 March 2014 are listed below:

	Effective
• Amendments to NZ IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities	FY15
• NZ IFRS 9 Financial Instruments – Classification and Measurement	FY16
• Amendments to NZ IFRS 10, 11 and 12, and NZIAS 27 Investment Entities	FY16
• NZ IFRIC 21 Levies	FY16
• Amendments to NZ IAS 36 Recoverable Amount Disclosures for Non-Financial Assets	FY16
• Amendments to NZ IAS 39 Novation of Derivatives and Continuation of Hedge Accounting	FY16
• Annual Improvements NZ IFRS 2010 – 2012 and 2011 – 2013 cycles	FY16

The group expects to adopt these new or amended standards and interpretations in the period that application of the standard is required, however they are not expected to have a significant impact on the group's financial statements.

2. Revenues

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Electricity delivery services	214,464	204,326	214,464	204,326
Transmission rental rebates	4,102	7,081	4,102	7,081
Contracting	31,784	23,726	-	-
Sale of goods and services	8,614	9,862	-	135
Consumer capital contributions	4,566	4,241	4,566	4,241
Non-cash vested assets additions	-	4,406	-	4,406
Insurance proceeds	114	1,849	114	1,849
Gain on disposal of investments	-	1,788	-	1,714
Gain on disposal of investment property	2,314	-	2,314	-
Fair value adjustment of investment property	-	1,395	-	1,395
Rental – other property	426	323	274	189
Other	1,817	1,885	2,519	1,965
	268,201	260,882	228,353	227,301

3. Expenses

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Transmission	66,187	65,219	66,187	65,219
Transmission rental rebates	4,102	7,081	4,102	7,081
Employee benefits	43,271	38,270	18,390	17,249
Network maintenance	23,654	19,644	23,654	19,644
Earthquake other costs	-	1,415	-	1,415
Operating lease payments	1,238	979	251	117
Direct operating expenses of investment property	121	446	121	446
Loss on disposal of property, plant and equipment	33	129	52	166
Movement in provisions	(80)	122	(82)	97
Donations	34	51	32	29
Change in fair value of foreign exchange contracts	-	18	-	1
Foreign exchange expenses	9	14	-	14
Subvention payments	-	-	27	34
Other	20,551	20,621	11,708	12,175
	159,120	154,009	124,442	123,687

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
4. Depreciation, amortisation and other impairment expenses				
Depreciation of property, plant and equipment	34,437	32,231	32,922	30,791
Amortisation of intangible assets	1,838	1,970	1,540	1,755
Impairment/(reversal) of property plant and equipment	(1,290)	1,634	(1,290)	1,634
Property, plant and equipment replaced and written off	1,488	1,532	1,488	1,532
Reversal of impairment of financial assets	-	-	(17)	(48)
	36,473	37,367	34,643	35,664
5. Interest income				
Finance lease	1	4	1	4
Bank deposits	50	44	50	44
Other	110	164	110	164
Related parties	-	-	232	313
	161	212	393	525
6. Interest expense				
Interest expense on loans	3,225	3,778	3,223	3,778
Interest expense on finance lease	1,770	382	1,770	382
Net change in fair value of derivatives income	(1,308)	(162)	(1,308)	(162)
	3,687	3,998	3,685	3,998
7. Remuneration of the auditor				
Audit of the financial statements	225	237	157	176
Audit-related services	59	315	59	315
	284	552	216	491

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

Audit-related services comprise:

- annual assurance reviews of the company's annual compliance statement in accordance with the Commerce Commission's Electricity Distribution Services Default Price-Quality Path Determination 2010 (2014 and 2013)
- annual assurance reviews of the company's information disclosures in accordance with the Electricity Distribution Information Disclosure Determination 2012 (2014 and 2013)
- an assurance review of certain parts of the information prepared by the company to comply with a Commerce Commission information request under s53ZD of the Commerce Act (2013)
- an assurance review of certain parts of the information prepared as part of the company's Customised Price Path proposal to the Commerce Commission (2013).

8. Income tax and deferred tax

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Income tax expense comprises:				
Current income tax				
Current income tax charge	17,423	15,777	16,499	15,352
Adjustments relating to current income tax of prior years	(413)	(961)	(354)	(946)
Deferred income tax				
Expense relating to temporary differences	1,634	1,887	1,597	1,947
Expense relating to use of prior years' losses	17	17	-	-
Impairment/(reversal) of deferred tax asset	(34)	9	-	-
Income tax expense recognised in net profit	18,627	16,729	17,742	16,353
Reconciliation of profit before income tax with income tax expense:				
Profit before income tax	69,082	65,720	65,976	64,477
Prima facie income tax expense calculated at 28%	19,343	18,402	18,473	18,053
Non-deductible expenses	127	702	108	701
Non-assessable income	(1,837)	(1,026)	(1,842)	(1,140)
Other deductible items	(123)	(24)	(123)	(24)
Deferred tax impacts resulting from:				
Use of prior years' tax losses	17	17	-	-
Removal of assets which are non-depreciable for tax purposes	-	(1,095)	-	(1,095)
Deferred depreciation recovered offset against tax cost of asset purchases	922	-	922	-
Sale of investment property	728	-	728	-
Project stock sold from distribution assets	(405)	-	(405)	-
Movements in finance lease liabilities which are classed as operating leases for tax purposes	(94)	-	(94)	-
Other adjustments	(21)	-	(21)	113
Impairment/(reversal) of deferred tax asset	(34)	9	-	-
	18,623	16,985	17,746	16,608
Over-provision of income tax in the previous year	4	(256)	(4)	(255)
Income tax expense	18,627	16,729	17,742	16,353
Deferred tax expense on revaluation of property, plant equipment in other comprehensive income	29,258	-	28,487	-

The income tax rate of 28% is the corporate income tax rate payable on taxable profits under New Zealand tax law.

8. Income tax and deferred tax continued

Current income tax liability

The group's current income tax liability as at 31 March 2014 is $5.2m (2013: $3.7m). The liability mainly comprises the group's third instalment of provisional income tax for the year ended 31 March 2014. The instalment was payable and paid approximately five weeks after balance date. The equivalent current income tax liability for the parent is $4.7m (2013: $3.6m).

Imputation credit account

The Orion consolidated tax group includes the company, Connetics Limited and Orion New Zealand Ventures Limited for imputation credit account purposes. Therefore, the parent and consolidated group imputation credit accounts are the same. All of these companies remained in the consolidated tax group for the year ended 31 March 2014.

The amount of imputation credits available for use in subsequent reporting periods is $10.0m (2013: $6.3m), which includes the income tax liability as at 31 March 2014 of $5.2m (2013: $3.7m).

Unrecognised deferred tax asset

Orion New Zealand Ventures Limited has accumulated tax losses, which are only able to be offset against its share of future income from the United States of America and New Zealand Fair Dividend Rate (FDR) income. It is no longer probable that all of the $180,000 (2013: $241,000) of ring-fenced tax losses available to carry forward at 31 March 2014 will be able to be utilised in the foreseeable future. The group estimates that tax losses of $120,000 (2013: $60,000) could be utilised and therefore the deferred tax asset has been impaired by $17,000 (2013: $51,000) relating to tax losses of $60,000 (2013: $181,000) which have not been recognised.

8. Income tax and deferred tax continued

Group for the year ended 31 March 2014

Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged/ (credited) to income $000	Charged to other comprehensive income $000	Closing balance $000
Deferred tax liabilities				
Property, plant and equipment	155,533	1,016	29,258	185,807
Depreciation recovered deferred against future purchase	1,299	(922)	-	377
Intangible assets	437	376	-	813
Other	4	839	-	843
	157,273	1,309	29,258	187,840
Deferred tax assets				
Derivative financial liabilities	393	(367)	-	26
Provisions	1,421	(1)	-	1,420
Doubtful debts and impairment losses	45	(18)	-	27
Finance lease liability	405	61	-	466
Tax losses	17	17	-	34
	2,281	(308)	-	1,973
Net deferred tax liability	154,992	1,617	29,258	185,867

Group for the year ended 31 March 2013

Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged/ (credited) to income $000	Charged to other comprehensive income $000	Closing balance $000
Deferred tax liabilities				
Property, plant and equipment	153,082	2,451	-	155,533
Depreciation recovered deferred against future purchase	1,370	(71)	-	1,299
Intangible assets	587	(150)	-	437
Other	400	(396)	-	4
	155,439	1,834	-	157,273
Deferred tax assets				
Derivative financial liabilities	681	(288)	-	393
Provisions	1,357	64	-	1,421
Doubtful debts and impairment losses	47	(2)	-	45
Finance lease liability	232	173	-	405
Tax losses	43	(26)	-	17
	2,360	(79)	-	2,281
Net deferred tax liability	153,079	1,913	-	154,992

8. Income tax and deferred tax continued

Parent for the year ended 31 March 2014

Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged/ (credited) to income $000	Charged to other comprehensive income $000	Closing balance $000
Deferred tax liabilities				
Property, plant and equipment	155,853	942	28,487	185,282
Depreciation recovered deferred against future purchase	1,299	(922)	-	377
Intangible assets	437	376	-	813
Other	4	839	-	843
	157,593	1,235	28,487	187,315
Deferred tax assets				
Derivative financial liabilities	393	(367)	-	26
Provisions	760	(38)	-	722
Doubtful debts and impairment losses	45	(18)	-	27
Finance lease liability	405	61	-	466
	1,603	(362)	-	1,241
Net deferred tax liability	155,990	1,597	28,487	186,074

Parent for the year ended 31 March 2013

Taxable and deductible temporary differences arise from:

	Opening balance $000	Charged/ (credited) to income $000	Charged to other comprehensive income $000	Closing balance $000
Deferred tax liabilities				
Property, plant and equipment	153,377	2,476	-	155,853
Depreciation recovered deferred against future purchase	1,370	(71)	-	1,299
Intangible assets	587	(150)	-	437
Other	400	(396)	-	4
	155,734	1,859	-	157,593
Deferred tax assets				
Derivative financial liabilities	681	(288)	-	393
Provisions	731	29	-	760
Doubtful debts and impairment losses	47	(2)	-	45
Finance lease liability	232	173	-	405
	1,691	(88)	-	1,603
Net deferred tax liability	154,043	1,947	-	155,990

9. Cash and cash equivalents

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
New Zealand dollar	488	1,362	315	1,122
Australian dollar	128	-	-	-
	616	1,362	315	1,122

10. Current trade and other receivables

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Trade receivables	7,564	9,431	4,556	3,847
Allowance for impairment of receivables	(100)	(170)	(96)	(161)
	7,464	9,261	4,460	3,686
Chargeable work in progress	3,295	908	2,141	96
Finance lease receivable	-	25	-	25
	10,759	10,194	6,601	3,807
Bad debts written off	41	78	40	76
Bad debts recovered	22	17	22	17
Decrease in allowance for impairment	(70)	(6)	(65)	(6)
Trade receivables:				
Not past due	5,973	8,106	3,659	3,131
Past due 0 to 30 days	673	519	168	197
Past due 31 to 60 days	252	183	218	8
Past due greater than 60 days	666	623	511	511
	7,564	9,431	4,556	3,847

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

The company invoices electricity retailers on the 10th day of the month of usage (based on an estimation of usage) with payment due on the 20th of that month. Invoiced amounts are subject to subsequent adjustments for later (more accurate) metering data as outlined under critical judgements, estimates and assumptions in note 1.

Allowances have 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 profit or loss for the current financial year. Allowances for impairment of receivables have been reduced by $65,000 in the current year due to the settlement of a major damage repair dispute (2013: decrease $6,000). The allowance for impairment of receivables relates to debts past due by more than 60 days and is based on an analysis of individual accounts receivable.

Bad debts written off relate to debtors who have damaged the parent company's network assets.

The group has not renegotiated the terms of any financial assets other than some trade receivables.

The company has debtors who have damaged the company's electricity distribution network assets. Some of these debtors are unable to settle their accounts immediately and the company enters arrangements with some of these debtors to allow them to pay their debts off over time. These rearranged debts form the majority of the "past due greater than 60 days" category above.

Trade receivables are non-interest bearing. The carrying value of trade receivables approximates their fair value.

11. Current financial assets

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
At fair value				
Interest rate swaps	105	-	105	-
Available-for-sale – Enertech Capital Partners II LP	-	15	-	-
At amortised cost				
Loan advanced to Connetics Limited	-	-	4,005	4,617
Loan advanced to Orion New Zealand Ventures Limited	-	-	41	24
Funds held in solicitors' trust account	3,542	-	3,542	-
	3,647	15	7,693	4,641

Receivables from subsidiaries 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 are repayable on demand and are not overdue. The carrying value of the company's advance to its subsidiary, Orion New Zealand Ventures Limited, is calculated after the deduction of a $5.3m (2013: $5.3m) allowance for impairment, as the net recoverable assets of the borrower are assessed as insufficient to cover the debt. During the year the allowance for impairment on this advance was decreased by $17,000 (2013: decreased by $48,000).

The funds held in an interest earning solicitors' trust account are pending resolution of two issues relating to the sale of the company's former head office site in the Christchurch CBD to the Crown (refer to note 16). Following resolution of the two issues, an amount up to $3.5m may be paid to the company or alternatively paid to other parties in settlement of any liabilities deemed to have arisen from the sale.

12. Inventories

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Goods for sale	3,454	2,347	6	8
Maintenance items	3,682	2,559	235	219
Allowance for impairment	(46)	(25)	-	-
	7,090	4,881	241	227

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

13. Construction contracts

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Construction costs incurred plus estimated recognised profits less estimated recognised losses to date	8,984	11,650	-	-
Less progress billings	(8,291)	(11,287)	-	-
	693	363	-	-

14. Subsidiaries

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Connetics Limited			6,551	6,551
Orion New Zealand Ventures Limited			-	-
			6,551	6,551

The subsidiaries are incorporated in New Zealand and were 100% owned by Orion New Zealand Limited during the year ended 31 March 2014 (and 2013). The balance date for both subsidiaries is 31 March. The carrying values of the investments in subsidiaries, as shown in the parent company, are at cost less impairment.

15. Non current financial assets

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
At fair value				
Interest rate swaps	248	-	248	-
Available-for-sale – Enertech Capital Partners II LP	15	-	-	-
	263	-	248	-

16. Investment property

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Opening balance	8,805	7,915	8,805	7,915
Additions	-	186	-	186
Transfer to property, plant and equipment	-	(691)	-	(691)
Disposals	(8,805)	-	(8,805)	-
Fair value adjustment	-	1,395	-	1,395
Closing balance	-	8,805	-	8,805

Investment property comprised the majority of the land and buildings at the company's former head office site in the Christchurch CBD (the CBD site).

The CBD site was sold to the Crown in September 2013 for $11.2m. The carrying value for the CBD site was $8.8m. The sale price of $11.2m is subject to two potential post-settlement downwards adjustments, neither of which have been resolved and agreed, as follows:

- a potential downwards adjustment due to the Crown, to reflect the potential land contamination on the site
- a potential downwards adjustment due to the Christchurch City Council (CCC) to reflect the CCC's potential share of the public car park portion of the sale.

The parties agreed that $3.5m of the sale price would be held in a solicitors' trust account pending resolution of the above two issues.

The company cannot reliably estimate the amounts and timing of the resolution of the two potential post settlement issues and so the sale has been recognised at the full sale price ($11.2m), with no provision for liability related to the two potential issues. Also refer to note 34 – Contingent liabilities and assets.

17. Property, plant and equipment

	Freehold land at fair value $000	Buildings and land improvements at fair value $000	Electricity distribution network at fair value $000	Plant and equipment at cost $000	Total $000
Group					
Gross carrying amount					
Balance as at 1 April 2012	30,751	724	804,145	30,178	865,798
Additions	6,666	8,824	50,358	4,994	70,842
Transfer from investment property	691	-	-	-	691
Disposals	-	-	(2,149)	(2,269)	(4,418)
Impairment	(1,634)	-	-	-	(1,634)
Balance as at 31 March 2013	36,474	9,548	852,354	32,903	931,279
Additions	921	2,495	73,670	6,586	83,672
Reclassified assets	92	-	(89)	(3)	-
Disposals	-	(154)	(4,510)	(1,859)	(6,523)
Revaluation	5,987	(244)	17,208	-	22,951
Balance as at 31 March 2014	43,474	11,645	938,633	37,627	1,031,379
Accumulated depreciation and impairment					
Balance as at 1 April 2012	-	41	28,058	18,066	46,165
Disposals	-	-	(551)	(1,642)	(2,193)
Depreciation expense	-	28	29,276	2,927	32,231
Balance as at 31 March 2013	-	69	56,783	19,351	76,203
Disposals	-	(154)	(560)	(1,428)	(2,142)
Reclassified assets	16	-	(14)	(2)	-
Depreciation expense	10	385	30,782	3,260	34,437
Revaluation	(26)	(216)	(86,991)	-	(87,233)
Balance as at 31 March 2014	-	84	-	21,181	21,265
Net book value as at 31 March 2013	36,474	9,479	795,571	13,552	855,076
Net book value as at 31 March 2014	43,474	11,561	938,633	16,446	1,010,114
Capital work in progress included above:					
As at 31 March 2013	-	8,611	22,123	478	31,212
As at 31 March 2014	-	-	34,658	956	35,614
Assets subject to finance leases included above:					
As at 31 March 2013	-	-	5,130	-	5,130
As at 31 March 2014	-	-	16,403	-	16,403

17. Property, plant and equipment continued

	Freehold land at fair value $000	Buildings and land improvements at fair value $000	Electricity distribution network at fair value $000	Plant and equipment at cost $000	Total $000
Parent					
Gross carrying amount					
Balance as at 1 April 2012	30,751	724	806,083	13,567	851,125
Additions	6,666	8,824	50,322	2,526	68,338
Transfer from investment property	691	-	-	-	691
Disposals	-	-	(2,149)	(1,776)	(3,925)
Impairment	(1,634)	-	-	-	(1,634)
Balance as at 31 March 2013	36,474	9,548	854,256	14,317	914,595
Additions	921	2,495	74,520	3,374	81,310
Reclassified assets	92	-	(89)	(3)	-
Disposals	-	(154)	(4,510)	(1,128)	(5,792)
Revaluation	5,987	(244)	14,456	-	20,199
Balance as at 31 March 2014	43,474	11,645	938,633	16,560	1,010,312
Accumulated depreciation and impairment					
Balance as at 1 April 2012	-	41	28,058	7,537	35,636
Disposals	-	-	(551)	(1,281)	(1,832)
Depreciation expense	-	28	29,276	1,487	30,791
Balance as at 31 March 2013	-	69	56,783	7,743	64,595
Disposals	-	(154)	(560)	(874)	(1,588)
Reclassified assets	16	-	(14)	(2)	-
Depreciation expense	10	385	30,782	1,745	32,922
Revaluation	(26)	(216)	(86,991)	-	(87,233)
Balance as at 31 March 2014	-	84	-	8,612	8,696
Net book value as at 31 March 2013	36,474	9,479	797,473	6,574	850,000
Net book value as at 31 March 2014	43,474	11,561	938,633	7,948	1,001,616
Capital work in progress included above:					
As at 31 March 2013	-	8,611	22,123	416	31,150
As at 31 March 2014	-	-	34,658	894	35,552
Assets subject to finance leases included above:					
As at 31 March 2013	-	-	5,130	-	5,130
As at 31 March 2014	-	-	16,403	-	16,403

17. Property, plant and equipment continued

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Aggregate depreciation expense during the year was as follows:				
Buildings and land improvements	395	28	395	28
Electricity distribution network	29,779	29,024	29,779	29,024
Plant and equipment and leasehold improvements	3,260	2,927	1,745	1,487
Equipment under finance lease	1,003	252	1,003	252
	34,437	32,231	32,922	30,791

Revaluation – electricity distribution network and substation buildings (the network)

The network was revalued to fair value of $904m as at 31 March 2014 in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IRFS 13 – Fair Value Measurement by independent valuer Ernst & Young Transaction Advisory Services Limited (the valuer). Including capital work in progress, this results in a total network valuation of $939m.

The valuer has significant experience in undertaking valuations of unlisted entities and assets for unit pricing, accounting and commercial purposes.

The revaluation resulted in a $101m increase in the carrying value of the network on 31 March 2014.

The valuer used a discounted cash flow (DCF) methodology to calculate an enterprise value of $995m for the company. The valuer then subtracted $91m for the carrying values of non-network property, plant and equipment and working capital to determine the fair value for the network.

In the absence of an active market for the network, the valuer calculated fair value using significant unobservable inputs (Level 3, as defined in NZ IFRS 13).

In order to ensure that its valuation was attributable to the existing network, the valuer:

- based its cash flow forecasts on the company's cash flow forecasts
- adjusted those cash flow forecasts to remove the impacts of expansionary growth on forecast future revenues, operating expenditure and capital expenditure.

The valuer's key valuation assumptions were that:

- network revenues will be consistent with the company's customised price-quality path (CPP) settings for the five years commencing 1 April 2014 and network revenues will return to the Commerce Commission's default price-quality path (DPP) from 1 April 2019, with prices thereafter forecast to increase at CPI
- non-expansionary "infill" growth will be 0.3% per annum
- the Commerce Commission continues to assess its post-tax regulatory cost of capital at its estimate of the 75th percentile
- the appropriate DCF discount rate is 6.7% post-tax.

The valuer performed a sensitivity analysis on a number of variables, as follows:

- a capital expenditure increase/(decrease) of 5% would decrease/(increase) the network's fair value by $24m respectively
- a discount rate increase of 0.25% would decrease the network's fair value by $37m
- a discount rate decrease of 0.25% would increase the network's fair value by $40m
- an operating expense increase/(decrease) of 10% would decrease/(increase) the network's fair value by $16m respectively
- a 0.7% decrease in the Commerce Commission's post-tax regulatory cost of capital (from the 75th percentile to the 50th percentile estimate) would decrease the network's fair value by $79m, if it is applied to the company's network revenues from 1 April 2019 onwards. The Commission is investigating whether it should make such a change to the regulatory cost of capital.

17. Property, plant and equipment continued

Revaluation – land and non-substation buildings

The company's land and non-substation buildings were revalued to fair value as at 31 March 2014, in accordance with NZ IAS 16 – Property, Plant and Equipment, NZ IAS 36 – Impairment of Assets, and NZ IFRS 13 – Fair Value Measurement, by Mr Marius Ogg.

Mr Ogg is a registered valuer and a director of CBRE Limited.

Mr Ogg used significant observable inputs (Level 2, as defined in NZ IFRS 13) and significant unobservable inputs (Level 3, as defined in NZ IFRS 13).

Mr Ogg selected a representative sample of the company's substation sites and valued land at those sites using sales comparisons and unit metre frontage methodologies (Level 2). Mr Ogg compared his values with their respective rateable values. Mr Ogg used these comparisons to develop standard site multipliers, which he applied to rateable land values for approximately 2,200 substation sites.

Mr. Ogg valued land at the company's two largest substations using discounted cashflow and/or sales comparison approaches, reflecting the highest and best use for each (Level 3).

Mr Ogg valued the company's head office land and building using a market rental assessment and a capitalisation rate of 7.75% (Level 3), and concluded that the fair value of the company's head office building was $10.4m, confirming its carrying value.

Mr Ogg concluded that the fair value of the company's head office land was $3.6m confirming its carrying value (2013: impaired by $1.6m to a carrying value of $3.6m).

Restrictions over title

There are no restrictions over the title of the parent and group's property, plant and equipment, nor is any property, plant and equipment pledged as security for liabilites.

Fair value adjustments

The fair value of the electricity distribution network was calculated using significant unobservable inputs (Level 3, as defined in NZ IFRS 13). The gain on revaluation of the electricity distribution network of $104m for the group and $101m for the parent was included in other comprehensive income (2013: nil).

Electricity distribution network assets replaced and written off at $1.5m was included as an expense in net profit (2013: $1.5m) (refer to note 4).

Fair values for approximately 35% of the company's land and non-substation buildings (by value) were calculated using significant unobservable inputs (Level 3, as defined in NZ IFRS 13). The gain on revaluation for this 35% was $3.0m, of which $2.9m was included in other comprehensive income and $0.1m in net profit.

18. Intangible assets

	Group software $000	Parent software $000
Gross carrying amount		
Balance as at 1 April 2012	14,688	12,231
Additions	1,536	885
Additions from internal developments	135	135
Disposals	(1,770)	(1,770)
Balance as at 31 March 2013	14,589	11,481
Additions	467	81
Additions from internal developments	335	335
Balance as at 31 March 2014	15,391	11,897
Accumulated amortisation and impairment		
Balance as at 1 April 2012	8,855	8,364
Amortisation expense	1,970	1,755
Disposals	(1,770)	(1,770)
Balance as at 31 March 2013	9,055	8,349
Amortisation expense	1,838	1,540
Balance as at 31 March 2014	10,893	9,889
Net book value as at 31 March 2013	5,534	3,132
Net book value as at 31 March 2014	4,498	2,008
Capital work in progress included above as at 31 March 2013	494	327
Capital work in progress included above as at 31 March 2014	59	27

There are no restrictions over the title of the parent and group's intangible assets, nor are any intangible assets pledged as security for liabilities.

19. Current trade and other payables

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Trade payables	31,329	22,382	31,148	21,290
Interest payable	83	81	83	81
Employee entitlements	5,572	5,007	2,147	2,061
GST payable	904	1,500	773	617
Other	164	216	164	216
	38,052	29,186	34,315	24,265

Trade and other payables are non-interest bearing and are normally settled on the 20th of the month following invoicing. Therefore the carrying value of trade and other payables approximates their fair value.

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
20. Current borrowings				
Unsecured at amortised cost				
Finance lease liability (refer to note 28)	1,486	153	1,486	153
21. Current provisions				
Employee benefits - long service leave (refer to note 24)	133	169	80	92
22. Current financial liabilities				
At fair value				
Interest rate swaps	67	-	67	-
Foreign currency forward contracts	-	17	-	-
	67	17	67	-
23. Non current borrowings				
Unsecured at amortised cost				
Bank loans	58,800	55,600	58,800	55,600
Finance lease liability (refer to note 28)	15,612	5,488	15,612	5,488
	74,412	61,088	74,412	61,088

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.

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

Interest rates for all draw downs on the bank loan facilities are floating, based on bank bill rates plus a margin. As at 31 March 2014 this rate (including margin) averaged 3.62% (2013: 3.28%). The company has entered into derivative contracts to hedge its exposure to bank bill interest rate fluctuations (refer to note 29). Daily commitment fees are also payable on the facilities.

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
24. Non current provisions				
Employee benefits - long service leave	1,156	1,200	669	739

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 experience of employee departure, 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 4.62% (2013: 3.5%)
- salary inflation 2.08% (2013: 3.0%)
- discount rate 1.0% (2013: 1.0%).

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
25. Non current financial liabilities				
At fair value				
Interest rate swaps	380	1,402	380	1,402
26. Share capital				
Fully paid ordinary shares	120,000	120,000	120,000	120,000

Eighty million ($1.50) ordinary shares were issued in April 1993 pursuant to the approved establishment plan (under the Energy Companies Act 1992) and sale and purchase agreement, and are fully paid up. There were no issues or redemptions of shares during the year (2013: nil).

27. Dividends

	2014 cents per share	2013 cents per share	2014 $000	2013 $000
Recognised amounts				
Dividends paid on fully paid ordinary shares (fully imputed)	42.5	40.0	34,000	32,000

28. Leases

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Operating lease commitments				
No later than one year	1,115	917	109	66
Later than one year and not later than five years	1,373	1,553	280	230
Later than five years	-	463	-	463
	2,488	2,933	389	759
Non-cancellable operating lease receivables				
No later than one year	278	173	107	121
Later than one year and not later than five years	174	122	33	109
	452	295	140	230

Operating lease commitments

The company leases land and a small building adjacent to its head office site. The lease expires in May 2018 with an optional right of renewal for an additional two years. A group company leases its head office property and other sites under operating leases. These leases have various fixed term commitments of up to three years, with optional rights of renewal until 31 January 2024.

Non-cancellable operating lease receivables

The group leases land adjacent to some substations to a range of tenants. These leases are incidental to the group's principal business.

	Minimum future lease receivables		Present value of minimum future lease receivables	
	2014 $000	2013 $000	2014 $000	2013 $000
Finance lease receivable				
No later than one year	-	26	-	25
Less unearned finance income	-	(1)	-	-
Present value of minimum lease payments	-	25	-	25
Included in these financial statements as:				
Current trade and other receivables			-	25

28. Leases continued

	Minimum future lease payables 2014 $000	Minimum future lease payables 2013 $000	Present value of minimum future lease payables 2014 $000	Present value of minimum future lease payables 2013 $000
Finance lease liability				
No later than one year	3,700	534	1,486	153
Later than one year and not later than five years	8,786	2,045	3,343	674
Later than five years	29,934	8,938	12,269	4,814
Minimum lease payments	42,420	11,517	17,098	5,641
Less future finance charges	(25,322)	(5,876)	-	-
Present value of minimum lease payments	17,098	5,641	17,098	5,641
Included in these financial statements as:				
Current borrowings (refer to note 20)			1,486	153
Non current borrowings (refer to note 23)			15,612	5,488
			17,098	5,641

Finance lease liability

The finance lease liability above relates to agreements with Transpower New Zealand Limited (Transpower) for Transpower to construct assets at its local grid exit points. The agreements are for terms of between eight and 35 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 amounts are reviewed annually by Transpower and the assessed risk-free portion of the lease interest rate may be adjusted. The company is the only entity in the group which has a finance lease liability. On 1 April 2014 the company early terminated three of the Transpower finance leases as part of the purchase of spur assets at the Bromley grid exit point. This early settlement reduced the 31 March 2014 liability by $0.8m.

29. Financial instruments

Introduction

Exposures to interest rates, foreign currency, liquidity and credit risk arise in the normal course of the group's business. The group has policies to manage the risks associated with financial instruments.

Details of the significant accounting policies and methods adopted, including the criteria for recognition and the basis of measurement applied in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to these financial statements.

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 group recognises the need to maintain a balance between the higher returns that might be possible with greater interest bearing debt levels relative to capital, 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 segments and activities is undertaken independently of those responsible for the operations and activities.

The group's policies in respect of capital management and allocation are reviewed regularly by the board of directors. There has been no material change 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 material security interest over its assets to any party, 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 EBIT interest coverage requirement and an obligation that the guaranteeing group will comprise 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 during the years ended 31 March 2014 and 31 March 2013.

29. Financial instruments continued

Classification of financial instruments

The following tables classify the financial assets and liabilities of the group and parent between the various categories set out in NZ IAS 39 – Financial Instruments: Recognition and Measurement and NZ IFRS 7 – Financial Instruments: Disclosures.

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Financial assets				
Fair value through profit or loss:				
Derivative financial instruments	353	-	353	-
Loans and receivables at cost less impairment:				
Cash and cash equivalents	616	1,362	315	1,122
Trade and other receivables	10,759	10,194	6,601	3,807
Advances to subsidiaries	-	-	4,046	4,641
Solicitors' trust account	3,542	-	3,542	-
Available-for-sale at fair value:				
Enertech Capital Partners II LP	15	15	-	-
Total financial assets	15,285	11,571	14,857	9,570
Financial liabilities				
Fair value through profit or loss:				
Derivative financial instruments	447	1,419	447	1,402
Amortised cost:				
Trade and other payables	32,480	24,179	32,168	22,204
Borrowings	75,898	61,241	75,898	61,241
Total financial liabilities	108,825	86,839	108,513	84,847

Fair value of financial instruments

The group considers that the carrying amounts of financial assets and financial liabilities recorded in these financial statements approximate their fair values.

In accordance with NZ IFRS 13 – Fair Value Measurement, the group uses various methods in estimating the fair value of its financial instruments. The methods comprise:

- Level 1: Fair values are calculated using quoted prices in active markets. Quoted market price represents the fair value determined based on quoted prices in active markets as at the reporting date without any deduction for transaction costs. The group does not have any financial instruments classified as level 1
- Level 2: Fair values are estimated using inputs other than quoted prices included in level 1 that are observable for each asset or liability, either directly (as prices) or indirectly (derived from prices). Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps and foreign exchange contracts not traded on a recognised exchange. The fair values are estimated using a discounted cash flow model using Bloomberg's SWPM model for swaps, and inputs obtained from Bloomberg for foreign currency derivatives. The inputs used in the valuations are observable market inputs from a range of banks. The yield curve inputs are made up of cash rates, futures, forward rate agreements and swap rates and their composition changes to ensure the inputs produce the most appropriate yield curve. Rates are interpolated using a piecewise linear method
- Level 3: Fair values are estimated using inputs for the asset or liability that are not based on observable market data. The fair values of unlisted investments that do not have an active market are based on valuation techniques that use market data that is not observable. The Enertech investment is made with a US based 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 Enertech investment held is not publicly traded and is revalued annually. The valuation is based on the group's share of the partnership's net assets less an allowance for impairment.

29. Financial instruments continued

The fair value of the financial instruments and the methods used to estimate the fair value are summarised as follows:

	Year ended 31 March 2013			Year ended 31 March 2012		
	Valuation technique (level 2) $000	Valuation technique (level 3) $000	Total $000	Valuation technique (level 2) $000	Valuation technique (level 3) $000	Total $000
Group						
Financial assets						
Derivative instruments:						
Interest rate swaps	353	-	353	-	-	-
Available-for-sale investments:						
Enertech Capital Partners II LP	-	15	15	-	15	15
	353	15	368	-	15	15
Financial liabilities						
Derivative instruments:						
Interest rate swaps	447	-	447	1,402	-	1,402
Foreign exchange contracts	-	-	-	17	-	17
	447	-	447	1,419	-	1,419
Parent						
Financial assets						
Derivative instruments:						
Interest rate swaps	353	-	353	-	-	-
Financial liabilities						
Derivative instruments:						
Interest rate swaps	447	-	447	1,402	-	1,402

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 are employed to manage the company's interest rate exposure on long term floating rate borrowings. The company has entered into interest rate swaps with various New Zealand registered bank counterparties with such credit ratings and within dollar limits set by the board of directors. The company does not require collateral or other security to support interest rate swaps with credit risk. While the company may be subject to credit losses up to the notional principal or contract amounts in the event of non-performance by its counterparties, it does not expect such losses to occur.
For interest rate swaps the cash requirements are limited to the contracted fixed interest rates.

29. Financial instruments continued

Exposure to New Zealand fixed and floating interest rates

	Floating 2014 $000	Fixed 2014 $000	Non interest bearing 2014 $000	Floating 2013 $000	Fixed 2013 $000	Non interest bearing 2013 $000
Group						
Financial assets						
Cash and cash equivalents	603	-	13	1,353	-	9
Trade and other receivables	-	-	10,759	-	-	10,169
Finance lease receivables	-	-	-	-	25	-
Solicitors' trust account	3,542	-	-	-	-	-
Interest rate swaps	-	-	353	-	-	-
Venture capital investment	-	-	15	-	-	15
	4,145	-	11,140	1,353	25	10,193
Financial liabilities						
Trade payables	-	-	32,316	-	-	23,963
Other payables	-	-	164	-	-	216
Bank loans	58,800	-	-	55,600	-	-
Finance lease liabilities	17,050	48	-	5,574	67	-
Interest rate swaps	-	-	447	-	-	1,402
Foreign currency forward contracts	-	-	-	-	-	17
	75,850	48	32,927	61,174	67	25,598
Net financial liabilities	71,705	48	21,787	59,821	42	15,405
Parent						
Financial assets						
Cash and cash equivalents	302	-	13	1,113	-	9
Trade and other receivables	-	-	6,601	-	-	3,782
Finance lease receivables	-	-	-	-	25	-
Related party loans	4,005	-	41	4,617	-	24
Solicitors' trust account	3,542	-	-	-	-	-
Interest rate swaps	-	-	353	-	-	-
	7,849	-	7,008	5,730	25	3,815
Financial liabilities						
Trade payables	-	-	32,004	-	-	21,988
Other payables	-	-	164	-	-	216
Bank loans	58,800	-	-	55,600	-	-
Finance lease liabilities	17,050	48	-	5,574	67	-
Interest rate swaps	-	-	447	-	-	1,402
	75,850	48	32,615	61,174	67	23,606
Net financial liabilities	68,001	48	25,607	55,444	42	19,791

29. Financial instruments continued

Interest rate swap contracts outstanding at balance date

Under interest rate swap contracts, the company agrees to exchange the difference between fixed and floating rate interest amounts, calculated on agreed notional principal amounts. The economic effect of such contracts is to convert a portion of the company's floating rate debt into fixed rate debt. All swap contracts within the group are held by the company. The fair values of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below. The group has not adopted hedge accounting for its interest rate swap contracts.

The following table details the notional principal amounts, the remaining terms and the company's estimates of fair values of interest rate swap contracts outstanding as at the reporting date:

	Average contracted fixed interest rate		Notional principal amount		Fair value asset/(liability)	
	2014	2013	2014	2013	2014	2013
	%	%	$000	$000	$000	$000
Outstanding floating for fixed contracts:						
Less than 1 year	3.4	-	40,000	-	38	-
1 to 2 years	-	3.4	-	40,000	-	(401)
2 to 3 years	4.6	-	45,000	-	(132)	-
3 to 4 years	-	5.3	-	15,000	-	(1,001)
			85,000	55,000	(94)	(1,402)

Interest rate sensitivity

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

The company considers that a reasonably possible movement in New Zealand interest rates is a 1% movement in either direction and this is the range that has been used in the group's sensitivity analysis.

The company estimates as at 31 March 2014 that a general increase of 1% in interest rates on the group's borrowings would increase the group's profit before income tax by approximately $494,000 (2013: increase by $515,000). A decrease in interest rates of 1% would decrease the group's profit before income tax by approximately $524,000 (2013: decrease by $545,000). When interest rates rise, the benefit from the revaluation of the company's existing interest rate swap contracts significantly outweighs the additional interest expense on the unhedged portion of the company's debt. The opposite applies to a decrease in interest rates.

The impact on profit or loss of a general increase of 1% in interest rates on the group's other financial assets and liabilities would be immaterial. There would be no impact on other comprehensive income.

Significant assumptions used in the interest rate sensitivity analysis include:

- reasonably possible movements in interest rates were determined based on the group's implied credit rating and mix of debt, relationships with finance institutions and economic forecasters' expectations
- a price sensitivity of derivatives has been based on a reasonably possible movement of interest rates at balance dates by applying the change as a parallel shift in the forward curve
- the net exposure at balance date is not necessarily representative of what the group expects to borrow in the 12 months from balance date.

29. **Financial instruments** continued

Liquidity risk

Liquidity risk represents the risk that the group may not have the financial ability to meet its contractual obligations. Prudent liquidity risk management implies maintaining sufficient cash, sufficient committed credit facilities and the ability to close out market positions.

In meeting its liquidity requirements, the group manages its liquidity in accordance with its board approved treasury policy. This policy requires that the company must have access to funds by securing, as a minimum, sufficient committed financing facilities to cover at least 110% of the anticipated peak borrowing requirement as determined by the monthly rolling 12 months cash flow forecast. The sum of interest bearing debt maturing in any 12 month period is not to exceed 33% of total debt – however, as the company's debt to debt-plus-equity ratio is very low (less than 10%), the company has determined that it has not necessarily been in its best interests to comply with this particular aspect of its treasury policy at all times.

In general, the group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has sufficient funding arrangements in place to cover potential shortfalls. The company evaluates its liquidity requirements on an ongoing basis.

The company's current five year forecasts for its debt/debt-plus-equity and its interest coverage indicate that it will maintain its financial ability to meet its contractual obligations for the foreseeable future (at least over the five year forecast period).

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Financing facilities				
Unsecured bank overdraft facility, reviewed annually and payable at call:				
Amount used	-	-	-	-
Amount unused	500	500	500	500
	500	500	500	500
Unsecured bank loan facilities maturing:				
17 December 2014 - $40m (2013: $40m)				
16 November 2015 - $20m (2013: $20m)				
17 December 2015 - $50m (2013: $50m)				
Amount used	58,800	55,600	58,800	55,600
Amount unused	51,200	54,400	51,200	54,400
	110,000	110,000	110,000	110,000

29. Financial instruments continued

Contractual cash flows and maturity analysis

The following tables analyse the group and parent company contractual cash flows for financial assets and liabilities into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows:

	Balance sheet $000	Contractual cash flows $000	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	More than 5 years $000
Group as at 31 March 2014						
Financial assets						
Cash and cash equivalents	616	616	616	-	-	-
Trade and other receivables	10,759	10,759	10,759	-	-	-
Solicitors' trust account	3,542	3,542	3,542	-	-	-
Interest rate swaps	353	(619)	(125)	(494)	-	-
Total financial assets	15,270	14,298	14,792	(494)	-	-
Financial liabilities						
Trade and other payables	32,480	32,480	32,480	-	-	-
Finance lease liability	17,098	42,420	3,700	2,357	6,429	29,934
Unsecured loans	58,800	58,800	-	58,800	-	-
Interest on unsecured loans	-	3,637	2,129	1,508	-	-
Interest rate swaps	447	839	461	378	-	-
Total financial liabilities	108,825	138,176	38,770	63,043	6,429	29,934
Group as at 31 March 2013						
Financial assets						
Cash and cash equivalents	1,362	1,362	1,362	-	-	-
Trade and other receivables	10,169	10,169	10,169	-	-	-
Finance lease receivable	25	26	26	-	-	-
Total financial assets	11,556	11,557	11,557	-	-	-
Financial liabilities						
Trade and other payables	24,179	24,179	24,179	-	-	-
Finance lease liability	5,641	11,517	534	534	1,511	8,938
Unsecured loans	55,600	55,600	-	27,800	27,800	-
Interest on unsecured loans	-	4,028	1,824	1,558	646	-
Interest rate swaps	1,402	1,741	711	600	430	-
Forward foreign exchange contract	17	-	-	-	-	-
Total financial liabilities	86,839	97,065	27,248	30,492	30,387	8,938

29. Financial instruments continued

	Balance sheet $000	Contractual cash flows $000	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	More than 5 years $000
Parent as at 31 March 2014						
Financial assets						
Cash and cash equivalents	315	315	315	-	-	-
Trade and other receivables	6,601	6,601	6,601	-	-	-
Related party loans	4,046	4,046	4,046	-	-	-
Solicitors' trust account	3,542	3,542	3,542	-	-	-
Interest rate swaps	353	(619)	(125)	(494)	-	-
Total financial assets	14,857	13,885	14,379	(494)	-	-
Financial liabilities						
Trade and other payables	32,168	32,168	32,168	-	-	-
Finance lease liability	17,098	42,420	3,700	2,357	6,429	29,934
Unsecured loans	58,800	58,800	-	58,800	-	-
Interest on unsecured loans	-	3,637	2,129	1,508	-	-
Interest rate swaps	447	839	461	378	-	-
Total financial liabilities	108,513	137,864	38,458	63,043	6,429	29,934
Parent as at 31 March 2013						
Financial assets						
Cash and cash equivalents	1,122	1,122	1,122	-	-	-
Trade and other receivables	3,782	3,782	3,782	-	-	-
Finance lease receivable	25	26	26	-	-	-
Related party loans	4,641	4,641	4,641	-	-	-
Total financial assets	9,570	9,571	9,571	-	-	-
Financial liabilities						
Trade and other payables	22,204	22,204	22,204	-	-	-
Finance lease liability	5,641	11,517	534	534	1,511	8,938
Unsecured loans	55,600	55,600	-	27,800	27,800	-
Interest on unsecured loans	-	4,028	1,824	1,558	646	-
Interest rate swaps	1,402	1,741	711	600	397	33
Total financial liabilities	84,847	95,090	25,273	30,492	30,354	8,971

29. Financial instruments continued

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the group.

Financial instruments that potentially subject the group to concentrations of credit risk consist of cash, short term investments, trade receivables, loans to subsidiaries and derivative financial instruments.

The group places its cash, short term investments and derivative financial instruments with registered New Zealand banks. Only independently rated banks with a minimum Standard & Poor's (or equivalent) rating of 'A' are accepted. The group limits the amount of credit exposure to any one bank in accordance with its board-approved treasury policy.

The group manages its exposure to credit risk from trade receivables by performing credit evaluations on all customers requiring credit wherever practicable and continuously monitoring credit exposures to individual customers.

Since 1999 the company has generally required collateral security (such as bank letters of credit from an'A' rated bank) from its electricity retailer customers to protect against credit risk. Recent changes to the Electricity Industry Participation Code significantly reduce the prudential securities that the electricity distribution businesses (EDBs) may require from their electricity retailer customers. From 1 May 2012, EDBs may only require such securities from their electricity retailer customers if those customers do not have a Standard & Poor's (or equivalent) minimum credit rating of 'BBB minus'.

Collateral security is not generally required from the group's other customers.

The company's loans to subsidiaries are in accordance with the funding arrangements in place with those parties. The subsidiaries do not have credit ratings. The carrying values of those loans are at net realisable value.

The carrying values are the maximum exposure to credit risk for bank balances, accounts receivable, loans to subsidiaries and derivative financial instrument assets and are as follows:

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Cash and cash equivalents	616	1,362	315	1,122
Trade and other receivables	10,759	10,194	6,601	3,807
Related party loans	-	-	4,046	4,641
Solicitors' trust account	3,542	-	3,542	-
Derivative financial instruments	353	-	353	-
	15,270	11,556	14,857	9,570

The credit quality of financial assets is as follows:

	Counterparties' credit ratings				
Cash and cash equivalents	AA-	616	1,362	315	1,122
Derivative financial instruments	AA-	353	-	353	-
Related party loans	Unrated	-	-	4,046	4,641
Solicitors' trust account	Unrated	3,542	-	3,542	-

The credit ratings above are based on the equivalent Standard & Poor's ratings of the counterparties with whom the financial assets are held, rather than the ratings of the financial assets themselves.

30. Notes to the statement of cash flows

Reconciliation of net profit to net cash provided from operating activities

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Net profit	50,455	48,991	48,234	48,124
Adjustments				
Loss on disposal of property, plant and equipment	33	129	52	166
Property, plant and equipment replaced and written off	1,488	1,532	1,488	1,532
Impairment/(reversal) of property, plant and equipment	(1,290)	1,634	(1,290)	1,634
Depreciation and amortisation of non current assets	36,275	34,201	34,462	32,546
Non-cash vested asset additions revenue	-	(4,406)	-	(4,406)
Gain on disposal of investment property	(2,314)	-	(2,314)	-
Insurance proceeds relating to non current assets	-	(1,185)	-	(1,185)
Fair value adjustment of investment property	-	(1,395)	-	(1,395)
Gain on disposal of investments	-	(1,788)	-	(1,714)
Reversal of impairment of financial assets	-	-	(17)	(48)
Net change in fair value of derivatives	(1,308)	(144)	(1,308)	(161)
Other	(42)	250	(42)	250
	32,842	28,828	31,031	27,219
Changes in tax balances				
Increase in current tax liability	1,466	459	1,153	612
Increase in deferred tax liability	1,617	1,913	1,597	1,947
(Increase)/decrease in assets				
Current receivables	835	(986)	(1,394)	(672)
Current inventories	(2,209)	(140)	(14)	(50)
Other current assets	149	(294)	124	44
Non current receivables	-	25	-	25
Other non current assets	68	114	68	114
Increase/(decrease) in liabilities				
Current payables	405	(1,133)	1,281	(1,206)
Current provisions	(36)	6	(12)	7
Non current provisions	(44)	116	(70)	90
	2,251	80	2,733	911
Net cash provided from operating activities	85,548	77,899	81,998	76,254

31. Related party transactions

Group structure

The parent is Orion New Zealand Limited, which is owned by Christchurch City Holdings Limited (CCHL) (89.275%) and the Selwyn District Council (SDC) (10.725%).

CCHL is owned by the Christchurch City Council (CCC).

Selwyn Investment Holdings Limited was liquidated on 4 September 2013 and its 10.725% shareholding in the company was transferred to the SDC on that same day.

Other related parties include:

- subsidiaries (refer to note 14)
- the various subsidiaries of the CCC and SDC
- the group's key management personnel (refer to note 33).

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 CCHL and SDC, were entered into with related parties.

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Transactions during the year				
Dividends paid to CCHL and SDC	34,000	32,000	34,000	32,000
Purchases from CCC/SDC	4,024	5,274	4,016	5,267
Revenues from CCC/SDC	6,355	5,314	318	936
Purchases from subsidiaries	-	-	26,995	25,265
Revenues from subsidiaries (including interest and excluding reimbursements of payments made on behalf of the subsidiaries)	-	-	2,401	454
Subvention payment to subsidary	-	-	27	34
Purchases from other related parties	1,237	1,228	959	1,087
Revenues from other related parties	1,633	1,278	485	885
Outstanding balances as at 31 March				
Accounts payable to CCC/SDC	228	538	228	537
Accounts receivable from CCC/SDC	584	331	8	-
Accounts payable to subsidiaries	-	-	3,315	3,552
Accounts receivable from subsidiaries	-	-	2,443	56
Accounts payable to other related parties	199	91	184	80
Accounts receivable from other related parties	257	204	16	64
Loans outstanding from subsidiaries	-	-	4,046	4,641

Orion New Zealand Ventures Limited

In the year ended 31 March 2014, the company reversed $17,000 of earlier years' impairments of the value of its intercompany advance to Orion New Zealand Ventures Limited (2013: reversal of $48,000).

31. Related party transactions continued

Other transactions involving related parties

The group paid directors' fees totalling $255,000 (2013: $285,000).

During the year, two directors received retirement gifts totalling $4,000 (2013: two directors $4,000). Other than these gifts, 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.

Key management personnel of the group purchased goods and services from group companies during the year which in total did not exceed $2,000 for any individual (2013: all less than $2,000 with the exception of one employee who purchased a second-hand vehicle from the group for $22,174). A total of $nil was due from key management personnel as at 31 March 2014 (2013: $nil). All transactions were conducted on standard commercial terms.

Close family members of key management personnel are employed by the group. The terms and conditions of those arrangements are no more favourable than those that the group would have adopted if there was no relationship to key management personnel.

32. Key management personnel

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

	Parent 2014 $000	Parent 2013 $000
Salaries and short term employee benefits	2,568	2,549
Post employment benefits	172	150

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

33. Commitments for expenditure

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Capital expenditure commitments				
Buildings	-	3,117	-	3,117
Electricity distribution network	18,952	36,167	18,952	36,167
Intangible assets	12	535	-	425
Other	31	-	-	-
Lease commitments (refer to note 28)				

Most commitments for capital expenditure are expected to be incurred in the next financial year.

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000

34. Contingent liabilities and assets

	Group 2014 $000	Group 2013 $000	Parent 2014 $000	Parent 2013 $000
Contingent liabilities				
Performance bonds in relation to contract work	666	1,007	-	-

The company has two contingent liabilities related to the sale of the company's former head office site in the Christchurch CBD to the Crown in September 2013. The amounts and timing of the resolution of these two potential issues cannot be reliably estimated. Accordingly $3.5m of the sale price is held in a solicitors' trust account pending resolution of these issues. Refer to note 16 – Investment property.

The company is subject to a claim from a contractor for work purported to have been done between 2005 and 2011 which the contractor alleges the company has not paid for. The claim is for approximately $0.5m. The company disputes the claim.

Contingent assets

The group has lodged several material damage and business interruption insurance claims in relation to damage and losses from the Canterbury earthquakes. In the year ended 31 March 2014, the group has recognised $nil (2013: $1.8m) of insurance cash settlement proceeds it has received from insurers as revenue. The group expects to reach agreement with insurers in the year ended 31 March 2015 for most of the remaining parts of its earthquake claims, however the amounts and timing of these future cash settlement agreements cannot be reliably estimated.

Other than those described above, the group had no material or significant contingent liabilities or contingent assets as at 31 March 2014 or 31 March 2013.

35. Significant events after balance date

On 1 April 2014, the company contracted to purchase land in the Waterloo Park subdivision, west of Christchurch. The full purchase price for the land is $8.9m. The company paid a $0.8m deposit on confirmation on 1 April 2014. The balance is payable when land titles are issued, expected to be in late 2014. The company plans to develop the land as part of its electricity distribution network resilience strategy and as a head office and main depot for the company's contracting subsidiary, Connetics.

The group is unaware of any other significant events between the preparation and authorisation of these financial statements on 11 June 2014.

Performance statement – financial

For the year ended 31 March 2014

	Notes	Actual 2014	Target 2014	Actual 2013
Net profit ($m)	1, 2	50.5	37.0	49.0
Net profit to average shareholders' equity (%)	1, 2	7.4	5.8	7.8
Debt to debt plus equity (%)	3	9	17	9
Equity to debt plus equity (%)	3	91	83	91
Dividends ($m)	4	34	34	32

Notes:

1. Net profit was $13.5m above the company's statement of intent target because of (all figures post tax):

	Variances $m
Below-budget expenses	6.7
Above-budget electricity distribution network delivery revenue	2.6
Above-budget profit on sale of former CBD head office site	1.6
Above-budget upwards revaluation of property plant and equipment	1.4
Above-budget Connetics net profit	1.3
Below-budget net interest expense	1.3
Below-budget depreciation expense	0.9
Above-budget gain on the value of interest rate swaps	0.9
Below-budget cash contributions to undergrounding	(1.7)
Below-budget vested asset acquisitions – no longer recognised as revenue	(3.2)
Other net differences	1.7
	13.5

2. Net profit was $1.5m above last year's net profit because of (all figures post tax):

	Variances $m
Higher electricity distribution network delivery revenues in 2014	6.6
Profit on sale of former CBD head office site in 2014	1.6
Higher Connetics net profit in 2014	1.6
Upwards revaluation of property, plant and equipment in 2014	1.6
Change in deferred tax treatment of building depreciation in 2013	(1.1)
Higher depreciation expense in 2014	(1.4)
Final proceeds from 4RF Communications Limited (in receivership) in 2013	(1.8)
Insurance cash settlement revenues in 2013	(1.8)
Higher expenses in 2014	(2.1)
Vested asset acquisitions no longer recognised as revenues in 2014	(3.2)
Other net differences	1.5
	1.5

3. Debt is defined as interest bearing group borrowings, net of cash and cash equivalents. Equity is defined as shareholders' equity.
4. The company pays dividends to its shareholders after taking into account the company's financial position, profitability and future investment requirements. Any dividends paid to shareholders are determined by the board after consideration of the company's funding requirements and the requirement to meet the solvency test under the provisions of the Companies Act 1993. The company paid fully imputed dividends of $17.0m on 20 June 2013 and $17.0m on 20 December 2013, consistent with the company's SOI target.

Performance statement – network reliability

For the year ended 31 March 2014

		Affected by earthquakes				Unaffected by earthquakes	
	Number of consumer connections 31 March 2014	Actual 2014	Target 2014	Actual 2013	Actual 2012	Actual 5 year average to 2010	Gazetted NZ weighted average 2013
Orion network interruptions:							
Duration of supply interruptions in minutes per year per connected customer (SAIDI)							
• urban	162,500	150	99	33	208	18	
• rural	26,500	2,604	415	536	389	493	
• overall	189,000	474	106	94	231	75	121
Number of supply interruptions per year per connected customer (SAIFI)							
• urban	162,500	0.6	1.6	0.5	2.0	0.3	
• rural	26,500	5.8	3.6	4.4	3.6	3.3	
• overall	189,000	1.3	1.4	1.0	2.2	0.6	1.4

Comments:

1. Three severe weather events adversely affected the company's network reliability in 2014, in particular a severe wind storm on 10 September 2013. The vast majority of network outages in the wind storm were caused by branches and entire trees coming into contact with power lines, sometimes from the other side of the road. The company estimates that this wind storm caused around 60 million minutes of outages for our customers; reasonably close to the 88 million minutes caused by the 4 September 2010 earthquake.
2. All figures in the "affected by earthquakes" columns above are stated gross, and so exclude "major event day" adjustments allowed under the Commerce Commission's regulatory information disclosure requirements.
3. The gazetted industry averages noted above are for all New Zealand electricity distribution networks and include rural and urban networks. The company's network includes a significant rural component.
4. SAIDI and SAIFI are standard industry measures for network reliability

   SAIDI: system average interruption duration index – the average duration of supply interruptions that each consumer experiences.

   $$\text{SAIDI} = \frac{\text{Sum of (number of interrupted consumers x interruption duration)}}{\text{Average number of connected consumers during the year}}$$

   SAIFI: system average interruption frequency index – the average number of supply interruptions that each consumer experiences.

   $$\text{SAIFI} = \frac{\text{Sum of number of interrupted consumers}}{\text{Average number of connected consumers}}$$

Performance statement – earthquake recovery

For the year ended 31 March 2014

1. **Repair our damaged underground cables**

   Target date: Ongoing

   Status: On track

   The company's 11kV and low voltage underground cable network was extensively damaged in the earthquakes, especially in the eastern suburbs. All known 11kV underground cable faults have been repaired, however it will likely be several years before all underground cable damage is found and repaired. Much of the actual damage to our underground cables will only be found when cable faults occur.

2. **Lay and commission a permanent 66kV high voltage feed from Transpower's Bromley grid exit point to the Dallington and Rawhiti Domain zone substations. Then remove the temporary 66kV overhead lines we installed after the February 2011 earthquake**

   Target date: 31 March 2014

   Status: Part complete

   After the 22 February 2011 earthquake, the company urgently built temporary single circuit 66kV overhead lines from Transpower's Bromley grid exit point to the company's Dallington zone substation and to the company's Brighton and (its replacement) Rawhiti zone substations. The temporary overhead lines were initially authorised under emergency Civil Defence powers, so that the company could restore power to the eastern suburbs of Christchurch.

   The overhead lines temporarily replace the company's four severely damaged 66kV underground cables that previously supplied the company's damaged (and now demolished) Brighton zone substation. The damaged underground cables were not repairable. The temporary overhead lines are being replaced by permanent underground cables in three main stages:

   - stage 1 – McFaddens zone substation to Dallington zone substation
   - stage 2 – Bromley grid exit point to Dallington zone substation
   - stage 3 – Bromley grid exit point to Rawhiti zone substation.

   The company completed stage 1 in July 2013.

   The company deferred stage 2, pending CCC decisions on the repair of a quake damaged bridge in Dallington. The company plans to use this bridge for the necessary cable crossing of the Avon river. The CCC has now decided to replace the bridge at the same site, with the aim to complete the replacement by May 2015.

   The company has substantively completed stage 3, with one exception. The company plans to use a road bridge in South New Brighton for a necessary 66kV cable crossing of the Avon River. The CCC's repair of this bridge is underway and the company expects to attach the new 66kV cables to the repaired bridge in late 2014.

3. **Work with the Canterbury Earthquake Recovery Authority (CERA) and the CCC to re-establish power and network resilience to the central business district (CBD) according to agreed priorities and timeframes**

   Target date: Ongoing

   Status: On track

   The company is working with CERA, Stronger Christchurch Infrastructure Rebuild Team (SCIRT), local authorities and property developers on an ongoing basis. The company's main involvement so far has been to decommission and reliven connection points as necessary and provide comprehensive information about the process to connect to our network so that developers and their advisors know what to expect and can plan accordingly.

   The company's underground cable assets in the CBD sustained relatively little damage in the earthquakes. The company expects to provide a resilient and reliable network to CBD businesses and residents in the years ahead.

   In order to ensure network resilience, the company no longer houses new substations in building basements in the CBD. All future substations in the CBD must be at ground level and access in the event of any future emergencies is a priority.

Performance statement – earthquake recovery continued

For the year ended 31 March 2014

4. **Construct and move into a new office building built to level 4 standard (lifelines) and develop a backup 'hotsite' emergency location**

   Target date: 30 June 2013

   Status: Achieved

   The company completed its move to a new office building at 565 Wairakei Road, Burnside, on 31 May 2013.

   The 22 February 2011 earthquake badly damaged the company's main office buildings in the CBD. Employees temporarily relocated to other buildings on the office site in the CBD. The main office buildings were never reoccupied and have been demolished.

   As a lifelines utility, section 60 of the Civil Defence Emergency Management Act 2002, requires the company to be "... able to function to the fullest possible extent, even though this may be at a reduced level, during and after an emergency". The company's operations therefore require a lifelines standard (level 4) building. The new office building at Wairakei Road fulfils that requirement.

   The company's emergency back-up site (commonly referred to as a 'hotsite') remains adjacent to the company's Armagh zone substation in the CBD. The back-up site includes back-up computer servers, data and voice communications equipment, control room, contact centre and other facilities that the company can use in the unlikely event that it can't operate from Wairakei Road. The company is planning to move the back-up site to a location away from the CBD within the next five years.

5. **Continue to support the key regional earthquake recovery planning documents**

   Target date: Ongoing

   Status: On track

   'The Recovery Strategy for Greater Christchurch' was released by the Government in May 2012. The Christchurch Central Development Unit (part of CERA) released 'The Christchurch Central Recovery Plan' in July 2012. CERA also released 'An Accessible City' in November 2012. These are three of the Government's key quake recovery planning documents.

   The region's local authorities – the Christchurch City Council, the Selwyn District Council and Environment Canterbury – also develop, administer and enforce key regional and city planning documents that are relevant to regional earthquake recovery.

   The company's key quake recovery role is to restore resilience and reliability to its electricity distribution network, and to anticipate and plan for future new customer connections and load growth in the network area.

   The company's key network planning and accountability document is its ten year network asset management plan (AMP). The company expects to continue to ensure that its network AMP remains up to date and consistent with good industry practice, while taking approved regional recovery planning documents fully into account.

Performance statement – environment

For the year ended 31 March 2014

1. **Continue to undertake and encourage demand side management**

   Target date: Ongoing

   Status: On track

   Environmental consulting firm, MWH, completed a report on the company's overall carbon impact in 2009. MWH found that over 90% of the company's annual carbon footprint came from electrical losses, a natural phenomenon that is caused by the heating of equipment as electricity passes through it, and from carbon embedded in physical electricity distribution network assets. MWH found that the company can do little to significantly reduce its carbon footprint from either of the above two sources.

   However, significant carbon footprint reductions can be achieved through demand side management (DSM). DSM can reduce peak demands on our network and therefore reduce required investment in network assets. MWH concluded that the company has already achieved significant carbon savings through the company's DSM initiatives. MWH identified that further DSM initiatives may lead to further carbon footprint savings.

   The company is continuing with its DSM initiatives. The company encourages greater consumer responses to its cost reflective network peak load pricing signals, both by businesses and electricity retailers. The company is also working with local businesses to assist them to install diesel generation to reduce peak loads.

   In order to promote DSM, the company is also:

   - co-operating with Transpower and other upper South Island electricity distributors on the upper South Island centralised load management control system. Transpower is paying for the direct costs of this project, over three years to 31 March 2015
   - investigating trials of smart meters in substations to better understand the performance and constraints of the electricity distribution network. Further peak demand savings may be possible.

2. **Continue our support for and sponsorship of Community Energy Action (CEA)**

   Target date: Ongoing

   Status: On track

   CEA is a Christchurch-based charitable trust that focuses on improving home insulation and energy efficiency – particularly for low income households.

   The company has sponsored CEA since its inception in 1994. For several years, the company has made financial sponsorship grants to CEA of $150,000 per year. The company has continued that level of financial support in 2014.

   CEA operated from the company's CBD office site, rent-free, from 1994 to 2010. The company is also continuing to assist CEA with other issues that arise in its day-to-day operations. One of the company's senior employees is the CEA chairman.

   Approximately 20,000 local homes have benefited from CEA's services.

3. **Support the CCC's sustainable energy strategy**

   Target date: Ongoing

   Status: On track

   The company continues to meet its targets to:

   - seek ways to reduce peak loads on our network and increase our network load factor
   - obtain better, more accurate real-time data of our network loadings. This allows for more efficient network planning so that our spending to meet load growth is efficient.

   The company's policies and procedures for the connection of distributed generation to the network enable the safe and efficient connection of a range of local generation. The company's policies and procedures therefore promote sustainable energy.

Performance statement – community and employment

For the year ended 31 March 2014

1. **No work related lost time accidents for our employees and contractors**

   Target date: Ongoing

   Status: Not achieved

   This target covers the company and its contractors (including Connetics) and is an extremely challenging one due to the physical nature of the work required on the company's electricity distribution network. Care is needed with this target as the company does not want to create a climate where accidents are not reported and/or harm is compounded through inappropriate policies to force people back to work too early.

   The company had two employee lost time accidents during the year, resulting in 14 days of lost time (2013: two accidents and 43 days of lost time).

   Two employees of the company's contractors had lost time accidents during the year, resulting in 19 days of lost time (2013: nine accidents and 116 days of lost time).

2. **No injury accidents involving members of the public (excludes car versus pole traffic accidents)**

   Target date: Ongoing

   Status: On track

   No members of the public had injury accidents related to the company's electricity distribution network or work sites (2013: no accidents).

3. **Continue with our local public safety education and awareness programme in the safe use of electricity**

   Target date: Ongoing

   Status: On track

   The company's public safety education programme covers issues such as tree owner responsibilities near lines, close approach to lines by irrigators and other operators of plant, scaffolding near lines, householder maintenance near lines, digging near underground cables and safety and security near electricity equipment.

   The company's safety messages are delivered through a series of community shows, in-person presentations to targeted groups and through regular media outlets such as local newspapers and radio. The company is especially targeting contractors (and their principals), because the company believes that contactors are most exposed to significant risk of harm. 'Contractors' includes those involved with the wider post quake rebuild in the region.

   The sheer scale of the wider post quake rebuild, and the fact that contractors in the region are expanding and experiencing high staff turnover means that safety risks for those working near our network assets have increased. The Ministry of Business, Innovation and Employment has published a mandatory code of practice for working within four metres of overhead distribution networks (prior written consent from network owners is required for this), and there's an industry best practice guide for working near underground electricity distribution networks.

   During the year, the company continued to:

   - develop and grow constructive relationships with contractors, their principals and other interested parties in order to promote safety around the company's electricity distribution network. This has included process and safety briefings for over 3,000 contractor employees over the last three years, during and outside of normal working hours
   - advertise safety messages via local radio, print media and A&P shows in rural areas
   - process the very large increase in safe approach consent applications. Pre-quake the company typically received less than 300 of these applications per year, the company is now receiving over 300 per month.

4. **Undertake an annual formal employee survey and follow up on the results**

   Target date: 31 March 2014

   Status: Survey complete, ongoing processes to work through the results

   The company conducted a staff survey in November 2013. Over 95% of employees completed it. The survey focused on organisational culture – employees' preferred company culture, compared with their perceptions of company and team culture. The company is working through the results with work teams.

Performance statement – community and employment continued

For the year ended 31 March 2014

5. **Achieve voluntary annual staff turnover of less than 5% for Orion and less than 10% for Connetics**

   Target date: 31 March 2014

   Status: Achieved

   During the year, employee turnover was:

   - 4.5% for Orion (2013: 3.5%)
   - 8.7% for Connetics (2013: 12.4%).

   This target excludes the impacts of employees leaving for reasons of retirement, redundancy or on completion of a fixed term (or casual) employment contract or disciplinary related.

6. **Continue with our Orion engineering development programme**

   Target date: Ongoing

   Status: On track

   As at 31 March 2014, the company had six employees on this programme (2013: six employees).

   The company's engineering development programme has successfully placed talented and motivated people into key positions within the business. The programme is an important on-going part of our strategy to ensure that the company prudently manages employee turnover and the ongoing replacement of an ageing skilled workforce.

   Positions in the programme are advertised internally and externally. Successful candidates are selected on merit.

   Engineering trainees are trained and gain work experience in the business, with a view to placing them in areas where there may be skill shortages and/or succession opportunities. Trainees usually complete the programme in three years, and are then offered permanent roles in the company.

7. **Continue to develop the Connetics apprentice scheme**

   Target date: Ongoing

   Status: On track

   As at 31 March 2014, Connetics had 33 electricity distribution apprentices (2013: 31):

   - 14 electrical – including substations, street lighting and wider electrician units and experience
   - 16 multi-skill – overhead lines and underground cable jointing
   - 2 multi-skill – overhead lines and electrical
   - 1 overhead lines.

   The apprentice programme aims to ensure that Connetics sustainably develops and improves its industry competencies.

8. **Continue to support the CPIT Trades Innovation Centre**

   Target date: Ongoing

   Status: On track

   In 2003, the Christchurch Polytechnic Institute of Technology (CPIT) set up an advisory board to align trades training with industry needs. The company was instrumental in proposing and supporting the development of a simulated subdivision where trades trainees can be trained in real life situations. Electricity distribution is a significant part of the simulated subdivision.

   The training facility at Sullivan Avenue site is fully operational for electricity distribution – including overhead lines, underground cables and substations. The facility is now an important part of our initial and ongoing competence training for our employees and our contractors.

Audit report

For the year ended 31 March 2014

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF ORION NEW ZEALAND LIMITED AND GROUP'S
FINANCIAL STATEMENTS AND PERFORMANCE STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2014

The Auditor-General is the auditor of Orion New Zealand Limited (the company) and group. The Auditor-General has appointed me, Scott Tobin, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance statements of the company and group on her behalf.

We have audited:

- the financial statements of the company and group on pages 1 to 44, that comprise the statement of financial position as at 31 March 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance statements of the company and group on pages 45 to 51.

Opinion

Financial statements and performance statements

In our opinion:

- the financial statements of the company and group on pages 1 to 44:
  - 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 2014; and
    - financial performance and cash flows for the year ended on that date;
- the performance statements of the company and group on pages 45 to 51:
  - comply with generally accepted accounting practice in New Zealand; and
  - give a true and fair view of the company and group's achievements measured against the performance targets adopted for the year ended 31 March 2014.

Other legal requirements

In accordance with the Financial Reporting Act 1993 we report that, in our opinion, proper accounting records have been kept by the company and group as far as appears from an examination of those records.

Our audit was completed on 11 June 2014. This 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 our responsibilities, and explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements and performance statements are free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and performance statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements and performance statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements and performance statements whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the company and group's financial statements and performance statements that give a true and fair view of the matters to which they relate. We consider internal control in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the board of directors;
- the adequacy of all disclosures in the financial statements and performance statements; and
- the overall presentation of the financial statements and performance statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements and performance statements. Also we did not evaluate the security and controls over the electronic publication of the financial statements and performance statements.

In accordance with the Financial Reporting Act 1993, we report that we have obtained all the information and explanations we have required. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Audit report continued

For the year ended 31 March 2014

Responsibilities of the board of directors

The board of directors is responsible for preparing financial statements and performance statements that:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the company and group's financial position, financial performance and cash flows; and
- give a true and fair view of the company and group's service performance achievements.

The board of directors is also responsible for such internal control as it determines is necessary to enable the preparation of financial statements and performance statements that are free from material misstatement, whether due to fraud or error. The board of directors is also responsible for the publication of the financial statements and performance statements, whether in printed or electronic form.

The board of directors' responsibilities arise from the Energy Companies Act 1992 and the Financial Reporting Act 1993.

Responsibilities of the auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our 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 External Reporting Board.

In addition to the audit, we have carried out two assurance engagements for the company. These engagements were in respect of the company's disclosure information prepared under the Electricity Distribution Information Disclosure Determination 2012 and the Annual Compliance Statement prepared under the Electricity Distribution Services Default Price-Quality Path Determination 2010. These assignments are compatible with the independence requirements.

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

Scott Tobin
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Corporate governance statement

Ownership

The company is owned by:

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

Principal activities

The group's principal activities during the year were to:

- provide electricity distribution network services to customers in the Christchurch and central Canterbury region
- provide contracting services in the utilities sector
- seek investment opportunities in the infrastructure and energy sectors.

Role of the board

The company's shareholders appoint the directors to govern and direct the company's activities. The board of directors is the overall and final body responsible for the proper direction and control of the company's activities and decision-making within the company. This responsibility includes areas of stewardship such as:

- commercial performance
- business plans and budgets
- company policies
- financial and dividend policies
- management oversight and development
- delegations of authority
- identification and management of business risks
- identification and management of business opportunities
- internal control systems
- integrity of management information systems
- relationships with stakeholders and external parties
- 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.

Statement of intent

In accordance with section 39 of the Energy Companies Act 1992 and the company's constitution, in February each year the board submits a draft statement of intent (SOI) to its shareholders. The draft SOI sets out the company's overall objectives and intentions, as well as financial, earthquake recovery, network reliability, environmental, community, employment and health and safety 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 publicly available website.

The board also aims to ensure that shareholders are informed of all major developments and issues affecting the company.

Board membership

The board currently consists of five non-executive directors. Under the company's constitution:

- four have been appointed by the company's majority shareholder, Christchurch City Holdings Limited
- one has been appointed by the company's minority shareholder, Selwyn District Council.

The board chairman is elected by the board.

Board operation

The operation of the board is governed by the company's constitution and the board's code of conduct.

The board chairman has a leadership role in the conduct of the board and its relationship with the company's shareholders and other major stakeholders. The chairman maintains a close professional relationship with the company's chief executive officer, and through him, the senior management team.

New directors undertake an induction process to familiarise them with matters related to the company.

Corporate governance statement continued

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 undertake their responsibilities, including:

- the role and fundamental obligations of the board and directors
- the terms of reference and operation of board committees
- independence and conflicts of interest, including any conflicts with management
- board procedures
- the role of the chairman
- interaction with the chief executive officer and the senior management team
- reliance on information and independent advice
- confidentiality of company information
- shareholder participation
- board and director performance review and development.

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

Board performance and review

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 to set in place plans to achieve those opportunities.

Board meetings

The board meets approximately ten times per year and additional meetings are convened as and when required. The board's planned annual work programme is set by the board before the start of each calendar year.

The board receives formal agenda papers and regular reports, generally a week in advance of board meetings and committee meetings.

Senior managers are regularly involved in board discussions. The board and directors also have opportunities to obtain other information and independent expert advice.

Board committees

The board delegates some responsibilities and tasks to board committees. However, the board retains the ultimate responsibility and accountability for any committee's actions or inactions. All directors receive agenda papers for committee meetings and all directors have the right to attend committee meetings.

The board's two standing committees are as follows:

- the audit committee liaises with the company's external independent auditor and provides additional assurance regarding the quality and reliability of internal controls and financial information used by and issued by the board
- the remuneration committee assists the board to establish remuneration policies and practices, and to set and review remuneration of the company's chief executive officer and other senior executives.

The following directors served as standing committee members during the year ended 31 March 2014:

AUDIT COMMITTEE	REMUNERATION COMMITTEE
Paul Munro – chairman	George Gould – chairman (resigned 31 October 2013)
Michael Andrews (resigned 14 August 2013)	Jeremy Smith – chairman (appointed 1 November 2013)
Craig Boyce	Craig Boyce

Corporate governance statement continued

Subsidiary companies

The following served as directors of subsidiary companies during the year ended 31 March 2014:

Connetics Limited	Rob Jamieson (chairman), Brendan Kearney, Geoff Vazey, Michael Andrews (resigned 14 August 2013)
Orion New Zealand Ventures Limited	Brendan Kearney

Legislative compliance

The board receives regular formal updates from management on legislative compliance. Areas of relevant law include corporate, taxation, financial reporting, electricity industry regulation, commercial, environmental, human resources, health and safety and privacy. Compliance manuals and training are made available to all employees and company engages independent experts for advice on some issues.

Directors' insurance

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

Loans to directors

No loans were made to directors.

Auditor

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

Conflicts of interest

The board operates a formal directors' interests register and this register is formally reviewed for any necessary updates at the start of every board meeting. Directors are required to:

- not have any significant conflict of interest and/or the appearance of a conflict of interest that is potentially detrimental to the company
- declare any interest immediately to the board and refrain from voting on a transaction in which they have an interest
- disclose to the board all business relationships relevant to the company
- if requested by any other director, withdraw from any meeting where discussion of a transaction will occur in which they have an interest
- comply with the requirements of sections 139 to 149 of the Companies Act 1993
- not generally provide business or professional services of an ongoing nature to the company.

Employees are also required to not become involved in any activity that may affect or compromise their ability to perform their duties, or may be in conflict with the interests of the company. If employees become aware that they (or their family members or associates) have a potential conflict of interest, they are required to advise their manager.

Corporate governance statement continued

Interests register

Directors recorded the following interests in the interests register during the year ended 31 March 2014.

Michael Andrews	Tenon Limited	Director
Craig Boyce	Combined Rural Traders Society Limited	Director
	Datacom Group Limited	Director
	Equipment Hire Company Limited	Director
	Extra Strength No.164 Limited	Director
	Farmlands Co-Operative Society Limited	Director
	Farmlands Finance Limited	Director
	Horizon Farming Limited	Director
	Ovation New Zealand Limited	Director
	Progressive Leathers Limited	Director
	Smiths City Group Limited and subsidiaries	Director
	Snowy Peak Limited	Director
	Transdiesel Limited	Director
George Gould	Christchurch International Airport Limited	Director
	George Gould Limited	Director
	Gloucester Cambridge Holdings Limited	Director
	Gould Holdings Limited and subsidiaries	Director
	PGG Wrightson Limited and subsidiaries	Managing Director
Paul Munro	Central Plains Water Limited	Director
	Deloitte Limited	Director
Jeremy Smith	AML Limited	Director
	Atlas Resources Limited	Director
	Basic Industries Limited	Director
	Fiji Industries Limited	Director
	Holcim (New Zealand) Limited	Managing Director
	McDonald's Lime limited	Director
	Milburn New Zealand Limited	Director
	Millbrook Quarries Limited	Director
	NZ Portland Cement Association Limited	Director
	South Pacific Cement Limited	Director
Geoff Vazey	Consult GV Limited	Director
	HEB Construction Limited	Director
	Cook Islands Port Authority	Director
	Maphona Farms Limited	Director
	Green Valley Dairies Limited	Director
	Green Valley Distribution Limited	Director

Corporate governance statement continued

Directors' remuneration

The total remuneration received by the directors of the group during the year was as follows:

	Orion $000	Connetics $000
Michael Andrews	17	5
Craig Boyce	89	-
George Gould	27	-
Paul Munro	52	-
Jeremy Smith	27	-
Geoff Vazey	42	13
	254	18

Group employee remuneration

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

Employee remuneration

The group aims to attract, retain, develop and motivate high calibre employees at all levels of the organisation. The group's employee remuneration strategy aims for consistency, fairness and alignment with the group's principal objective – to operate as a successful business. The group regularly compares its employee remuneration against market data. In general, the group aims to meet the market, subject to employee performance.

All individual employment agreement terms and conditions are subject to "one-up" approval. For example, the board approves the chief executive's employment terms and conditions and the board remuneration committee approves those of the direct reports to the chief executive.

Four collective employment agreements cover around 45% of the group's employees.

Remuneration $000	2014	2013
100 - 110	35	29
110 - 120	28	23
120 - 130	19	16
130 - 140	9	7
140 - 150	10	8
150 - 160	8	6
180 - 190	1	1
190 - 200	-	1
200 - 210	3	1
210 - 220	2	1
220 - 230	1	3
270 - 280	-	1
290 - 300	-	1
310 - 320	1	-
330 - 340	1	-
420 - 430	-	1
430 - 440	1	-
470 - 480	1	-
490 - 500	-	1
540 - 550	-	1
720 - 730	1	-

Five-year trends – group

	2014 $m	2013 $m	2012 $m	2011 $m	2010 $m
Statement of comprehensive income					
Operating revenue	268	261	245	222	222
EBIT	73	70	73	49	68
Profit before income tax	69	66	68	45	66
Net profit	50	49	54	28	47
Other comprehensive income	79	-	-	(97)	(1)
Total comprehensive income	130	49	54	(69)	46
Balance sheet					
Current assets					
Cash and cash equivalents	1	1	1	-	-
Trade and other receivables	11	10	19	6	5
Investment property	-	9	-	-	-
Other	13	8	7	7	6
	25	28	27	13	11
Non current assets					
Property, plant and equipment	1,010	855	820	794	944
Investment property	-	-	8	8	5
Other	5	6	6	6	7
	1,015	861	834	808	956
Total assets	1,040	889	861	821	967
Current liabilities					
Trade and other payables	38	29	28	29	20
Borrowings	2	-	-	-	37
Other	5	4	3	3	5
	45	33	31	32	62
Non current liabilities					
Borrowings	74	61	53	36	5
Deferred tax	186	155	153	151	193
Other	2	3	4	2	1
	262	219	210	189	199
Equity					
Issued capital	120	120	120	120	120
Reserves	105	26	26	26	124
Retained earnings	508	491	474	454	462
	733	637	620	600	706
Total liabilities and equity	1,040	889	861	821	967
Statement of cash flows					
Operating cash flows	86	78	61	76	84
Investing cash flows	(52)	(53)	(43)	(33)	(38)
Financing cash flows	(34)	(25)	(17)	(43)	(47)

Five-year trends – group continued

	2014	2013	2012	2011	2010
Financial performance indicators					
Dividends paid ($m)	34	32	34	38	37
Net profit to average shareholders' equity (%)	7.4	7.8	8.9	4.3	6.7
Net interest bearing debt to debt-plus-equity (%)	9	9	8	6	6
Non financial measures					
Electricity maximum demand (MW)	619	592	633	616	618
Electricity deliveries into the network					
– including from embedded electricity generation (GWh)	3,162	3,165	3,070	3,308	3,430
Number of customer connections (000)	189	189	191	193	192

Directory as at 11 June 2014

Directors

Craig Boyce
CHAIRMAN

John Austin

Paul Munro

Jeremy Smith

Geoff Vazey

Corporate management

Rob Jamieson
CHIEF EXECUTIVE OFFICER

Gina Clarke
COMMUNICATIONS AND ENGAGEMENT MANAGER

David Freeman-Greene
GENERAL MANAGER COMMERCIAL

Brendan Kearney
GENERAL MANAGER CORPORATE SERVICES

Craig Kerr
GENERAL MANAGER INFORMATION SOLUTIONS

John O'Donnell
CHIEF OPERATING OFFICER

Adrienne Sykes
GENERAL MANAGER HUMAN RESOURCES

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Sources of information

A range of information about our policies and operations is available on our website at oriongroup.co.nz. Paper copies are available on request. Information includes:

- details on our pricing
- summary of daily load management
- guide to connecting distributed generation
- safety guidelines for working on our network
- discussion on environmental issues.

Other websites which contain information of interest include:

- Canterbury Earthquake Recovery Authority
  cera.govt.nz
- Christchurch City Council
  ccc.govt.nz
- Commerce Commission
  comcom.govt.nz
- Community Energy Action
  cea.co.nz
- Connetics
  connetics.co.nz
- Consumer electricity information
  powerswitch.org.nz and whatsmynumber.org.nz
- Electricity and Gas Complaints Commission
  egcomplaints.co.nz
- Electricity Authority
  ea.govt.nz
- Electricity Networks Association
  electricity.org.nz
- Environment Canterbury Regional Council
  ecan.govt.nz
- Energy Efficiency and Conservation Authority
  eeca.govt.nz
- Ministry of Economic Development
  med.govt.nz
- Selwyn District Council
  selwyn.govt.nz

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Above: During March and April 2014, we purchased Transpower's Springston substation and the associated high voltage line from Islington, and Transpower's 66kV substation at Bromley.

These purchases give us greater flexibility around planning and the replacement of network assets, greater ability to respond to regional growth and improved efficiency and reliability of our electricity distribution network.

Right: The sale of our former head office site in the Christchurch CBD to the Crown in September 2013 ended our 110 year presence there. Our Armagh zone substation will remain on the site – inside the "eastern frame" of the central business district.

oriongroup.co.nz