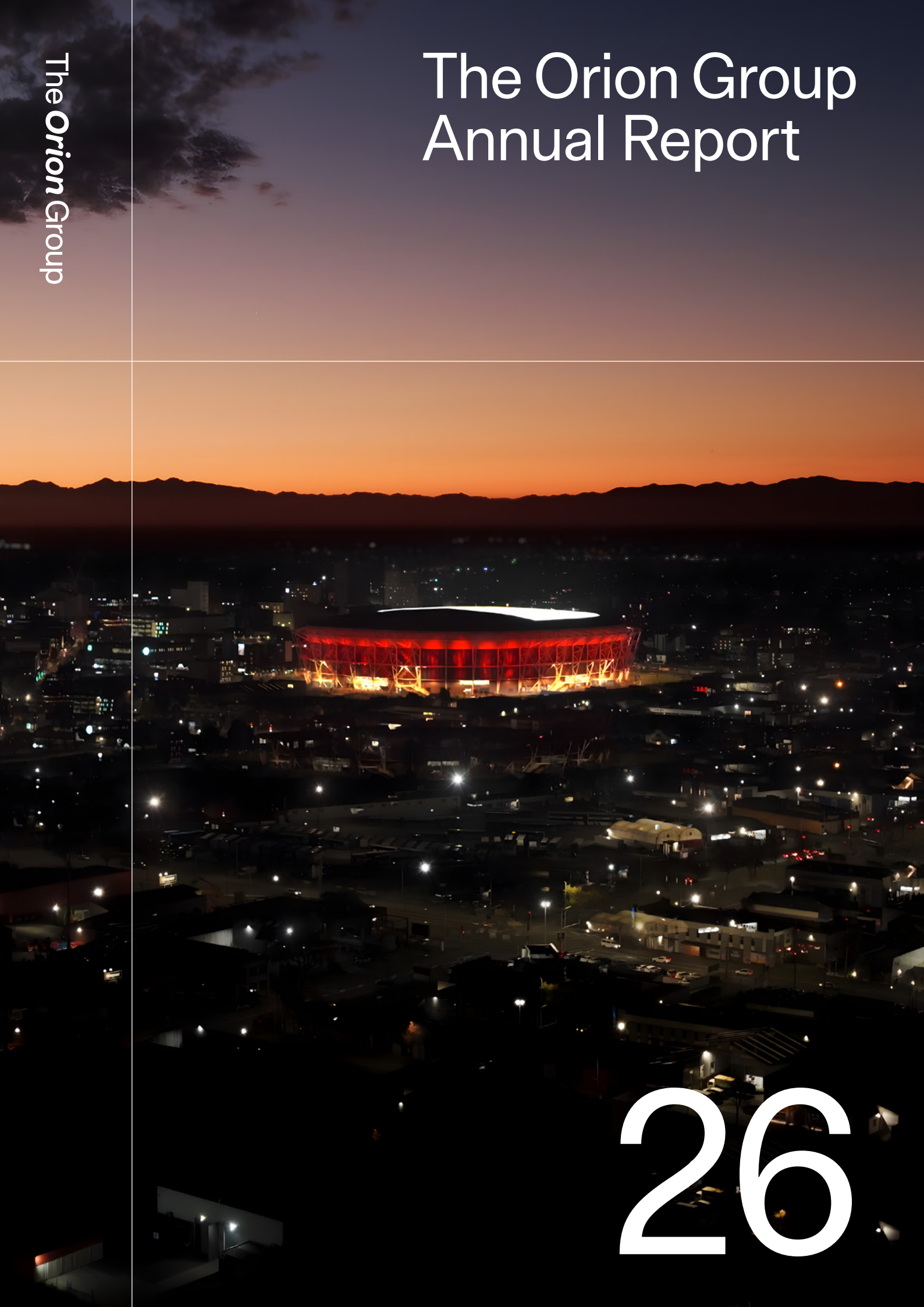


The Orion Group Annual Report

The *Orion* Group

26



Nau mai, haere mai

Welcome to The Orion Group Annual Report 2026

At The Orion Group, our purpose is to power a cleaner and brighter future with our community. Over the past year we have continued to focus on what that means in practice for central Waitaha Canterbury — serving the region well today while preparing for the needs of tomorrow as demand for electricity grows and the energy system continues to change.

People remain at the heart of our business, and we know the region depends on an electricity system that is safe, reliable, resilient and increasingly adaptable. This year has seen the evolution of our Group strategy, as we refreshed and sharpened our direction to respond to a changing environment and to ensure our priorities remain aligned with the future needs of our customers, communities and shareholders.

In this report, you will read more about the progress we have made during the year, the opportunities we are pursuing, and some of the challenges we have had to navigate. Together, these reflect both the complexity of the environment we are operating in and our continued commitment to helping build an increasingly electrified future for our region.

To learn more about The Orion Group, including our Asset Management Plan and Statement of Intent, visit our website: oriongroup.co.nz.

Cover Image: Te Kaha lit up at night.

Contents

Highlights	2
The Orion Group Strategy	4
Chair and Chief Executive's Report	6
Materiality	8
Risks and opportunities	10
Value creation model	12

Focus areas:	
– Our community	15
– Safe, reliable, resilient network	19
– Utilised, accessible network	23
Key enablers:	
– Our people and partners	26
– Funding our future	28
– Digital and data driven	30

– Five-year comparisons	32
– Measuring our supply chain GHG emissions	34
– Our Leadership Team	35
– Our Board of Directors	36
– Audited financial statements	39
– Governance	78
– Five year trends	86
– Directory	87

Highlights

109



households supported to be more energy efficient
174 less than last year

14,230 tCO₂e



total Group emissions
2,225 tCO₂e less than last year

8.1/10



Customer Satisfaction rating
Same as last year

90%+



Reliability Satisfaction score

234,824



customer connections
4,843 more than last year

3,683



gigawatt hrs of electricity delivered
15 more than last year

15%



Group employee turnover
5.4% more than last year

64%



Group employee engagement score
Same as last year

702.1MW



network maximum demand
20.8MW above last year

60%



load factor — utilisation of our network

\$85.6m

earnings before interest and tax
\$26.3m more than last year

\$35.4m

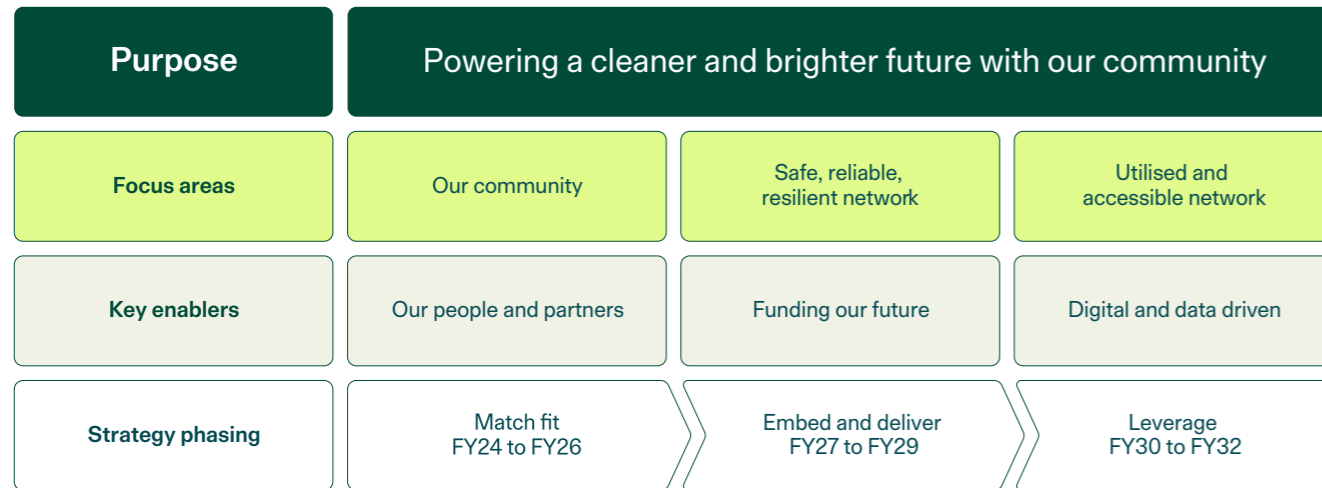
profit after tax
\$11.4m more than last year

\$30m

dividends
\$5m more than last year

The Orion Group Strategy

The *Orion* Group



Our Group strategy begins with our purpose — powering a cleaner and brighter future with our community — and talks to the impacts we want to make on regional prosperity through energy equity, sustainability, and energy security.

We are now firmly in the ‘embed and deliver’ phase of the strategy, with a particular focus on asset management excellence and the delivery of a customised price-quality path (CPP), pending a decision by the Commerce Commission. This mahi will ensure our network is ready for the increased demand as electricity plays a crucial role in decarbonising Aotearoa New Zealand.

Orion

 **connetics**
ALL WAYS CONNECTING

Chair and Chief Executive's Report

Tēnā rā tātou katoa

This financial year has been one of progress, complexity and continued preparation for the future that seems to be coming towards us at an ever-increasing pace.

Across The Orion Group, our focus has remained constant: serving central Waitaha Canterbury well, for today and into the future. That means investing in the infrastructure, systems and capability our growing – and changing – region needs, while being honest with our community about the choices involved.

We are pleased to report FY26 has been another year of solid financial performance. Despite considerable cost pressures, our profit after tax was \$35.4m, an improvement on last year and above the target set out in our Statement of Intent (SOI). The Group's financial performance enabled us to pay \$30m of dividends to our shareholders - Christchurch City Council and Selwyn District Council - in line with our SOI target.

A significant focus this year has been the evolution of our Group strategy. Our operating environment is changing quickly. Rising electricity demand, a more complex risk profile, rapid growth and technological change and increasing expectations from customers all require us to make prudent choices about affordability and investment. The updated strategy reflects our response to this evolving energy landscape and the challenges facing our sector.

That strategic clarity has been especially important as we have progressed our Customised Price-Quality Path (CPP) application to the Commerce Commission. It makes the case for the investment required to keep our network safe, reliable and resilient as the region grows and electrification accelerates. For central Waitaha Canterbury, it also means a network able to respond to severe weather and other disruptions, while underpinning the region's social and economic wellbeing for decades to come. The application has been shaped through extensive engagement with customers, stakeholders and community, and we owe it to the people who depend on this network to be open about what we are investing in, and why.

We have also continued rolling out our Integrated Asset Management (IAM) programme, work that strengthens how we manage assets, make investment decisions and plan. Better data, cleaner processes and a clearer picture of our network means better outcomes for customers, contractors and staff over the long term.

This year has seen some genuinely exciting developments too. Our partnership with Tapestry, Google's moonshot project for the electric grid, brings together four electricity distributors across Aotearoa to apply artificial intelligence and computer vision to network inspection and maintenance.

Our Resi-Flex programme is showing real promise in how households can actively support network resilience by shifting when they use power. These are early signals of how the network of the future will operate, and we are determined to be ready for it.

This year also brought challenges. The death of a person allegedly tampering with electrical equipment in the Red Zone was a tragedy, and our thoughts are with their whānau, friends and all those affected. It is a stark reminder that electricity is unforgiving, and that safety is always paramount in our industry. If you ever see something out of place on our network; hanging lines, an open kiosk, please stay well clear and call our team, they're available any time day or night.

We have also been mindful of the potential impacts of the global fuel crisis and the wider pressure it will likely place on supply chains, costs and resilience across the energy system. These challenges underline the importance of thoughtful planning, strong partnerships and ongoing investment in the systems and infrastructure our community relies on.



Paul Munro
Chair



Nigel Barbour
Group Chief Executive

On a more optimistic note, the opening of Te Kaha has been a highlight for the whole region, and we are proud of the role Orion played in powering it. Delivering reliable electricity to a world-class stadium of that scale required significant planning and technical work, three new substations, modifications to three existing ones, more than 800 metres of new cabling, and a raft of protection upgrades. Seeing it lit up on opening night made every hour of planning and work that went into it worthwhile.

None of what's been achieved this year happens without the people across The Orion Group. Their commitment and care, day in and day out, is what this organisation is built on. We thank our Board for its guidance, and our shareholders, Christchurch City Council (via Christchurch City Holdings Limited) and Selwyn District Council, for their continued support as we navigate a period of significant change and investment. There is much still to do, and we look forward to doing it with our community.

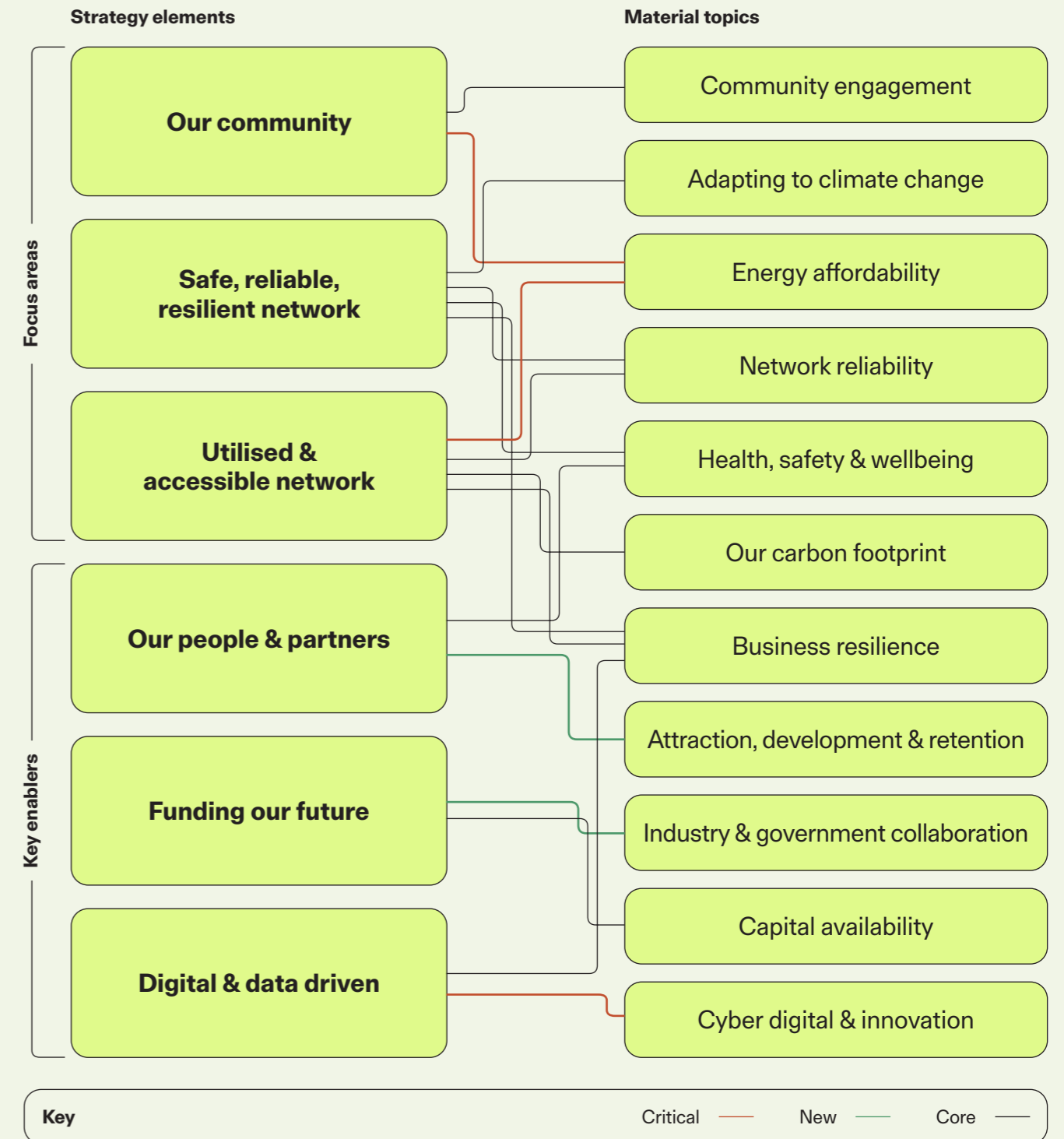
Paul Munro
Chair

Nigel Barbour
Group Chief Executive

In 2025, The Orion Group refreshed its 2024 materiality assessment, relying on the significant amount of engagement carried out as part of our CPP application process. We also reviewed the alignment between our material topics and our strategy evolution.

Our top ten material topics, mapped to our strategic focus areas and key enablers, are set out on the opposite page.

- There are a couple of notable changes from 2024:
- We have a slight change in the name of one topic from 2024, with 'cyber security' becoming 'cyber, digital and innovation' to reflect the wide nature of our use of technology.
 - Connections between our strategic focus areas and key enablers and material topics represented on the opposite page reflect both the interconnected nature of our strategy and the ranking of material topics based on our refreshed analysis.



Risks

Capital self sufficiency

Regulatory funding constraints	Constrained ability to invest in our network and execute essential initiatives due to limits on regulatory allowances.
Capital availability	The availability of capital can impact on Orion's ability to fund operations, projects, and strategic initiatives.
Inflation	Global events including the Middle East conflict have increased inflation in the electricity sector, such as the price of fuel, as well as the price of copper and electrical components. There remains a risk that the conflict in the Middle East or other global events may drive further cost increases.
Sudden asset loss	An event such as a tsunami or an earthquake may leave parts of the network uninhabited and destroy the local electricity infrastructure. This would reduce Orion's asset base and, under regulations, this could reduce Orion's future revenue.

Workforce and change

Insufficient workforce	Global increased competition for the specialist workforce required by Orion and its suppliers could diminish our ability to operate, maintain and grow the network.
Orion capacity to adapt	There is an increasing amount of change needed at Orion with the changing way customers interact with the network and an evolution in the skills, data and technology needed to efficiently meet customer demand. Orion has a certain amount of capacity and faces a challenge to keep the skills and data available at Orion current and fit for future requirements, alongside delivery of the volume of change, including technological change, required.

Electricity users and decarbonisation

Transition risk – Investment type and timing	Traditionally, increase in network demand has been met with investment in network growth. This approach is being disrupted by distributed energy resources (e.g., EVs, batteries) and evolving market solutions. This presents an opportunity (discussed on the next page) but also makes efficient future investment decisions challenging, due to uncertainty about how much growth can be served by traditional network solutions, as opposed to market solutions and management of distributed energy resources.
Block or delay to transition	There is a risk that Orion's actions contribute (or are perceived to contribute) to a block or delay to electrification, exposing Orion to potential regulatory impacts, potentially missing growth and customer solution opportunities, or potentially having energy users lose faith in electricity as an energy option.
Electricity affordability	Electricity affordability driven by sustained cost of living pressures and rising electricity prices, is an ongoing challenge for customers facing trade-offs between essential needs.

Safety, security and compliance

Health and safety event	Orion could experience a serious health and safety incident that may result in fatalities or injuries to employees, contractors, or the general public.
Cyber or information security event impacting assets or operations	Orion could suffer a security breach impacting Orion's assets, business operations, assets, or the private information of customers and staff.
Natural event causing significant damages (earthquake, tsunami, fire, flood, weather)	Natural events such as earthquakes, tsunamis, fire, floods and storms can and do have significant impacts on electricity networks with large one-off costs to repair. Climate change increases the likelihood and severity of fires, floods and storm events.
Significant equipment or technology failure	Orion could experience a significant equipment or technology failure due to poor asset condition or human error.
Regulatory	Orion has a wide range of mitigations in place to meet regulatory obligations. There is a risk that one of these is found to be insufficient.



Opportunities

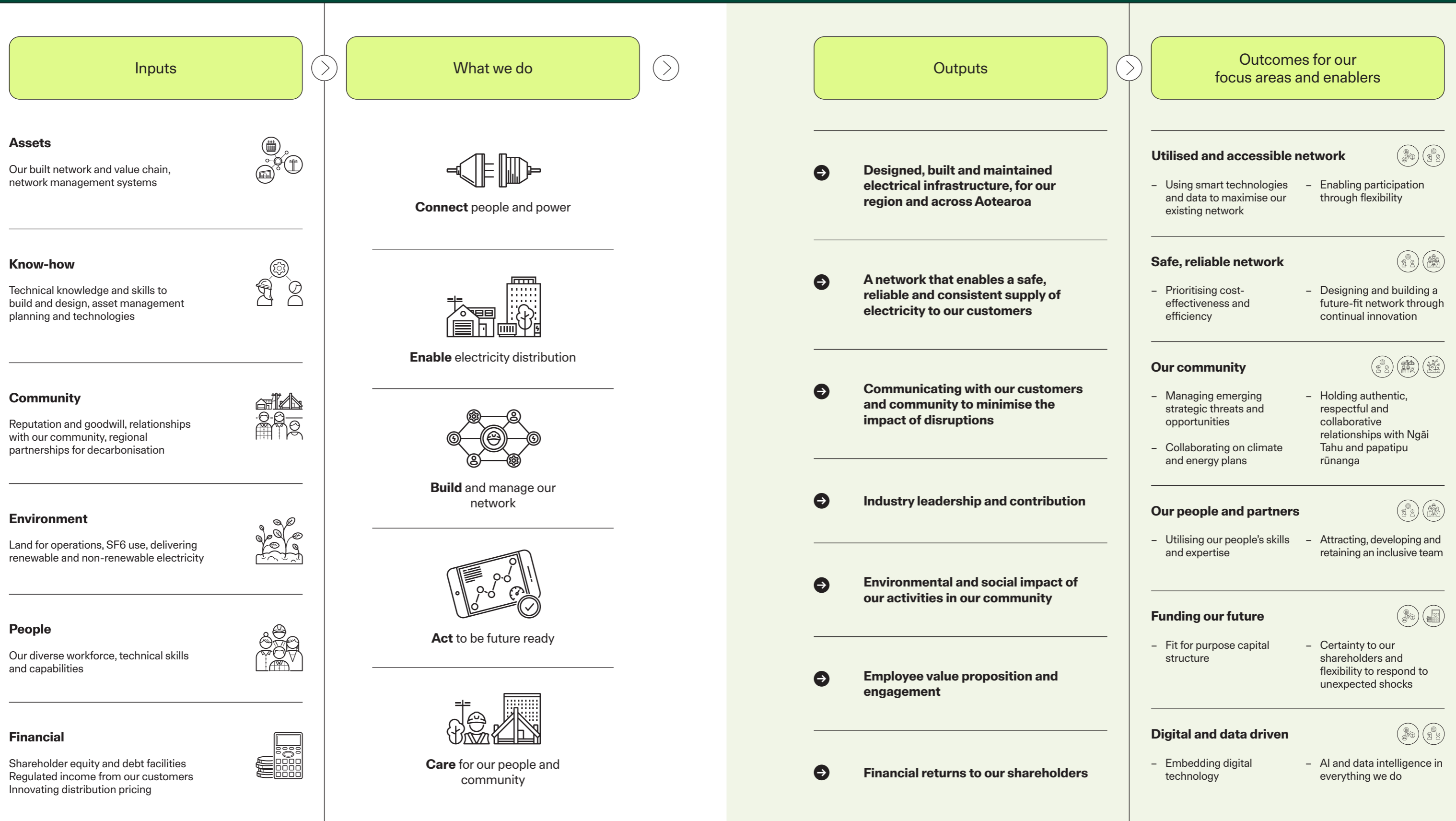
Enhanced network utilisation	Orion is modernising management of the network and proactively supporting the uptake of new energy technologies. Improved network data and insights enable increased utilisation of existing assets and supports development of new market-led services that help customers generate additional value from their electricity use. In turn, this helps us keep costs down through efficient and timely investments.
Customer growth	We expect significant growth in demand across our network in most of our future scenarios. In the next 10 years we can expect peak demand to grow between 10% to 44%. This presents The Orion Group with opportunities to grow its customer and asset base. The Group may also have opportunities to attract customers from outside of the region and to change the way it invests to deliver services to customers.
Data, analytics and AI capability	Increasingly we are able to leverage the power of integrated systems, data analytics and AI to improve productivity. This can look like AI and machine learning to improve switching on the network - such as our automatic power restoration project. It can also look like operational technology like drones.



Value creation model

Powering a cleaner and brighter future with our community

Driving prosperity for our region through balancing energy affordability, energy security and sustainability



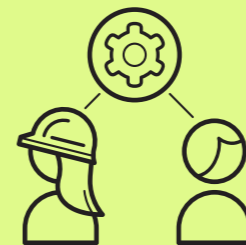


Mucking in at the annual Tautoru Mautai whānau planting day.

Focus area:

Our community

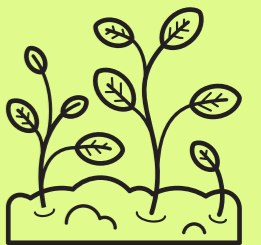
Know-how



Community



Environment



We recognise the power of collaboration with our community. Working alongside partners on climate and energy planning, supporting initiatives to spark the next generation, and building respectful, authentic relationships with mana whenua are helping us support a future that reflects the needs and aspirations of our region.



EVolocity inspires the next generation of engineers

During the year, Orion supported a new EVolocity pilot programme designed to give young wāhine in Canterbury hands-on experience in engineering and a practical pathway into STEM. Launched at Te Kaupeka Pūhanga University of Canterbury, EVolocity's Solar Innovators Programme brought together students from Burnside High School, Haeata Community Campus, Hurunui College, Middleton Grange and Te Pā o Rākaihautū.

Over eight weeks, participants designed and built solar-powered remote-control vehicles, developing practical capability in CAD, 3D printing, electronics, soldering and iterative design. Learning was delivered through a combination of on-site sessions at the university, workshops, online sessions and mentoring from EVolocity's technical team.

Orion's sponsorship built on a long-standing partnership with EVolocity and reflected our commitment to helping local rangatahi see engineering as accessible, relevant and within reach. As a founding sponsor since 2014 and Canterbury's regional sponsor, Orion continued to support initiatives that encouraged more young people into sustainable engineering and clean technology.

Orion Innovation Facilitator Sherallee MacDonald said programmes such as Solar Innovators helped make engineering more visible and accessible by giving students the opportunity to try practical activities and explore what a future in the field could look like.

We were also thrilled to support the EVolocity Canterbury Regional Finals in late October, where students had the opportunity to showcase the vehicles they had built and celebrate what they had achieved. We're proud to support EVolocity to empower rangatahi to reimagine transport, energy, and engineering through hands-on learning.

IAM delivering better outcomes

During FY26, Orion successfully launched Release One of our Integrated Asset Management (IAM) programme, an important step in modernising how we manage the assets that keep electricity flowing across our network. The key objective of the programme is to implement no-regrets best practice linear asset management systems. IAM is replacing legacy systems with a more connected asset management and geospatial platform, giving us better visibility of our assets and a stronger foundation for planning, maintenance and investment.

With better data and a clearer view of network condition and performance, IAM will help us make better decisions about where work is needed, how we maintain our network, and how we prioritise investment over time. While this work is very much "behind the scenes", it will have huge benefits for our people and our service delivery partners. Crucially, it will mean a safer, more efficient and more resilient network for our customers and community, and better long-term outcomes as demand for electricity continues to grow. Release Two is due to be rolled out later this year.

Rangatahi enjoy a talk by EVolocity board member and mechanical engineer Dr Eva Håkansson.

Tautoru Mautai

During the year, our partnership with Wairewa Rūnanga continued to make strong progress at Te Kaio Tumbledown Bay, where re-planting former farmland remains a significant long-term restoration effort. We have now planted more than 200,000 trees across the site, including a substantial number established during the financial year. Pest control also continues to be a critical part of the project's success, with 1,173 pests accounted for through the programme, including possums, rabbits, hares, rats, stoats, deer and wild cats. In September, kaimahi from across The Orion Group enjoyed the opportunity to bring their whānau and connect with Wairewa at the Tautoru Mautai annual whānau planting day.

What our community thinks

We received some positive results from our annual Customer Perceptions Survey, with our overall customer satisfaction rating remaining unchanged since last year. We interviewed 894 residential customers across urban and rural areas.

The key findings are:

- 90% satisfied with reliability.
- 74% believe Orion is trustworthy.
- 8.1/10 satisfaction with Orion.

We also interviewed 183 businesses within our network area. The key findings are:

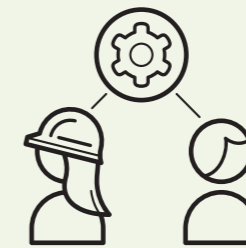
- 92% satisfied with reliability.
- 8.4/10 rating of ease of doing business with us.
- 8.4/10 rating of service received.



Focus area:

Safe, reliable, resilient network

Know-how



People



A safe, reliable and resilient network remains at the core of what we do. We continue to invest thoughtfully in the assets, technologies and capabilities that help us maintain strong, dependable performance today. At the same time, we're preparing for the challenges of tomorrow, including growing demand, increasingly volatile weather and the need for a network our community can depend on.

Honouring a remarkable career

For 52 years, Stu Kilduff, Orion's former Head of Operations, understood something most people only discover during a power cut: electricity isn't just lights. It's water, warmth, communication, the invisible infrastructure that holds a community together. Keeping that infrastructure running, reliably and safely, has been his life's work.

Stu joined the old Municipal Electricity Department in February 1974 and spent the decades that followed growing alongside the organisation that would become Orion. Across eight leadership roles, multiple restructures, and two major earthquakes, his guiding principle remained simple: let people do their jobs, back them when they act in good faith, and stay calm when the pressure is highest.

That composure was forged through experience and through the example of leaders who modelled it. When the September 2010 earthquake struck, Stu arrived to a control room with barely functioning computers and inaccessible contingency plans. His team responded instinctively, drawing on deep experience to stabilise the network. The February 2011 earthquake brought a far greater toll, but the same discipline held. Throughout both events, Orion recorded zero serious health and safety incidents, a result Stu considers one of the organisation's most significant achievements.

"That only happens if you follow the proven procedures," he says. "Especially when things are hard."

Behind the scenes, Stu helped build the systems that made that discipline possible. He led the transition from paper-based operations to a digital network management system, not by changing how people worked, but by translating a trusted operating model into a modern environment. When the earthquakes hit, that investment paid off.

His retirement leaves behind something harder to quantify than systems or processes: a culture shaped by decades of steady, principled leadership. Teams empowered to make decisions. A belief that mistakes are for learning, not blame. And a standard of care for colleagues, for the network, and for the community it serves, that he embodied every day.

"I always liked the work," he says. "It gave you a sense of how important power was to people."

We wish Stu all the very best for his retirement and thank him for his significant contributions to Orion.

LiDAR gives us a helicopter view

We carried out an aerial LiDAR (Light Detection and Ranging) survey of our electricity network in late 2025.

With a network region spanning over 8,000 square kilometres, covering rural and urban areas, and serving nearly 235,000 customers, there's a fair bit of ground to cover. Helicopters operated throughout November and December with all flights conducted by Christchurch Helicopters.

The survey is part of our commitment to providing our community with a safe, reliable and resilient network. It is helping us identify potential hazards, such as trees and vegetation close to our assets, so we can better manage them before they cause power outages.

LiDAR is a remote sensing technology that uses laser pulses to create detailed three-dimensional maps of the landscape and objects, such as power lines and vegetation. LiDAR was used because it provides highly accurate data that allows us to precisely map and monitor our network assets, ensuring we can detect and address potential issues before they impact our service reliability.

PORT goes live at Barnett Park, Hills Rd and Annat

In mid-2023 we announced that our Automated Power Restoration System was live, an exciting milestone in the evolution of our network. Last year, Orion Operational Technology Architect Rolf Holmsen took network automation to the next level with our Primary Outage Restoration Tool (PORT). PORT restores multiple feeders when a whole substation loses supply. It kicks in automatically, quickly restoring as much of the substation as possible - leaving only the fault-affected area without power. We're proud to be the first electricity network in the country to start rolling this out.



At the edge of the network

During FY26, Orion completed a major rebuild of a remote section of network at Mt Horrible, near the Waimakariri River. The project involved replacing all 76 poles along a six-kilometre section of line in one of the most exposed and challenging parts of our network.

Supplied from Castle Hill GXP towards the Bealey area, this section of line is subject to alpine terrain, steep slopes and rapidly changing weather. The rebuild was undertaken to strengthen long-term reliability and resilience in an environment that places significant demands on network infrastructure.

The work was delivered by Connetics, in partnership with HGM Construction, and required careful planning to manage difficult access, ground conditions and logistics. The project involved teams from across Orion, including Engineering, Delivery, Network Portfolio, Procurement, Operations, Land & Legal and Communications. Around one third of the new poles were installed by helicopter, with compact excavators also flown in to support construction in locations that could not be reached easily by road.

The project also involved a range of environmental and operational considerations. These included working around sensitive habitat, coordinating with NZTA where rockfall risk affected the road corridor below, and maintaining electricity supply during construction through a temporary generation arrangement using diesel, solar and battery storage.

Timber poles were replaced with lighter fibre cement poles selected for their durability in harsh conditions, including improved fire resistance. The investment supports the continued reliability of supply to this remote part of the network and reflects Orion's focus on building resilient infrastructure for the future.

A chopper prepares to lift a pole at Mt Horrible.



Springston Zone Substation.

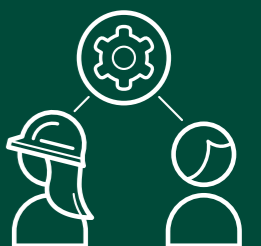
Focus area:

Utilised, accessible network

Assets



Know-how



A utilised and accessible network is about making the most of the network we have, while creating more opportunities for participation. By using smarter technologies, better data and flexible solutions, we can improve utilisation, support customer choice and help enable growth and electrification in a way that is efficient, practical and fair.



Households power up with Resi-Flex

Maximising export limits

During FY26, we worked to prepare for higher export limits for small-scale generation following the Electricity Authority's decision to expand the permissible voltage range. This work is an important step in supporting more customer-led generation on our network and reflects the growing role households and businesses can play in New Zealand's energy future.

By the end of the financial year, we were ready to expand the permissible voltage range from $\pm 6\%$ to $\pm 10\%$, enabling greater export capacity in parts of the network where it can be accommodated safely and reliably. This was supported by work underway to improve visibility of our low voltage network and better understand local constraints.

To help ensure access is fair, we are taking an equitable approach to how additional export capacity is made available.

Our early modelling shows that even relatively small increases in generation can create constraints in some parts of the low voltage network. By taking a balanced approach, we can help avoid a situation where early applicants use all available capacity before others can connect.

Over time, this will support more efficient use of the network, enable greater participation in distributed generation, and help create a more flexible and accessible energy system for our region.

A freshly charged electric vehicle ready to roll.

Households taking part in the Resi-Flex Phase 3 trial in FY26 showed that collective action can make a real difference to network demand, with flexible energy use and smart charging delivering reliable results.

"It's exciting to see so many households making a measurable impact," says Orion Flexibility Markets Development Lead Mitchell Davis.

Resi-Flex is an initiative aimed at incentivising households to manage when they consume or export electricity.

"The trial demonstrates that when people are empowered with the right tools and incentives, they consistently shift their energy use and help keep the network resilient."

Evening Savings Sessions led the way, with an average 73% success rate and around 0.8 kW saved for each successful participant, while morning sessions achieved a 61% success rate and 0.7 kW savings. The trial also found that guaranteed payments encouraged greater participation and energy reductions compared to lottery-style incentives.

"We're seeing real potential for scaling. As Octopus Energy showed, if 20% of New Zealand homes participated in saving sessions, we could reduce the national peak by up to 280 MW. Saving sessions or other equivalent retail

products have minimal barriers to rollout nationwide, but still produce large peak reductions and system benefits," says Mitchell.

Octopus-managed EV charging proved highly effective, shifting 97% of charging away from network peaks, with managed charging peaking overnight around 3:30–4:30am. Participants rarely overrode the system, highlighting trust in the service.

Meanwhile, a 60c/kWh solar export incentive (Orion offering 9c and Ecotricity offering 51c) is driving strong early interest in solar and battery systems, with uptake rising in the trial area. So far, the trial has 50 customers signed up, with the average customer delivering 8kWh during peak times every day.

Feedback from participants reveals a desire for more frequent Savings Sessions, with most motivated by saving money and taking practical steps like delaying large appliances, reducing heating or cooling, and turning off smaller devices.

The Resi-Flex Phase 3 results demonstrate the potential for households to deliver significant demand flexibility right now, even without investing in new distributed energy resources.

Our people and partners

Our people and partners are essential to delivering on our purpose. We rely on the expertise, commitment and shared values of our team, contractors and partner organisations, and we are focused on building an inclusive environment and a culture that celebrates diversity so our people can grow, contribute and do their best mahi together.

Health, safety and wellbeing

Through FY26, Orion progressed our safety, health and wellbeing strategic plan with a focus on incorporating critical risk management into both our internal operations as well as our Contractor Safety and Public Safety processes and engagement.

Workplace health and safety

We extended our critical risk management engagement to our service delivery partners and contractors, introducing the concepts of critical risk in our training and a focus on site visits and safety conversations. The aim is to develop better understanding of where and how critical risk exists in our work tasks and activities.

Site visits and incident investigation findings focused on critical risks and critical controls, and this data is now feeding insights, trend analysis and targeted focus areas.

The FY26 (12-months) event reporting was changed to reflect risk profile based on an event's potential to have caused admittance to hospital/illness or fatality (previous reporting had been based on actual harm).

This change in reporting reiterated our known critical risks (such as dangers associated with uncontrolled release of electrical energy) but also unlocked some new focus areas, our top five risk categories were:

- Uncontrolled Energy Release - electricity contact (potential for electric shock/electrocution by employees and/or contractors)
- Public Safety - Asset Interference/Theft & Vandalism (potential for electric shock/electrocution by member of the public)
- Vehicle Impacts (driving for work and interactions with other road users)
- Work Capacity (fitness for work, work design/demands, fatigue, trauma exposure)

- Lone and Remote Working (exposure to aggressive behaviour and responding to weather-related events affecting the network).

Public safety focus

In addition to our workplace safety focus, engagement with the public and non-Orion contractors is a key safety focus. In FY26 we investigated 252 events involving electricity network damage during property development and/or maintenance, they are primarily related to:

- Scaffolding
- Vegetation management
- Crane lifts or concrete pumping
- Civil works near poles.

We also undertook 246 public work site engagement activities and ran seven public safety media campaigns.

There were three significant injury events in FY26:

- Public Safety - Asset Interference/Theft & Vandalism (electric shock/electrocution to member of the public, sadly resulting in a fatality).
- Fall from Height - Work Activity (Group employee fell while unloading materials from a truck resulting in a broken leg requiring admittance to hospital).
- Injury Event Vehicle Impact - Work Activity (Service Delivery Partner employee was in a work vehicle collision with another vehicle resulting in a broken knee and leg damage requiring admittance to hospital).

Orion has moved to align the concepts of Critical Risk and Energy Based Safety tools to raise awareness of specific aspects of our work that pose the most harm to our workers. We are engaging our team members in workshops to consider where and how we can simplify processes and enhance controls to protect people most exposed to the risk.



Annual Connection

Orion sponsored Connexis Annual Connection 2025, helping bring one of the electricity sector's leading capability and skills events to Canterbury. The event highlighted the people behind the infrastructure, recognising the technical expertise, teamwork and professionalism required to keep communities connected and support the future of the industry.

Hosted in Canterbury in October, the multi-day event brought together line mechanics, cable jointers and trainees from across Aotearoa to compete, learn and connect. The practical challenges showcased the breadth of skill across the sector, from pole-top work to precision cable tasks, and reinforced the importance of ongoing investment in workforce capability.

Orion co-hosted the event alongside Connetics and EA Networks. Annual Connection provides a valuable opportunity to celebrate the depth of talent across the industry and to reinforce the importance of investing in people and capability across the sector.

Orion Overhead Delivery Manager Ben Heasley reflected on the event's long-standing importance to the industry. Having competed in 2013, managed the winning team in 2014 and returned as a competitor in 2016, he brought both experience and continuity to the event in his role as a judge for the 2025 competition.

He said the event continues to shine a light on the sector and give people a clearer understanding of the work involved in keeping the electricity system running. More than 250 secondary school students attended during the week, taking part in practical challenges and gaining insight into what a future career in the industry could look like.

Supporting the next generation of talent through GirlBoss Edge

GirlBoss Edge: Sustainability is a fully funded, online 10-day career accelerator for young women aged 15 – 21. The programme focuses on sustainability, decarbonisation, STEM and climate leadership, and is delivered through self-paced learning, mentoring and inspiring guest speakers.

Orion, alongside other electricity distribution businesses and industry organisations, supported over 400 young women to participate. Supporting this programme helps build our future talent pipeline and contributes to closing the gender pay gap.

We're proud to be involved in a programme that empowers wāhine to explore career pathways and connect with mentors from the energy sector, including several Orion wāhine from across the business. You can find out more at: www.girlbossedge.com/sustainability

Key enabler:

Funding our future

Funding our future is about maintaining a fit-for-purpose capital structure that supports long-term investment while providing stability and flexibility. This helps us respond to change, manage uncertainty and maintain the capability to invest in the infrastructure and initiatives our community will rely on in the years ahead.

Our financial performance

Our FY26 profit after tax was \$35.4m, \$4.8m above our Statement of Intent (SOI) target.

Our FY26 earnings before interest and tax was \$26.3m above FY25's result, primarily due to increased delivery revenue and a strong Connetics' result, but offset by increases in cash expenses, depreciation and interest costs.

Our line-charge revenue, which we recover through customers' retailer bills, is regulated by the Commerce Commission. Our financial performance is shaped by the regulatory environment we operate in, with both the amount and timing of revenue determined by the Commerce Commission. This can result in short term fluctuations in reported profit, including lower returns in some years where revenue is deferred and recovered later.

This allows recovery of costs and a return based on a regulated cost of capital, set by the Commerce Commission. FY26 is the first year of the Commerce Commission's DPP4 five-year regulatory period. The regulated cost of capital has significantly increased in DPP4 compared to the prior five-year period.

The increase in revenue is primarily driven by this higher regulatory cost of capital and increased allowable operating and capital costs, with the uplift in cost of capital being the main contributor to higher profitability.

Further, under default price-quality path (DPP4), a portion of allowable revenue has been deferred to later years to manage customer price impacts. This has reduced impact on customers in FY26, however results in a progressive increase in revenue and related profitability over the DPP4 five-year period.

Further analysis of our performance against our SOI targets and our prior year results is provided later in this report.

Dividends

The Group's financial performance enabled us to pay \$30m of dividends to our shareholders - Christchurch City Council and Selwyn District Council - in line with our SOI target.

Network capital expenditure

We have continued to invest heavily in our network to ensure it remains safe, reliable, resilient and can accommodate growth. Our network capital expenditure totalled \$156m in FY26, in line with our SOI target. We also invested a further \$13m in our asset management systems. This will enable us to continue efficient asset management for the future through developing our data, processes and technologies.

Group assets

Group property, plant and equipment and intangible assets now total \$2.1b. Colliers International revalued our land and buildings and Deloitte revalued our network assets as at 31 March 2026. The resulting carrying values are close to the Regulatory Asset Base (RAB) determined under the Commission's regulatory framework.

Connetics

Connetics' profit was above both the prior year and our FY26 budget, with its ongoing focus on cost management and developing new business opportunities providing an improved financial result.

Debt to Regulatory Asset Base (RAB)

The percentage of debt to RAB is a measure of financial strength routinely applied to Electricity Distribution Businesses (EDBs). Orion's estimated percentage for FY26 is 39%, consistent with FY25's result. The Commerce Commission applies a gearing ratio of 41% in calculating its regulated cost of capital used in determining an EDBs regulated revenue.

An Orion electricity tower.



Key enabler:

Digital and data driven

Being digital and data driven strengthens how we plan, operate and improve across the Group. By embedding digital technology and making better use of data, insights and emerging tools such as AI, we can make informed decisions, lift efficiency and create better outcomes for our customers, community and teams.

EDBs join forces with Tapestry to transform grid reliability with AI

Last year Orion joined a consortium of four of New Zealand's largest Energy Distribution Businesses (EDBs) to partner with Tapestry, Google's moonshot for the electric grid. Together, the consortium is using artificial intelligence (AI) and computer vision to strengthen grid reliability and efficiency. The consortium includes Northpower, Orion, Unison Networks and WEL Networks, which collectively deliver electricity to more than 510,000 customers across the North and South Islands — representing more than 25% of all electricity customers nationwide.

As part of the partnership, the consortium began deploying Tapestry's GridAware platform to support asset inspection and maintenance. Using drones and AI, the platform helped identify potential equipment defects more quickly and efficiently, reflecting a shared commitment to mahi tahi and practical collaboration across the sector.

The partnership is a response to a core challenge facing New Zealand's 29 EDBs, which collectively maintain more than 150,000 kilometres of power lines. Because equipment types varied across networks, individual EDBs often do not have enough image data on their own to effectively train AI tools to recognise assets and assess condition.

By collaborating, consortium members pooled data and insights to help build a stronger shared dataset. Field experts began using GridAware to label thousands of examples of different asset types and potential equipment defects, with the consortium aiming to contribute more than 10,000 labelled images covering 10 unique types of grid assets over two years.

The Orion Group Chief Executive Nigel Barbour said the partnership marked an important step in improving long-term planning and real-time network performance, with earlier identification of potential asset issues expected to deliver real benefits for customers and the wider electricity sector.

"I know from the conversations I've been having that we are all excited by the opportunities provided by the GridAware platform to improve long-term planning and real-time performance for the benefit of electricity consumers and the wider industry. The early identification of potential asset failures before they happen will have enormous benefits for customers."



Inside the Orion Control Room.

Transforming operations with AI

Orion is using artificial intelligence, drone technology and its data platform to improve network reliability, safety and operational efficiency.

Our data platform brings together information from across the network, enabling real-time monitoring, trend analysis and predictive modelling to support faster, better-informed decisions.

AI supports predictive maintenance, fault detection and network planning, helping reduce outages, improve asset management and prepare for changing electricity demand.

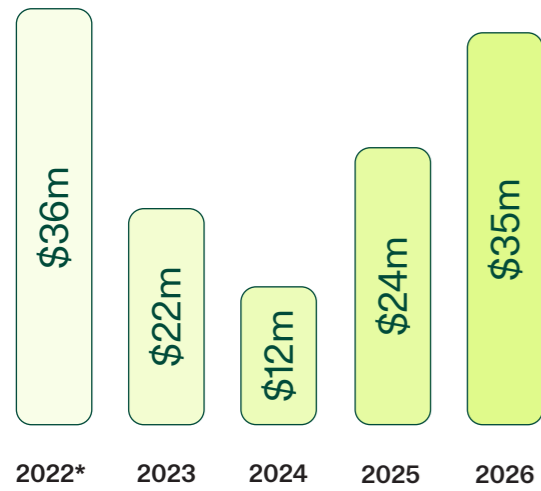
These tools also support more efficient network planning and the integration of renewable energy sources, contributing to a lower-carbon future.

Orion's innovation was also recognised at the 2025 Electricity Engineers' Association Conference in Christchurch, where Jess Napper and Bryan Chiu received awards for their AI-related work. This built on Orion Head of Data and AI Peter Jaksons' Best Paper win in 2024 on data governance and Orion's AI adoption.

Their work highlights the practical value of AI in improving operational performance and customer outcomes.

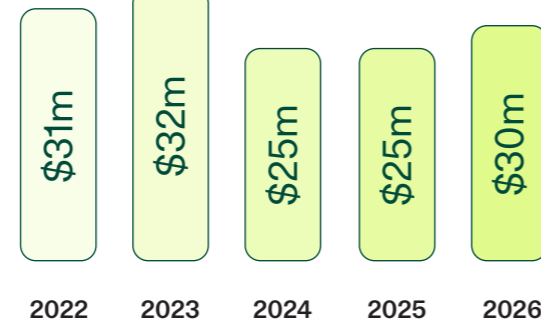
Five year comparisons

Net profit

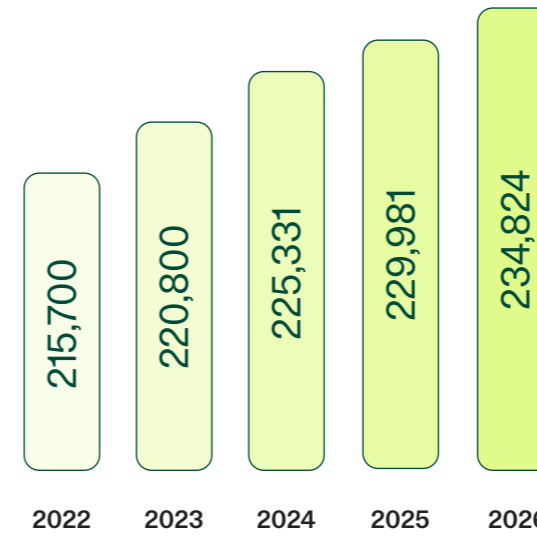


*2022 restated

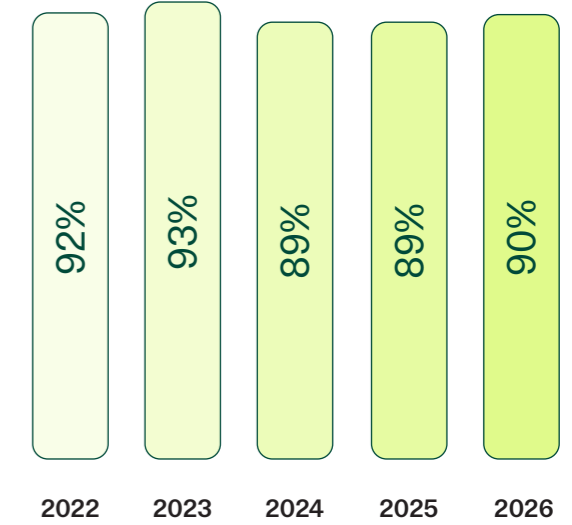
Cash distributions to shareholders



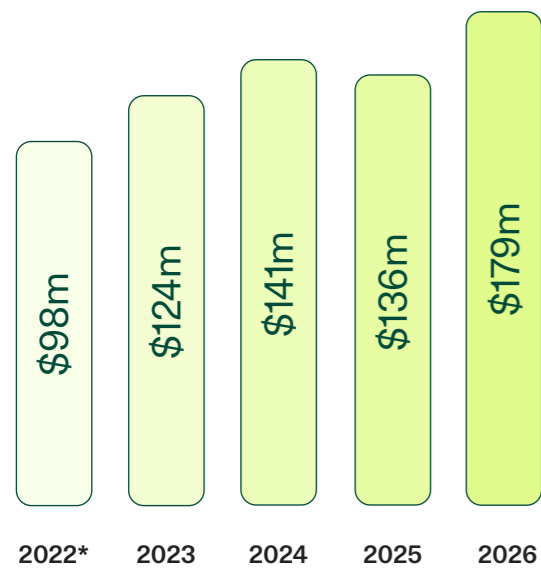
Customer connections



Residential customer satisfaction with reliability

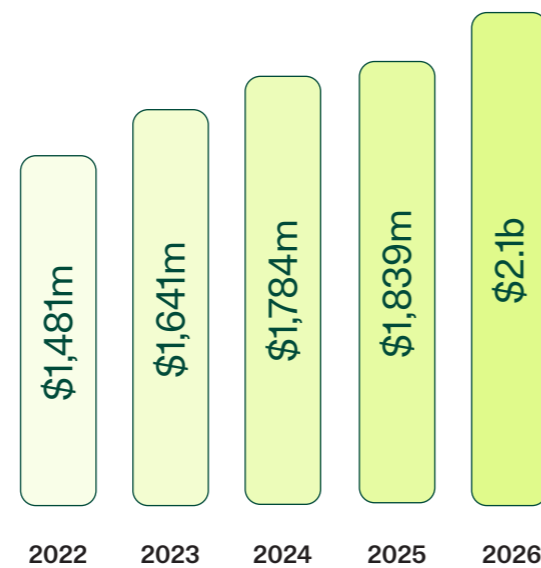


Group capital expenditure

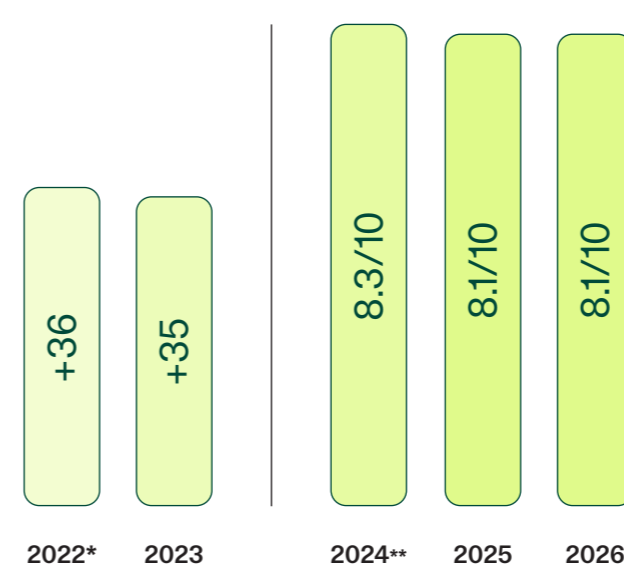


*2022 restated

Total Group assets

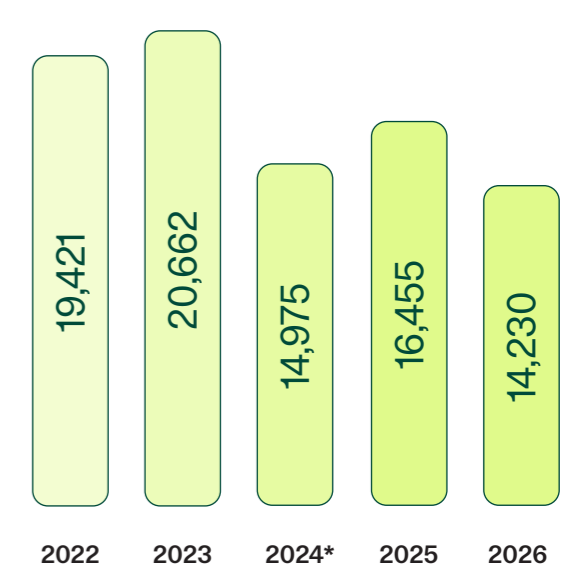


Residential Customer Perceptions score



**Methodology changed to Customer Perceptions score to provide us with better data

Greenhouse gas emissions for The Orion Group (tCO₂e)



*2024 emissions were restated

Measuring our supply chain GHG emissions

We report on our audited Greenhouse Gas (GHG) emissions in the 'performance measures' section of this report, this disclosure includes Scope 3 categories 3-6. In FY26, we continued to track our other Scope 3 supply chain emissions, based on expenditure and revenue for emission categories where we do not hold primary data.

Supply chain emissions are generated in activities in our upstream value chain, for example manufacturing of

equipment we use, as well as downstream emissions, for example from products or services we may sell. The results of this process were not subject to audit, but we think there is value in sharing them, to illustrate the total carbon impact of delivering our service.

More detail on what we measured, and the results can be found below.

Categories	FY20 (tCO2e)	FY25 (tCO2e)	FY26 (tCO2e)
Purchased goods and services	9,661	10,042	30,700
Capital goods	7,767	9,441	4,465
Employee commuting	0	327	640
Upstream leased assets	6	22	19
Downstream transportation and distribution	17	19	17
Processing of sold products	40,747	44,898	40,340
Use of sold products	8,890	9,796	8,834
End of life treatment of sold products	1	1	1
Downstream leased assets	0	0	0
Franchises	0	0	0
Investments	0	0	209

Our Leadership Team



Nigel Barbour
The Orion Group
Chief Executive



David Freeman-Greene
CPP Director



Vaughan Hartland
Chief Financial Officer



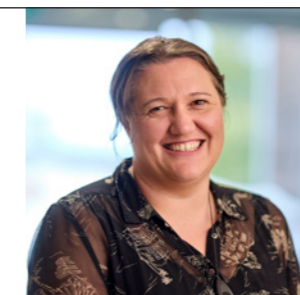
Steve Macdonald
GM Electricity Network



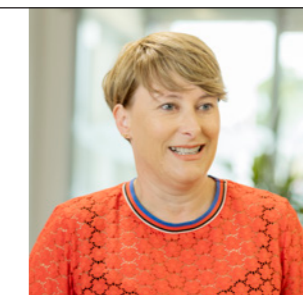
Duane Makin
GM Data, Digital
and Technology



John Thompson
Chief Executive of
Connetics



Alice van den Hout
GM Investment Portfolio
and Capability



Karen Wiese
Chief Governance Officer



Nic Wong
GM Asset Management

Our Board of Directors



Paul Munro
B.Com (Finance & Accounting),
FCA, CFInstD

Paul joined the Orion Board for the second time as a director in February 2022 and Chair on 31 August 2022. He was Chief Executive of Christchurch City Holdings Limited for almost six years until March 2022. Prior to CCHL, Paul was a Corporate Finance Partner with Deloitte for 24 years. He was a director of Orion from 2012 to 2016, and is currently a director of EA Networks, Scales Corporation, Lynn River, New Zealand King Salmon, and Tait International. He is a Chartered Accountant Fellow of CAANZ and a Chartered Fellow of the Institute of Directors.



Jen Crawford
BA (Hons), LLB, CFInstD

Jen was appointed as an Orion director in August 2021. She is a professional director with a background in resource management and infrastructure projects. Jen has governance experience in a range of sectors and practiced for more than 20 years as a specialist lawyer in New Zealand and the UK, including as a Partner at Anderson Lloyd. Jen is currently a Deputy Chair of ChristchurchNZ, Nelmac, director of MHV Water, Waipā Networks and Chair of Rangitata Diversion Race Management Limited. Jen is a Chartered Fellow of the Institute of Directors and a Barrister and Solicitor of the High Court of New Zealand.



Vena Crawley
MBA, BA

Vena was appointed as an Orion director in March 2024. He holds a number of governance roles and is currently a Non-Executive Director at Summerset Group, Chair of the Business School Advisory Board at Auckland University of Technology, a member of the Institute of Directors Pacific Governance Advisory Group, and a Director of Variety.



Sally Farrier
BE (Hons), MBA, GDipAppFin

Sally was appointed as an Orion director in August 2020. She has more than 20 years' experience as non-executive director with specialist expertise in economic regulation and governance of energy, utilities and infrastructure. Sally is a director of Bluecurrent and Ergocorp. She has served on Ministerial panels, determination and review bodies related to pricing, planning and reform. She is an active angel investor and was a member of the team that founded Patientrack in the early 2000s.



Jason McDonald
BE Elec (Hons), MBA (Technology Management)

Jason was appointed as an Orion director in August 2017 and is Chair of Orion's subsidiary Connetics. He is an independent energy consultant and professional director. He is currently a director on the Clarus group of companies and is a director of Helios Energy and CentrePort. Jason has 30 years' experience in the energy sector including a number of executive roles at Meridian. He is a Chartered Member of the NZ Institute of Directors.



Mike Sang
BCA

Mike was appointed as an Orion director in August 2021. He has a finance background with a career in a variety of sectors including roles as CEO of Ngāi Tahu Holdings and CFO of PGG Wrightson. He is a professional director and has had a number of directorships with current roles including BRANZ and Comvita. Mike is a Chartered Member of the Institute of Directors and a Chartered Accountant with CAANZ.



Audited financial statements

The Board of Directors is pleased to present the audited financial statements of Orion New Zealand Limited and its subsidiary for the year ended 31 March 2026.

The Group's audited information includes financial statements and performance information.

Performance information comprises:

- Fit for purpose capital structure
- Creating the preferred workplace
- Being a force for good in the communities we serve, enabling the equitable transition to a net zero, resilient future
- Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost
- Facilitating decarbonisation and hosting capacity at lowest cost

Authorised for issue on 23 June 2026

For and on behalf of the Board of Directors:

Paul Munro
Director

Mike Sang
Director

Contents

Consolidated statement of comprehensive income	41
Consolidated statement of changes in equity	42
Consolidated statement of financial position	43
Consolidated statement of cash flows	44
Notes to the financial statements	46
Performance information	70
Independent audit report	76
Governance	78
Five year trends	86
Directory	87

Consolidated statement of comprehensive income

	Notes	2026 \$000	2025 \$000
Operating revenues	2	426,326	368,667
Operating expenses	3	(266,822)	(240,519)
Earnings before interest, tax, depreciation and amortisation (EBITDA)		159,504	128,148
Depreciation, amortisation and impairment expenses	4	(73,884)	(68,827)
Earnings before net interest expense and tax (EBIT)		85,620	59,321
Interest income		245	103
Interest expense	5	(39,224)	(27,580)
Capitalised interest recovery	5	1,170	771
Share of post-tax profits of equity-accounted joint venture	17	1,176	-
Net change in fair value of derivatives income	15	(70)	-
Subvention expense	21	(600)	(300)
Profit before income tax		48,317	32,315
Income tax expense	6	(12,896)	(8,349)
Net profit		35,421	23,966
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of property, plant and equipment	11	151,021	-
Deferred tax effect	6	(35,745)	-
Impairment of property, plant and equipment	11	-	-
Deferred tax effect	6	-	-
(Loss)/gain on revaluation of carbon emissions units	10	(451)	13
Deferred tax effect	6	126	(3)
		114,951	10
Items that may be reclassified to profit or loss in future:			
Change in fair value of cash flow hedges gain	15	7,710	(24,785)
Deferred tax effect		(2,159)	6,940
		5,551	(17,845)
Other comprehensive income net of tax		120,502	(17,835)
Total comprehensive income		155,923	6,131

Consolidated statement of changes in equity

	Share capital \$000	Retained earnings \$000	Asset revaluation reserve \$000	Cash flow hedge reserve \$000	Carbon revaluation reserve \$000	Total equity \$000
Balance as at 1 April 2024	105,000	454,306	306,307	9,914	406	875,933
Net profit	-	23,966	-	-	-	23,966
Other comprehensive income	-	-	-	(17,845)	10	(17,835)
Total comprehensive income	-	23,966	-	(17,845)	10	6,131
Transfers between reserves:						
Realised gain on disposal	-	212	(212)	-	-	-
Deferred tax on realised gain	-	(59)	59	-	-	-
Dividends paid	-	(25,000)	-	-	-	(25,000)
Balance as at 31 March 2025	105,000	453,425	306,154	(7,931)	416	857,064
Net profit	-	35,421	-	-	-	35,421
Other comprehensive income	-	-	115,276	5,551	(325)	120,502
Total comprehensive income	-	35,421	115,276	5,551	(325)	155,923
Realised gain on disposal	-	3,441	(3,441)	-	-	-
Deferred tax on realised gain	-	(442)	442	-	-	-
Dividends paid	-	(30,000)	-	-	-	(30,000)
Balance as at 31 March 2026	105,000	461,845	418,431	(2,380)	91	982,987

Consolidated statement of financial position

	Notes	2026 \$000	2025 \$000
Current assets			
Cash and cash equivalents		1,729	2,713
Trade and other receivables	8	49,784	41,233
Inventories	9	19,090	20,407
Prepayments		5,770	5,263
Interest rate swaps	15	-	633
Total current assets		76,373	70,249
Non-current assets			
Prepayments		1,513	1,049
Intangible assets	10	29,522	25,482
Property, plant and equipment	11	1,987,538	1,741,565
Investment in equity-accounted joint venture	17	1,194	-
Interest rate swaps	15	2,651	389
Total non-current assets		2,022,418	1,768,485
Total assets		2,098,791	1,838,734
Current liabilities			
Trade and other payables	12	55,007	40,422
Borrowings and other liabilities	14	408	43,309
Income tax	6	7,815	1,655
Employee entitlements	13	9,984	9,660
Total current liabilities		73,214	95,046
Non-current liabilities			
Borrowings and other liabilities	14	734,803	614,093
Employee entitlements	13	2,785	2,672
Interest rate swaps	15	6,026	12,037
Deferred tax	6	298,976	257,822
Total non-current liabilities		1,042,590	886,624
Shareholders' equity			
Share capital	16	105,000	105,000
Retained earnings		461,845	453,425
Reserves		416,142	298,639
Total equity		982,987	857,064
Total liabilities and equity		2,098,791	1,838,734

Consolidated statement of cash flows

	2026	2025
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	416,216	367,016
Interest received	245	103
Payments to suppliers and employees*	(256,715)	(239,215)
Payments for interest and other finance costs	(36,997)	(26,088)
Payments for income tax	(3,360)	(4,100)
Subvention payment	(600)	(2,300)
Net cash provided from operating activities	<u>118,789</u>	<u>95,416</u>
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	4,961	791
Payments for property, plant and equipment*	(162,941)	(134,760)
Payments for intangible assets	(9,302)	(6,615)
Capital contribution to equity-accounted joint venture	(20)	-
Payments for forestry investment	(379)	(343)
Net cash used in investing activities	<u>(167,681)</u>	<u>(140,927)</u>
Cash flows from financing activities		
Proceeds from bank loans	-	75,000
Proceeds from US Private Placement borrowing	200,000	-
Repayment of bank loans	(121,700)	(1,800)
Repayment of finance leases	(392)	(778)
Dividends paid	(30,000)	(25,000)
Net cash provided from financing activities	<u>47,908</u>	<u>47,422</u>
Net (decrease)/increase in cash and cash equivalents	<u>(984)</u>	<u>1,911</u>
Summary		
Cash and cash equivalents at beginning of period	2,713	802
Net (decrease)/increase in cash and cash equivalents	(984)	1,911
Cash and cash equivalents at end of period	<u>1,729</u>	<u>2,713</u>

* We have made a prior year adjustment to better reflect the nature of capitalised internal labour cash flows associated with self-constructed assets. This adjustment has had the effect of reducing payments to suppliers and employees within operating activities by \$12.7m to \$239.2m and increasing payments for property, plant and equipment within investing activities from \$122.1m to \$134.8m. Capitalised labour no longer forms part of the reconciliation of profit to net cash flow from operating activities.

Consolidated statement of cash flows continued

	2026	2025
	\$000	\$000
Reconciliation of profit to net cash from operating activities		
Net profit	35,421	23,966
Adjustments*		
Loss/(gain) on disposal of property, plant and equipment	540	(352)
Property, plant and equipment disposed and written off	1,046	409
Impairment loss on revaluation	79	-
Impairment reversal of intangible assets	-	28
Impairment reversal of property, plant and equipment	-	58
Depreciation, amortisation and impairment of property, plant and equipment	72,759	68,332
Change in fair value of derivatives	70	-
Increase in deferred tax liability	3,376	1,795
Impairment of financial assets	1	(75)
Share of post-tax profits of equity-accounted joint venture	(1,176)	-
Other	(21)	51
	<u>76,674</u>	<u>70,246</u>
(Increase)/decrease in assets		
Trade and other receivables	(8,551)	48
Inventories	1,317	(2,570)
Prepayments	(971)	(340)
Increase/(decrease) in liabilities		
Trade and other payables	8,302	1,248
Employee entitlements	437	363
Income tax	6,160	2,455
	<u>6,694</u>	<u>1,204</u>
Net cash provided from operating activities*	<u>118,789</u>	<u>95,416</u>

* We have made a prior year adjustment to better reflect the nature of capitalised internal labour cash flows associated with self-constructed assets. This adjustment has had the effect of reducing payments to suppliers and employees within operating activities by \$12.7m to \$239.2m and increasing payments for property, plant and equipment within investing activities from \$122.1m to \$134.8m. Capitalised labour no longer forms part of the reconciliation of profit to net cash flow from operating activities.

Notes to the financial statements

1. Statement of accounting policies

Corporate information

Orion New Zealand Limited (the company) is a for-profit company incorporated in New Zealand under the Companies Act 1993 and the Energy Companies Act 1992. The consolidated financial statements are for the group comprising the company and its subsidiary (Connetics Limited).

The group primarily operates in one segment – it owns and operates the electricity distribution network in Christchurch and central Canterbury.

Statement of compliance

The financial statements comply with section 44 of the Energy Companies Act 1992. They also comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and with International Financial Reporting Standards.

Basis of financial statement preparation

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purpose of complying with NZ GAAP, the group is a for-profit entity. The financial statements have been prepared on the basis of historical cost, except for certain financial instruments, land and buildings, and the electricity distribution network, which have been measured at fair value.

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

Significant judgements, estimates and assumptions

In applying the accounting policies, the group has made the following judgements, estimates and assumptions that have the most significant impact on the amounts recognised in these consolidated financial statements. The group regularly reviews these estimates and assumptions. Actual results may differ from the group's estimates and assumptions.

Electricity delivery revenue

The company invoices electricity retailers monthly for electricity delivery services on the basis of actual usage, later adjusted for more accurate metering data when it becomes available from the electricity wholesale market and from electricity retailers. The company has made an allowance in revenue and in current assets/liabilities for estimated amounts under/over charged during the reporting period. Because final metering data is not available for up to 12 months after the initial invoices to customers, the final amounts payable or receivable may vary from that initially invoiced.

Electricity distribution network valuation

The company owns and operates an extensive integrated electricity distribution network in Christchurch and Central Canterbury, comprising large numbers of individual network asset components.

The company values its electricity distribution network on a discounted cash flow basis. The company has adopted assumptions and estimates in its discounted cash flow valuation, including the amounts and timing of future cash flows and the relevant discount rate. Key assumptions are outlined in Note 11.

The Commerce Commission (the Commission) has authorised the company to implement specific network delivery price increases for the five years commencing 1 April 2020 consistent with the Commission's 2020-2025 Default Price-Quality Path (DPP) and for the five years commencing 1 April 2025 consistent with the Commission's 2026-2030 DPP. There is less certainty in forecasting the company's future revenue cash flows from 1 April 2030 as the company enters the subsequent DPP period, which will determine the allowable revenues and reliability limits that will apply from 1 April 2030 to 31 March 2035. The company expects to apply for a five-year Customised Price-Quality Path (CPP), effective 1 April 2027. There is also less certainty in forecasting the associated cash flows as the Commission will review and approve any CPP, which replace the DPP framework for the five-year period from that date.

The company acquires certain electricity distribution assets for less than their replacement cost, sometimes at nil cash cost. The company considers that the cash consideration for these assets represents fair value. Only cash consideration generates additional future cash inflows under the regulatory price control regime.

The group estimates and eliminates intra-group profits in new electricity distribution network assets.

Notes to the financial statements continued

Land and buildings valuation

The company values its land and buildings using various valuation techniques, including sales comparisons and capitalisation of assessed market rentals for equivalent properties. Key assumptions are outlined in Note 11.

Capitalisation of costs and impairment

The group makes judgements about whether costs incurred should be capitalised or expensed. The group assesses whether individual assets or groups of related assets (which generate cash flows independently) are impaired by estimating the future cash flows that those assets are expected to generate. The group applies assumptions and estimates when assessing future cash flows and appropriate discount rates.

Other areas of judgement

Other areas of judgement include estimating: useful lives of assets, provisions for doubtful debts, unrecoverable work in progress, provisions for employee benefits, valuation of interest rate swaps, income tax, deferred tax, and network reliability (SAIDI/SAIFI) measures.

Significant accounting policies

The following significant accounting policies have been applied consistently to all periods presented in these financial statements:

(a) Basis of consolidation

A subsidiary is an entity that is directly or indirectly controlled by the company.

The consolidated financial statements are prepared by combining the financial statements of all group entities for the same reporting period, using consistent accounting policies. All intra-group balances and transactions, including unrealised profits arising within the group, are eliminated in full.

(b) Revenue recognition

Revenues from contracts with customers primarily come from the provision of electricity delivery services, customer capital contributions, contracting services and the sale of goods and services.

Electricity delivery service revenue relates to the provision of electricity distribution services to both electricity retailers and directly contracted customers. Electricity retailer delivery services are performed on a daily basis and considered as a series of distinct services provided over time. Prices are regulated and retailers are charged through a combination of fixed charges and variable charges based on the quantities delivered. Revenue is recognised over time using an output method based on the actual delivery services provided on a daily basis.

In applying NZ IFRS 15 *Revenue from Contracts with Customers* to directly contracted customers, the group has determined that the individual construction contracts and individual delivery service agreements were negotiated as a package with a single commercial objective, to provide the required delivery capacity to the customer. The performance obligation has been assessed as being satisfied over time based on the duration of the contractual arrangement. The contract term is the period during which the parties have present and enforceable rights and obligations. A term of ten years has been determined based on the requirements of the contract and the group's business practice. The transaction price includes customer contributions and delivery charges based on an estimate of quantities delivered. Revenue is recognised over time based on an output method, as the performance obligation is satisfied on a straight-line basis over the term of the contract.

The group derives contracting service revenue from the construction and maintenance of overhead and underground lines for the delivery of utility and infrastructure services across New Zealand. The contracts are typically determined to have one single performance obligation which is integrated and is fulfilled over time.

However, some contracts can be entered into for a construction job including the supply of significant materials. In this case the group will identify the multiple performance obligations and allocate the total transaction price across each performance obligation based on stand-alone selling price. The transaction price is normally fixed at the start of the project. However, changes to job scope and bonuses or penalties, based on performance criteria, result in elements of variable consideration.

Notes to the financial statements continued

Revenue from contracting services where the output is easily measurable is recognised on the output method by reference to the direct measurements of the value to the customer of the goods or services transferred to date relative to the remaining goods or services promised under the contract. The output method is also used for maintenance contracts, where regular maintenance services are provided to a customer at regular intervals.

Revenue from all other contracting services is recognised on the measured input by reference to recoverable costs incurred during the financial year plus the percentage of forecast profit earned. Percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

The group derives revenue from supply and logistics services which require it to provide either a) a specified quantity of distinct goods or services or b) to make available an undefined quantity of goods or services over the duration of the contract period. There is typically one performance obligation (sale of goods). The contractual arrangement includes a requirement for the group to hold a certain level of inventory for a customer in which case there are two performance obligations (sale of goods and inventory/storage service). Revenue from the supply of goods is recognised at the point in time when sales are invoiced on despatch which is when the control of the goods has transferred to the buyer. Inventory/storage service recognises revenue over time.

Government grants are recognised where there is reasonable assurance that the grant will be received, and all associated conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

(c) Capital contributions

Customer contribution revenue relates to contributions received from customers towards the cost of new assets, including connections and network extensions. The customer's supply of electricity is recognised separately, either interposed through a retailer or contracted directly, and is therefore not considered to impact the assessment of the customer or performance obligations of the connection contracts. Pricing is fixed and contributions are paid in advance for new connections. Capital contributions are recognised as revenue at the point in time of livening the connection to the network. Capital contributions that are refundable to customers are treated as a contract liability until refunded or applied.

The group also receives capital contributions from customers towards the relocation of existing assets and the construction of assets specific to that customer. Revenue is recognised over time on a contractual milestone basis.

The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money, unless it is specifically provided for in the construction contract.

Where distribution assets are constructed by electricity users and transferred to the group at below full replacement cost, the group recognises the transfer price as being fair value.

(d) Income tax

Income tax expense comprises current tax and deferred tax.

Current tax is the income tax payable based on the taxable profit for the current year, plus adjustments to income tax payable for prior years. Current tax is calculated using rates enacted or substantively enacted by balance date.

Deferred tax is recognised on temporary differences between the carrying values of assets and liabilities and the equivalent amounts used for taxation purposes. 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 calculated at the tax rates that are expected to apply in the period when the temporary differences will reverse.

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 recognised in other comprehensive income.

Notes to the financial statements continued

(e) 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 and is of significant cost - are capitalised as part of the cost of that asset. The group calculates a weighted average funding cost to apply as it does not directly attribute incremental borrowings to specific capital projects. All other borrowing costs are expensed in the period in which they occur.

(f) Financial instruments

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the group's business model for managing the financial assets and the contractual terms of the cash flows.

All financial instruments are initially recognised at fair value plus directly attributable transaction costs where applicable.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost** – assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are recognised in the statement of profit or loss
- **Fair Value through Other Comprehensive Income (FVOCI)** – assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest and measured at fair value, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest income which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method
- **Fair Value through Profit or Loss (FVPL)** – assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less impairment.

Financial liabilities at amortised cost consist of trade and other payables and borrowings. Financial liabilities at amortised cost are measured using the effective interest rate method. Due to their short-term nature, trade and other payables are not discounted.

The group uses derivative financial instruments, such as interest rate swaps, to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of derivatives is determined, pursuant to NZ IFRS 13 Fair Value Measurement (Level 2), using valuation techniques and models where all significant inputs are observable.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative, and they are only offset against each other if the group has a legal right of offset.

Notes to the financial statements continued

For the purpose of hedge accounting an interest rate swap is classified as a cash flow hedge when hedging the exposure to variability in cash flows that is attributable to movements in interest rates on existing or forecast debt. At the inception of a hedge relationship, the group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio in the hedge relationship is the same as the quantity of the hedged item and of the hedge instrument that the group actually uses for hedging purposes

The group designates all interest rate swaps as cash flow hedging instruments. Existing swaps with a non-zero value at designation will have a portion of ineffectiveness until their maturity. The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income (OCI), while any ineffective portion is recognised immediately in net profit. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in the fair value of the hedged item. The amount accumulated in OCI is reclassified to net profit as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

The group applies the NZ IFRS 9 *Financial Instruments* simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(g) Inventories

Inventories are valued at the lower of cost and net realisable value, with an allowance for obsolescence where necessary. Net realisable value is the amount inventories are expected to realise in the ordinary course of business. Individual stock items are valued on a weighted average cost basis.

(h) Intangible assets

Computer software assets

Computer software assets have a finite life. Carrying values are amortised over their estimated useful lives, usually not exceeding three years. However, for significant projects, estimated useful lives may be assessed as up to ten years.

Carbon emissions units

The asset class, New Zealand Units (NZUs), purchased by the group is initially recognised at cost on the date of acquisition. NZUs have an indefinite useful life and are subsequently measured using a fair value model based on observable market prices. Any increase in the fair value of the NZUs is recognised in other comprehensive income and the carbon revaluation reserve to the extent that it does not reverse a previous impairment. Any decrease in the fair value of the NZUs is recognised in other comprehensive income to the extent that it does not exceed the carbon revaluation reserve for that asset.

The asset class, Verified Emission Reductions (VERs), is initially recognised at cost on the date of acquisition. VERs have no established secondary market and therefore are subsequently measured at cost. VERs have an indefinite useful life. At each balance date VERs are assessed for indicators of impairment. Any impairment loss is recognised as an expense. Cancelled VERs are recognised as an expense.

The group is aiming to achieve carbon neutrality for corporate emissions. The NZUs and VERs are held to offset corporate carbon emissions. Excess units may be sold if no longer required by the group.

Forestry investment

The group participates in two native forest planting partnerships. The company intends that future carbon credits generated will offset residual corporate carbon emissions. Until the company generates New Zealand Units (NZUs), replanting costs are recognised as an intangible asset within work in progress.

Notes to the financial statements continued

(i) Property, plant and equipment

Property, plant and equipment acquisitions are initially measured at cost.

Land and buildings are measured at fair value, based on periodic independent valuations prepared by external valuers, which are based on comparable market sales, discounted cash flows or capitalisation of net income (as appropriate), less subsequent depreciation. Fair value is reviewed at the end of each reporting period to assess whether carrying value is materially different to fair value.

The electricity distribution network is measured at fair value based on a discounted cash flow methodology, using periodic valuations prepared by an external valuer or a management internal assessment. Fair value is reviewed at the end of each reporting period to assess whether the carrying value is materially different to fair value.

Any revaluation increase arising on the revaluation of land and buildings and the electricity distribution network is recorded in other comprehensive income and credited to the asset revaluation reserve in equity (offset by any deferred tax impact), 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 revaluation decrease 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 from previous revaluations of that asset.

Depreciation on property, plant and equipment, including freehold buildings, land improvements and right-of-use assets but excluding land, is charged to profit or loss.

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 attributed direct labour.

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 generally not exceeding:

	Years		Years
Electricity distribution network	60	Cars and vans	5
Building structures	70	Trucks	10
Building services	30	Plant and equipment	15
Building fit-out	30	Computer equipment	3

Residual values for items of property, plant and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

(j) Impairment of assets

The carrying amounts of the group's assets, other than inventory 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 group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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. The group's integrated electricity distribution network is treated as a single cash-generating unit for the purposes of impairment assessment.

Notes to the financial statements continued

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.

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.

(k) Right-of-use assets and lease liabilities

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

Lease payments that are short-term or low value are recognised as an expense on a straight-line basis over the lease term.

Lease liability payments are allocated between expense and reduction of the lease liability over the term of the lease.

Capitalised right-of-use 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.

(l) New accounting standards and interpretations

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the group's annual financial statements for the year ended 31 March 2025. The group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Standards, amendments and interpretations to existing standards that are not yet effective

Certain new accounting standards and amendments have been issued that are not mandatory for the year ended 31 March 2026 and have not been early adopted. Those new standards and amendments that are relevant to the group are:

NZ IFRS 18 Presentation and Disclosure in Financial Statements (mandatory for periods that begin on or after 1 January 2027)

The standard introduces a more structured format for the income statement, including clearly defined subtotals such as Operating Profit and Profit Before Financing and Income Taxes. These subtotals must be derived using a prescribed classification of income and expenses into three categories: operating, investing, and financing. The standard also requires specific disclosures related to Management-Defined Performance Measures (MPMs) to enhance transparency around non-GAAP performance metrics. The group is currently assessing the full impact of NZ IFRS 18 on its financial reporting. While the standard is not expected to affect recognition or measurement of assets and liabilities, it will impact how financial performance is presented and how certain performance measures are disclosed.

The group intends to adopt NZ IFRS 18 from 1 April 2027 and is in the process of evaluating the changes needed to systems, controls, and processes to support compliance with the new requirements.

Standards issued by the International Accounting Standards Board but not yet issued by the External Reporting Board

The International Accounting Standards Board (IASB) issued *IFRS 20 Regulatory Assets and Regulatory Liabilities* on 27 May 2026. IFRS 20 is effective for annual reporting periods beginning on or after 1 January 2029. The External Reporting Board (XRB) has not yet adopted this standard. If an equivalent standard is adopted by the XRB, the company will apply the standard when required to based on the mandatory effective dates determined by the XRB. The company has not yet assessed the impact of this standard on the financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

(m) Change in accounting policies

The accounting policies detailed above have been applied in the preparation of these financial statements for the year ended 31 March 2026 and have been consistently applied throughout the year.

There have been no changes in accounting policies in comparison with the prior year.

Notes to the financial statements continued

	2026 \$000	2025 \$000
2. Operating revenues		
Revenue from contracts		
Recognised over time		
Electricity delivery services	302,975	258,092
Contracting services	64,247	59,081
Consumer capital contributions	156	156
Recognised at a point in time		
Sale of goods and services	21,934	20,658
Contracting services	3,287	3,508
Consumer capital contributions	12,089	9,779
Other income		
Transmission rental rebates received from Transpower	20,158	16,042
(Loss)/gain on disposal of property, plant and equipment	(540)	352
Other	2,020	999
	426,326	368,667
3. Operating expenses		
Transmission	68,573	58,617
Transmission rental rebates passed to retailers	20,158	16,042
Employee benefits	97,371	92,932
Restructuring	755	809
Salary recoveries to capital projects	(15,735)	(12,690)
Network maintenance	31,630	29,011
Operating lease payments	636	687
Other	63,434	55,111
	266,822	240,519
4. Depreciation, amortisation and impairment expenses		
Depreciation of property, plant and equipment	66,213	63,630
Depreciation of right-of-use assets	671	854
Impairment loss on revaluation of property, plant and equipment	79	-
Impairment of property, plant and equipment	-	58
Impairment of intangibles	-	28
Amortisation of intangible assets	5,875	3,848
Property, plant and equipment disposed and written off	1,046	409
	73,884	68,827

Notes to the financial statements continued

	2026	2025
	\$000	\$000
5. Interest expense		
Interest bearing floating rate debt	38,463	27,051
Lease liabilities	761	529
	<u>39,224</u>	<u>27,580</u>

Interest expense of \$1.2m was capitalised during 2026 (2025: \$0.8m). As the group does not borrow specifically for new projects, the weighted average interest rate attributable to all borrowings is applied to significant capital projects during construction. In 2026, the rate varied between 4.84% and 7.33% (2025: 4.14% and 4.73%).

6. Income tax and deferred tax

Income tax expense comprises:

Current income tax charge	9,253	7,169
Adjustments to prior years	267	(615)
Temporary differences	3,376	1,795
	<u>12,896</u>	<u>8,349</u>

Reconciliation of profit before income tax with income tax expense:

Profit before income tax	48,317	32,315
Share of post-tax profit of equity-accounted joint venture	1,176	-
Prima facie income tax expense calculated at 28%	13,199	9,048
Tax group loss offset in respect of current year	(432)	(216)
Other permanent differences	129	(483)
Income tax expense	<u>12,896</u>	<u>8,349</u>

	Property, plant and equipment \$000	Derivatives \$000	Provisions \$000	Other \$000	Total \$000
Deferred tax liability					
Balance as at 1 April 2024	260,094	3,856	(2,855)	1,869	262,964
Charged/(credited) to income	749	-	(22)	1,068	1,795
Charged to other comprehensive income	-	(6,940)	-	3	(6,937)
Balance as at 31 March 2025	<u>260,843</u>	<u>(3,084)</u>	<u>(2,877)</u>	<u>2,940</u>	<u>257,822</u>
Charged/(credited) to income	3,385	(20)	(349)	360	3,376
Charged to other comprehensive income	35,745	2,159	-	(126)	37,778
Balance as at 31 March 2026	<u>299,973</u>	<u>(945)</u>	<u>(3,226)</u>	<u>3,174</u>	<u>298,976</u>

The group's current income tax liability as at 31 March 2026 is \$7.8m (2025: \$0.7m liability). The liability mainly comprises the group's residual instalment of provisional income tax for the 2026 year due in the 2027 year.

The Orion consolidated tax group comprises the company and Connetics Limited for imputation credit account purposes.

The group's imputation credits available for use in subsequent reporting periods total \$30.5m as at 31 March 2026 (2025: \$20.9m), which includes the group income tax liability of \$7.8m (2025: \$1.7m liability).

Notes to the financial statements continued

	2026	2025
	\$000	\$000
7. Remuneration of the auditor		
Audit of the financial statements – current year	432	423
Audit of the financial statements – prior year	32	21
Default Price Path assurance engagement - current year	36	35
Information Disclosure assurance engagement - current year	103	100
Commerce Commission additional information request assurance services – current year	-	27
Customised Price-Quality Path assurance engagement - current year	200	-
	<u>803</u>	<u>606</u>

Assurance services comprise assurance reviews of the company's annual default price-quality path (DPP) compliance statement and draft customised price-quality path (CPP) draft application and regulatory information disclosures. We did not receive any other services from Audit New Zealand.

8. Trade and other receivables

Trade receivables and accruals	43,753	36,381
Contract assets	5,134	5,075
Allowance for impairment of trade receivables	(107)	(223)
GST receivable	1,004	-
	<u>49,784</u>	<u>41,233</u>

Trade receivables before allowance for impairment:

Current	41,710	34,761
1 month overdue	722	552
2 months overdue	403	268
3 months overdue	918	800
	<u>43,753</u>	<u>36,381</u>

9. Inventories

Goods for sale	11,301	10,443
Electricity distribution network stock	7,935	10,108
Allowance for impairment	(146)	(144)
	<u>19,090</u>	<u>20,407</u>

Notes to the financial statements continued

	Computer software \$000	Carbon emissions units \$000	Forestry investment \$000	Total \$000
10. Intangible assets				
Gross carrying amount				
Balance as at 1 April 2024	20,818	1,220	-	22,038
Additions	13,279	-	1,091	14,370
Carbon credits cancelled	-	(6)	-	(6)
Emissions units retired	-	(41)	-	(41)
Disposals	(574)	-	-	(574)
Balance as at 31 March 2025	33,523	1,173	1,091	35,787
Additions	9,877	-	472	10,349
Carbon credits transferred	-	43	-	43
Carbon credits cancelled	-	(10)	-	(10)
Emissions units retired	-	(16)	-	(16)
Disposals	(720)	-	-	(720)
Balance as at 31 March 2026	42,680	1,190	1,563	45,433
Accumulated amortisation, impairment and revaluation				
Balance as at 1 April 2024	7,577	(566)	-	7,011
Disposals	(569)	-	-	(569)
Amortisation	3,848	-	-	3,848
Impairment	28	-	-	28
Revaluation gain through comprehensive income	-	(13)	-	(13)
Balance as at 31 March 2025	10,884	(579)	-	10,305
Disposals	(720)	-	-	(720)
Amortisation	5,875	-	-	5,875
Impairment	-	-	-	-
Revaluation gain through comprehensive income	-	451	-	451
Balance as at 31 March 2026	16,039	(128)	-	15,911
Net book value as at 31 March 2025	22,639	1,752	1,091	25,482
Net book value as at 31 March 2026	26,641	1,318	1,563	29,522
Capital work in progress included above:				
As at 31 March 2025	12,238	-	1,091	13,329
As at 31 March 2026	11,200	-	1,563	12,763
		NZUs	VERs	Total
Carbon emissions units held:				
As at 31 March 2025		26,268	18,308	44,576
As at 31 March 2026		27,301	15,591	42,892

Notes to the financial statements continued

	Freehold land, buildings and land improvements at fair value \$000	Electricity distribution network at fair value \$000	Plant and equipment at cost \$000	Total \$000
11. Property, plant and equipment				
Gross carrying amount				
Balance as at 1 April 2024	154,282	1,511,190	68,166	1,733,638
Additions	3,058	110,305	7,783	121,146
Disposals	(109)	(496)	(4,450)	(5,055)
Subsequent measurement of right of use asset	(1,014)	-	-	(1,014)
Revaluation	-	-	-	-
Balance as at 31 March 2025	156,217	1,620,999	71,499	1,848,715
Additions	6,096	156,245	6,538	168,879
Disposals	(6,290)	(1,526)	(8,073)	(15,889)
Subsequent measurement of right of use asset	(60)	-	-	(60)
Revaluation	26,579	6,885	-	33,464
Balance as at 31 March 2026	182,542	1,782,603	69,964	2,035,109
Accumulated depreciation and impairment				
Balance as at 1 April 2024	1,143	-	45,712	46,855
Disposals	(84)	(87)	(4,018)	(4,189)
Depreciation expense	2,188	56,606	5,690	64,484
Revaluation	-	-	-	-
Balance as at 31 March 2025	3,247	56,519	47,384	107,150
Disposals	(1,088)	(474)	(7,423)	(8,985)
Depreciation expense	2,097	58,764	6,023	66,884
Revaluation	(2,669)	(114,809)	-	(117,478)
Balance as at 31 March 2026	1,587	-	45,984	47,571
Net book value as at 31 March 2025	152,970	1,564,480	24,115	1,741,565
Net book value as at 31 March 2026	180,955	1,782,603	23,980	1,987,538
Capital work in progress included above:				
As at 31 March 2025	109	39,880	89	40,078
As at 31 March 2026	316	44,257	868	45,441

Notes to the financial statements continued

11. Property, plant and equipment continued

Electricity distribution network

The electricity distribution network, including substation buildings and easements, (the network) was revalued to fair value of \$1,741.5m as at 31 March 2026, based on a valuation range provided by independent valuer Deloitte Limited (as trustee for the Deloitte Trading Trust) (Deloitte), in accordance with NZ IAS 16 *Property, Plant and Equipment*, NZ IAS 36 *Impairment of Assets*, and NZ IRFS 13 *Fair Value Measurement*. Deloitte has significant experience in undertaking valuations of unlisted entities and assets for unit pricing, accounting and commercial purposes.

Including capital work in progress, Deloitte's valuation resulted in a total network valuation of \$1,785.8m. Of this total, the fair value of \$3.0m of easements as at 31 March 2026 was included in freehold land at fair value.

In the absence of an active market for the network, Deloitte calculated fair value using significant unobservable inputs (level 3, as defined in NZ IFRS 13). Deloitte used a Discounted Cash Flow (DCF) methodology. Deloitte based its cash flow forecasts on the company's cash flow forecasts and adjusted those forecasts to remove the impacts of expansionary growth on forecast future revenues, operating expenditure and capital expenditure, and to reflect Deloitte's estimates of the regulatory Weighted Average Cost of Capital (WACC) for future regulatory control periods. Deloitte utilised forecasts consistent with the Commission's default price path framework, excluding additional opex, capex and revenue allowances which may arise from the company's customised price path application.

Deloitte's key valuation assumptions were that:

- for the nine years ending 31 March 2035, estimated network revenues follow the Commerce Commission's building blocks approach, but exclude growth assumptions related to expansionary growth
- for the forecast adjusted closing regulatory asset base as at 31 March 2035 is discounted to its net present value
- for the four years ending 31 March 2030, network revenues achieve returns based on the regulatory parameters on regulatory investment value, adjusted for any known or estimated wash-up amounts carried forward from the earlier regulatory periods
- the estimated DCF mid-point discount rate was 6.43% (nominal, post-tax). The discount rate is a matter of professional judgement. Deloitte used the ten-year NZ government bond rate as at the valuation date as the basis of risk-free rate. This was used in conjunction with a view of an appropriate post tax market risk premium. Deloitte used the same level of asset beta and leverage to that set by the Commerce Commission for the five-year regulatory period commencing 1 April 2025. Deloitte performed sensitivity analysis as follows. The sensitivities were calculated by flexing a single variable at a time, noting that in practice the variables are inter-related within the regulatory framework.
- a capital expenditure increase/(decrease) of 5% would decrease/(increase) fair value by \$42.6m/(\$42.6m)
- an operating expenditure increase/(decrease) of 5% would decrease/(increase) fair value by \$53.0m/(\$53.0m)
- a discount rate increase/(decrease) of 0.5% would decrease/(increase) fair value by \$71.8m/(\$75.1m)
- an increase/(decrease) in distribution revenue of 0.5% would increase/(decrease) fair value by \$11.0m/(\$11.0m)

As at 31 March 2024 Deloitte valued the company's network using an identical methodology and similar assumptions to those outlined above. From 1 April 2024, the company processed asset additions at cost, removed assets on disposal and depreciated assets to determine carrying values as at 31 March 2025.

At 31 March 2025 the company reviewed the fair value of its electricity distribution network, including substation buildings and easements (the network) in accordance with NZ IAS 16, NZ IAS 36, and NZ IFRS 13. Management estimated the associated Regulatory Asset Base (RAB) as at 31 March 2025 and determined that the ratio of RAB to carrying value was within a range of multipliers observed for assets within the industry, as provided by Deloitte. The management team has an extensive background in valuation, finance, electricity regulation and financial modelling, and has a good understanding of the current regulatory and commercial environment.

Based on management's analysis, reviewed by Deloitte, Directors formed a view that the carrying value of the electricity distribution network, including substation buildings and easements (the network) is materially at fair value as at 31 March 2025.

Notes to the financial statements continued

11. Property, plant and equipment continued

Land and non-substation buildings

The majority of the parent company's land and non-substation buildings were revalued to fair value as at 31 March 2026, by John Pryor, in accordance with NZ IAS 16, NZ IAS 36, and NZ IFRS 13. John Pryor is a registered valuer and a director of Colliers International Limited. John Pryor used significant observable inputs (level 2, as defined in NZ IFRS 13).

John Pryor determined a fair value of \$174.2m for the parent company's land and non-substation building assets. He:

- selected a representative sample of the parent company's substation sites and valued land at those sites using sales comparisons and unit metre frontage methodologies (level 2). He compared his values with their respective rateable values and used those comparisons to develop standard site multipliers, which he applied to rateable land values for approximately 2,800 substation sites
- valued the parent company's head office land and building using a notional market rental assessment and a capitalisation rate of 6.25% and compared his result with recent market transactions (level 2)
- valued the parent company's Waterloo Road property using a market rental assessment and a capitalisation rate of 6.0% and compared his result with recent market transactions (level 2)

The majority of the parent company's land and non-substation buildings were previously revaluation to fair value as at 31 December 2023.

At 31 March 2025, the parent company reviewed the fair value of its land and non-substation buildings in accordance with NZ IAS 16, NZ IAS 36, and NZ IFRS 13. Based on a review by management which considered price movements in the prior twelve months in the residential, commercial and industrial sectors, Directors formed a view that the carrying value of the parent company's land and non-substation buildings was materially at fair value.

Minor land and building assets are carried at a combination of depreciated cost or government valuation totalling \$1.4m as at 31 March 2026 (2025: \$1.0m). The carrying value of freehold land also includes \$3.0m (2025: \$2.8m) of easements, valued as part of the electricity distribution network.

Notes to the financial statements continued

11. Property, plant and equipment continued

Asset impairment

As at 31 March 2026 the group considered whether any assets showed indicators that their carrying value should be impaired. No indications of impairment were identified. Of note:

- the carrying value of the parent company's electricity distribution network and substation buildings are materially in line with the Regulatory Asset Base (RAB) allowed by the New Zealand Commerce Commission. The RAB is a key determinant of the cash flows that assets generate
- land and non-substation buildings were reviewed, as described above
- other assets were sold at market values close to their carrying value and are not material to overall carrying values.

Restrictions over title

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

	2026	2025
	\$000	\$000
Right-of-use assets		
Right-of-use assets are included in property, plant and equipment at fair value as follows:		
• Electricity distribution network	7,668	7,466
• Buildings and land improvements	1,519	1,965
 (Disposals)/additions to right-of-use assets were:		
• Buildings and land improvements	(40)	2,077

The remeasurement of a lease liability during the year ended 31 March 2026 resulted in a decrease of \$60,000 in the carrying value of the associated right-of-use asset (2025: decrease of \$1,014,000).

Other assets

Other assets are carried at cost less accumulated depreciation. The group undertakes an annual impairment test for non-revalued assets and has determined that these assets are not impaired.

Notes to the financial statements continued

	2026	2025
	\$000	\$000
12. Trade and other payables		
Trade payables and accruals	47,064	33,636
GST payable	-	747
Subvention payable	-	-
Other	7,943	6,039
	<u>55,007</u>	<u>40,422</u>

The group has a liability which relates to a service agreement with Transpower New Zealand Limited (Transpower) for Transpower to install new assets at or near its local grid exit points at Norwood. The asset was commissioned in October 2023, with payments deferred until 1 April 2024. At 31 March 2026, the Transpower Works Agreement has a remaining term of 28 years (2025: 29 years). The group does not own the assets at the end of the service term. There is no security provided for the arrangement. The payment amounts are reviewed periodically by Transpower based on prevailing interest rates and agreed margins. At 31 March 2026, a prepayment of \$0.5m (2025: \$0.3m liability recognised in trade payables and accruals) has been recognised in trade and other receivables as the transmission expenses are spread over the 40-year expected useful life of the asset. The payment amounts will be paid monthly over the 30-year term of the Transpower Works Agreement, and any difference between the liability and payments will be recognised as a prepayment and released over the 40-year expected useful life of the asset.

13. Employee entitlements

Current	9,984	9,660
Non-current	2,785	2,672
	<u>12,769</u>	<u>12,332</u>

Employee entitlements include a provision for employee long service leave. Key assumptions in the actuarial assessment of the provision as at 31 March 2026 include the risk-free rate 4.64% to 4.79% (2025: 4.61% to 4.63%) and salary inflation 1.98% to 3.00% (2025: 2.92% to 3.00%), and an assessment of the probability of employees receiving each long service leave entitlement.

14. Borrowings and other liabilities

Current		
Lease liabilities	408	409
Bank loans*	-	42,900
Total current borrowings	<u>408</u>	<u>43,309</u>

*On 28 May 2025, the loan facility was extended to expire on 29 September 2028 (previously 20 September 2025).

Non-current		
Lease liabilities	8,603	9,093
Bank loans	86,200	165,000
Intra Group Funding Facility loans	100,000	100,000
US Private Placement floating rate notes	540,000	340,000
Total non-current borrowings	<u>734,803</u>	<u>614,093</u>

The group has lease liabilities which relate to agreements with Transpower New Zealand Limited (Transpower) for Transpower to install new assets at or near its local grid exit points, and for the lease of properties in the Wellington and Central Otago areas. At 31 March 2026, the Transpower agreements have remaining terms of between 22 and 28 years (2025: between 23 and 29 years). The group 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 periodically by Transpower based on prevailing interest rates and agreed margins.

Notes to the financial statements continued

14. Borrowings and other liabilities continued

	Minimum future lease payables		Present value of minimum future lease payables	
	2026	2025	2026	2025
	\$000	\$000	\$000	\$000
Lease liabilities				
No later than one year	1,137	1,175	408	409
Later than one year and not later than five years	4,485	4,684	1,928	1,971
Later than five years	12,594	13,620	6,675	7,122
Minimum lease payments	18,216	19,479	9,011	9,502
Less future finance charges	(9,205)	(9,977)	-	-
Present value of minimum lease payments	9,011	9,502	9,011	9,502
Current			408	409
Non-current			8,603	9,093
			9,011	9,502

15. Financial instruments

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. 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.

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 Board of Directors regularly reviews the group's policies in respect of the management and allocation of capital. There has been no material change to the group's management and allocation of capital during the year.

All bank loans are unsecured against the group. The group provides 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 that restrict 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 EBITDA 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 places other 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 two years ended 31 March 2026.

The Intra Group Funding Facility loans are unsecured against the group. The loan facility agreement with Christchurch City Holdings Limited (CCHL) has terms which are substantially similar to those in the negative pledge deed referred to above. The loan agreement was executed 30 August 2022.

The US Private Placement floating rate notes are unsecured against the group. The Note Purchase agreement with the US investors has terms which are substantially similar to those in the negative pledge deed referred to above. The company has complied with all terms of the agreement during the two years ended 31 March 2026.

All financial instruments are denominated in New Zealand dollars.

Liquidity risk management

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

Notes to the financial statements continued

15. Financial instruments continued

The group manages its liquidity in accordance with its board-approved treasury policy. This policy requires that the group must ensure that prudent levels of committed funding facilities are in place at all times, using management's best overall judgement in conjunction with the board, and based on prudent cash flow forecasts.

The group generates sufficient cash flows from its operating activities to meet its contractual obligations and it has sufficient funding arrangements in place to cover potential shortfalls. The group evaluates its liquidity requirements on an ongoing basis. The group's current 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 for the next 12 months.

	2026	2025
	\$000	\$000
Unsecured bank overdraft facility, payable at call:		
Amount used at reporting date	-	-
Amount unused at reporting date	500	500
	500	500
Unsecured bank loan facilities mature as follows:		
20 September 2025	-	75,000
31 July 2026	-	100,000
29 September 2026	-	15,000
29 June 2027	60,000	60,000
29 September 2028	75,000	-
30 May 2032	100,000	-
	235,000	250,000
Amount used at reporting date	86,200	207,900
Amount unused at reporting date	148,800	42,100
	235,000	250,000
Unsecured CCHL Intra Group Funding Facility floating rate notes mature as follows:		
30 June 2038	150,000	150,000
Amount used at reporting date	100,000	100,000
Amount unused at reporting date	50,000	50,000
	150,000	150,000
Unsecured US Private Placement floating rate notes mature as follows:		
20 September 2028	45,000	45,000
20 September 2030	95,000	95,000
22 November 2033	100,000	100,000
22 November 2035	100,000	100,000
18 March 2038	100,000	-
18 March 2041	100,000	-
	540,000	340,000
Amount used at reporting date	540,000	340,000
Amount unused at reporting date	-	-
	540,000	340,000

Notes to the financial statements continued

15. Financial instruments continued

Interest rate risk management

The group has interest bearing floating rate debt, and so the group is exposed to variations in market interest rates.

Interest rates on the group's bank loans are based on market rates for bank bills plus a margin. As at 31 March 2026, interest rates (including margins) on the group's bank loans averaged 3.16% (2025: 4.51%). Daily commitment fees are also payable on the bank loan facilities.

Interest rates on the group's Intra Group Funding Facility floating rate loans are based on market rates for bank bills plus a margin. As at 31 March 2026, interest rates (including margins) on the company's intra group funding facility loans averaged 3.59% (2025: 4.72%).

Interest rates on the group's US Private Placement floating rate notes are based on market rates for bank bills plus a margin. As at 31 March 2026, interest rates (including margins) on the group's floating rate notes averaged 4.25% (2025: 5.47%).

Interest rates on the group's Transpower lease liabilities are at rates set by Transpower plus, for some contracts, a margin. As at 31 March 2026, interest rates on the group's Transpower lease liabilities averaged 8.44% (2025: 5.67%).

Interest rates on the group's property lease liabilities are assessed at the incremental borrowing rate for the entity at inception of the lease. As at 31 March 2026, interest rates on the group's property lease liabilities averaged 5.81% (2025: 6.31%).

The group's other financial liabilities are non-interest bearing.

The group enters into interest rate swaps to manage the company's interest rate risk based on the five-year regulatory price reset periods (regulatory hedge strategy). The group aims to hedge as close as practicable to 80% of each year's forecast average interest-bearing debt for each regulatory period. This approach creates an effective partial hedge between the group fixing interest costs on the majority of its forecast debt and the Commerce Commission fixing regulatory WACC and applying that to the company's forecast regulatory asset value during the five-year regulatory period.

The swaps are with various New Zealand registered bank counterparties with such credit ratings and within limits set by the Board of Directors. The swaps' cash requirements are limited to the contracted fixed interest rates for the periods specified in each swap. The group usually enters swaps for periods of up to six years in tenor.

Under interest rate swap contracts, the group agrees to pay fixed interest rates and to receive floating interest rates, calculated on agreed notional principal amounts for specified periods. The swaps effectively convert portions of floating rate debt into fixed rate debt. All swaps are held by the company. These swaps are designated as cash flow hedges. There is an economic relationship between the interest rate swaps and the group's debt as the terms of the interest rate swaps match the terms of the debt, as regards notional amounts and interest reset dates. The group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swaps contracts are identical to the risks of the debt and are expected to move in opposite directions. To test the hedge effectiveness, the group uses the hypothetical derivative / match terms method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. The group expects that its hedges will be highly effective, however some ineffectiveness may arise from the credit value adjustment of the bank counterparty and from existing swaps with a non-zero value at designation during the period to maturity of those swaps.

The fair values of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below.

Notes to the financial statements continued

15. Financial instruments continued

The group's interest rate swaps as at the reporting date were:

	Average contracted fixed interest rates	Notional principal		Carrying value asset/(liability)	
		2026 \$000	2025 \$000	2026 \$000	2025 \$000
Swap maturity dates					
April 2025	1.5	-	100,000	-	633
April 2027	4.8	150,000	150,000	(3,553)	(4,393)
March 2030	3.9	820,000	820,000	178	(7,255)
		<u>970,000</u>	<u>1,070,000</u>	<u>(3,375)</u>	<u>(11,015)</u>

Disclosed as:

Current assets	-	633
Non-current assets	2,651	389
Current liabilities	-	-
Non-current liabilities	(6,026)	(12,037)
	<u>(3,375)</u>	<u>(11,015)</u>

Change in fair value recognised in:

Profit and loss expense	(70)	-
Other comprehensive income	7,710	(24,785)
	<u>7,640</u>	<u>(24,785)</u>

The group manages its liquidity in accordance with its board-approved treasury policy. This policy requires that the group must ensure that prudent levels of committed funding facilities are in place at all times, using senior management's best overall judgement in conjunction with the board, and based on prudent cash flow forecasts.

The group considers that a reasonably possible movement in New Zealand interest rates is a 1% movement in either direction. The group assesses that the impact on the fair value of interest rate swaps which hedge bank loans, Intra Group Funding Facility loans and USPP floating rate notes is as follows:

	2026 \$000	2025 \$000
Increase of 1% in interest rates as at reporting date		
Increase in profit before income tax	-	-
Increase in other comprehensive income	24,339	30,166
Decrease of 1% in interest rates as at reporting date		
Decrease in profit before income tax	-	-
Decrease in other comprehensive income	25,596	31,983

When interest rates rise, the benefit from the revaluation of the group's multi-year interest rate swaps outweighs the additional one-year interest expense on the company's floating rate debt. The converse applies when interest rates decrease. For the group's other financial assets and liabilities, an increase/decrease of 1% in interest rates would have an immaterial impact on the group's profit before income tax.

Notes to the financial statements **continued**

15. Financial instruments **continued**

Credit risk management

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 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) credit rating of 'A' or better are accepted. The group limits the 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 customers requiring credit wherever practicable and monitoring credit exposures to individual customers. There are no significant concentrations of credit risk within trade receivables. Trade receivables are non-interest bearing. The carrying value of trade receivables approximates their estimated fair value.

Pursuant to the electricity participation code, the group may only require collateral securities from its electricity retailer customers if those customers do not have a Standard & Poor's (or equivalent) minimum credit rating of 'BBB-minus'. The group invoices electricity retailers and its direct major customers by the 10th working day of the month following the month 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. Collateral security is not generally required from the group's other customers.

Bad debts written off mostly relate to debtors who have damaged the company's electricity distribution network assets. 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 'three months overdue' category in Note 8.

The maximum exposure to credit risk for bank balances, accounts receivable and derivative financial instrument assets is equal to the carrying values of these assets.

Carrying values of financial instruments

Cash and cash equivalents, trade and other receivables, trade payables and borrowings are measured at face value less impairment.

The group uses observable market prices and discounted cash flow techniques to calculate the fair value of its interest rate swaps. The discount rate used is based on the applicable market swap curve. This is the 'level 2' valuation category as described in NZ IFRS 13.

16. Share capital

At 31 March 2026, the group has 70 million fully paid ordinary shares on issue with a par value of \$1.50 per share, total \$105m (2025: \$105m).

17. Information about subsidiary

Connetics Limited (Connetics) is a contractor in the electricity distribution and utility sectors. The company has owned a 100% equity interest in Connetics since April 1996.

Connetics holds a 50% interest in HCB Solar New Zealand Limited. Under NZ IFRS 11 *Joint Arrangements*, this interest is classified as a joint venture and has been included in these financial statements using the equity method.

Notes to the financial statements **continued**

	2026	2025
	\$000	\$000
18. Commitments		
Capital expenditure	37,220	44,455
Operating leases	163	218

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

19. Contingent assets and liabilities

Performance bonds	604	1,565
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The expiry dates for the performance bonds range from 2026 to 2027 depending on the specific terms and conditions of their respective contracts (2025: 2026 to 2028).

Revenue above and below maximum allowable revenue

The group is permitted to receive a Maximum Allowable Revenue (MAR) for its electricity distribution services under the Commerce Commission's default price path regime. Due to differences between quantity estimates and CPI estimates used in price setting and actual quantities and actual CPI during the year ended 31 March 2026, as well as differences between budgeted and actual pass-through costs, the group estimates that it charged customers approximately \$12.6m below its MAR (2025: estimated \$14.46m below MAR). This amount is still subject to wash-ups as improved information becomes available. The group will adjust the final amount plus interest when it sets delivery prices for the year ending 31 March 2028 (2025: recovered within delivery prices in the year ending 31 March 2027).

Other than the potential issues above, the group had no significant contingent assets or liabilities as at 31 March 2026 (2025: nil).

20 Significant events after balance date

The group is not aware of any other significant events between the preparation and authorisation of these financial statements on 23 June 2026.

Notes to the financial statements continued

21. Related parties

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).

Related parties include:

- subsidiary Connetics Limited and joint venture HCB Solar New Zealand Limited
- CCC and SDC
- the subsidiaries of CCC and SDC
- the group's key management personnel

The group undertakes many transactions with the CCC and SDC and their related parties, which are carried out on a commercial or arms-length basis. The group utilises the Electricity Act 1992 and historical arrangements to determine the capital contributions required from CCC and SDC towards underground conversion and asset relocation projects. These contributions may not recover all costs incurred. No material transactions, other than the payment of dividends to CCHL and SDC and subvention payments payable to CCC, were entered into with related parties during the year. The group's dividend policy is outlined in its 2027-2029 Statement of Intent approved by the Orion Board on 17 June 2026.

Other transactions involving related parties

Some members of the CCC group are grouped for tax purposes. As a nominated member of the CCC group, the company reduced part of its prior year income tax liability by making a subvention payment of \$600,000 to CCC (2025: \$2,300,000) and tax loss offset of \$1,543,000 (2025: \$771,000).

The group paid directors' fees totalling \$523,000 during the year ended 31 March 2026 (2024: \$499,000). No directors received retirement gifts during the year ended 31 March 2026 (2025: nil). No other transactions were entered into with any of the group'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 are defined as:

- the company's directors (refer above for directors' fees)
- the Group Chief Executive and the integrated leadership team (ILT) (refer below for compensation)

No key management personnel purchased goods and services from the group during the year ended 31 March 2026 (2025: nil). A total of nil was due from key management personnel as at 31 March 2026 (2025: nil). All transactions were conducted on standard commercial terms, except as noted above.

The total key management personnel compensation for the year ended 31 March 2026 was \$4,716,000 (2025: \$4,842,000). All director remuneration is considered short-term employee benefits.

Notes to the financial statements continued

	2026	2025
	\$000	\$000

21. Related parties continued

Group Chief Executive and ILT personnel compensation

Salaries and short-term employee benefits	4,096	4,241
Post-employment benefits	97	102
	<u>4,193</u>	<u>4,343</u>

Transactions during the year

Dividends paid to CCHL and SDC	30,000	25,000
Subvention expense payable to CCC	600	300
Group loss offset	1,543	771
Subvention expense paid to CCC	600	2,300
CCHL Intra Group Funding Facility interest expense	4,107	6,124

Purchases from CCC/SDC	7,116	6,150
Underground conversion and asset relocation contributions from CCC/SDC	2,538	932
Other sales to CCC/SDC	11,062	13,981
Other sales to joint venture	947	-

Purchases from other related parties	4	19
Sales to other related parties	2,750	732

Outstanding balances as at 31 March

Accounts payable to CCC/SDC	1	2
Subvention payable to CCC	-	-
Group loss offset payable to CCC	-	-
CCHL Intra Group Funding Facility	100,000	100,000
CCHL Intra Group Funding Facility interest expense payable	118	155
Accounts receivable from CCC/SDC	1,122	1,734
Accounts receivable from joint venture	66	-

Accounts payable to other related parties	-	-
Accounts receivable from other related parties	686	33

Loans outstanding from subsidiaries*	6,851	18,341
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*Orion New Zealand Limited parent company disclosure only

Commitments for capital expenditure

Contracts with subsidiary	10,622	15,275
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Performance targets — Fit for purpose capital structure

	Notes	Actual 2026	Target 2026	Actual 2025
Profit after tax (PAT) (\$m) (including capital contributions)	1,2	35.4	30.6	24.0
Earnings before interest, tax, depreciation and amortisation (EBITDA) (\$m)		160	155	128
Dividends (\$m)		30	30	25
Total Shareholder Return (%)	4,5	17.5%	6.5%	2.7%
Return on equity (PAT incl capital contributions/ average equity) (%)	4,5	3.9%	3.6%	2.8%
Debt over EBITDA (times)	3	4.6x	4.6x	5.1x
Debt over estimated Regulatory Asset Base (RAB)(%)	3	39%	42%	39%

Performance targets — Fit for purpose capital structure **continued**

	Variances post-tax \$m
Note 1	
Net profit after tax was \$4.8m above the Statement of Intent target because of:	
Above budget Connetics' profit after tax	3.7
Below budget operating expenses	3.2
Below budget net interest expense	2.0
Above budget capitalised labour	1.8
Above budget capital contribution income	1.3
Other (net)	(0.7)
Below budget delivery margin due to changes in customer price groups	(6.5)
	<u>4.8</u>

Note 2	
Net profit after tax was \$11.5m above last year's profit because of:	
Increase in delivery gross margin in new regulatory period and prior year wash-ups	25.1
Increase in Connetics' net profit after tax	5.0
Increase in capital contribution income	1.8
Other (net)	(0.7)
Higher depreciation and amortisation expense - due to significant capital expenditure	(3.8)
Increase in net operating expenses - in part due to significant CPI movements	(7.3)
Increase in interest expense	(8.6)
	<u>11.5</u>

Note 3
Debt is defined as interest bearing group borrowings, net of cash and cash equivalents. Equity is defined as shareholders' equity.

Note 4
These measures are impacted by the revaluation of property, plant and equipment. In FY26 Orion's land and buildings and distribution system were revalued to fair value by independent valuers. Net of deferred tax, these valuations added \$115m to shareholder equity which contributed around three quarters of the total shareholder return measure. Orion's assets are typically revalued every two to three years.

Note 5
The group's total shareholder return measure calculation assumes an annual revaluation uplift.

Refer also to the company's Statement of Intent 2026 -2028, available at www.oriongroup.co.nz/our-story/our-publications

Refer also to the company's Statement of Intent 2026 -2028, available at www.oriongroup.co.nz/our-story/our-publications

Performance targets – Creating the preferred workplace

	Actual 2026	Target 2026	Actual 2025
Our people*			
Engagement score	67% Positive	>63% Positive	64% Positive
Gender pay gap	8.6%	< 14.9%	8.7%
Health, safety and wellbeing			
Events that did result in serious injury to employees (notified events)**	1	≤1	1
Events that did result in serious injury to service providers (notified events)**	1	≤1	1
Events that did result in serious injury to the public, excluding car versus pole incidents	1	≤1	1

Events that did result in serious injury to employees

This measure records events for all Orion group employees on all networks. In June 2025, an employee fell from the back of a truck resulting in a fractured leg, requiring admittance to hospital.

Events that did result in serious injury to service providers

This measure records events on the Orion network. In January 2026, a service provider employee was in a work vehicle collision with another vehicle, resulting in a broken knee and leg damage requiring admittance to hospital.

Events that did result in serious injury to the public, excluding car versus pole incidents

In March, a fatality occurred on our electricity network in Christchurch. A member of the public had breached our physical security on a kiosk, and a resulting arc flash or electric shock was fatal. The event was notified to WorkSafe. An independent investigation is currently underway. We are assisting authorities in their investigations as required.

We maintain an active public education programme that is designed to assist any member of the public interacting on or near our fixed assets.

* Our people measures now reflect combined data from both Orion New Zealand Limited and Connetics Limited, whereas previously these were reported separately.

** Injuries requiring admission to hospital

Refer also to the company's Statement of Intent 2026 -2028, available at www.oriongroup.co.nz/our-story/our-publications

Performance targets – Being a force for good in the communities we serve, enabling the net zero transition

Reducing the environmental impact of our operations

Table: Group performance against target

	Unit	Actual 2026		Target 2026	Actual 2025	
		Location	Market	Market	Location	Market
Group operational emissions	tCO2e	3,068	2,945	2,400	2,802	2,644
Planting of native forest in partnership with Wairewa Rūnanga	Seedlings	80,000		75,000	57,792	

Emission sources included in our group operational emissions 2026 target and reported in this disclosure include Scope 1, Scope 2 (excluding emissions associated with electricity lost as it travels our network) and Scope 3 categories 3-6.

This means our target does not cover, and this disclosure does not report, potentially significant emission sources that are measured by the group. These are Scope 2 emissions associated with electricity lost as it travels our network (2026: 11,285 tCO2e, 2025: 13,813 tCO2e) and Scope 3 emissions from categories 1 (purchased goods and services), 2 (capital goods), 6 (accommodation), 7 (employee commuting), 8 (cloud-based storage), 9 (transportation of goods sold by Connetics Limited), 10 (processing of sold goods), 11 (use of sold products), 12 (disposal of sold products) and 15 (investments).

Additional information on our approach to management of greenhouse gas emissions generally and on emissions measured but not included in this group disclosure can be found on our website: Sustainability measurements | The Orion Group

We have aligned with the measurement guidance included in the Greenhouse Gas Protocol and recommend reference to that document for more information on scope and category definitions. The majority of our emission factors are sourced from the latest publication of the Ministry for the Environment's (MfE) Measuring Emissions Catalogue 2026. We use Renewable Energy Certificates (RECs) for our Scope 2 electricity consumption. As a result, we report both location Scope 2 emissions, calculated from an MfE emission factor that reflects the standard national mix of electricity generation emissions and market Scope 2 emissions, calculated through the use of RECs that allow an assumption that all electricity used by the group is sourced from zero-emission renewable generation.

We did not achieve our target in 2026, largely due to a discharge of sulphur hexafluoride and a significant purchase of bulk diesel¹ in March 2026 to mitigate any uncertainty around access to fuel associated with the Middle East conflict.

Table: Operational emissions

	Scope 1	Scope 2		Scope 3	Total	
		Location	Market		Location	Market
2020 (baseline year)	2,930	173	-	233	3,336	-
2025 Actual	2,255	160	2	385	2,802	2,644
2026 Target	2,400 (market based)					
2026 Actual	2,601	123	-	344	3,068	2,945

¹ We have chosen to measure fuel emissions based on date of purchase rather than the date the fuel has been utilised.

Refer also to the company's Statement of Intent 2026 -2028, available at www.oriongroup.co.nz/our-story/our-publications

Performance targets — Being a force for good in the communities we serve, enabling the net zero transition **continued**

Organisational boundary

In 2026, the group applied an *operational control* approach to determine the boundary of our greenhouse gas emissions inventory, using the methodology specified in the GHG Protocol². This means that 100 percent of the emissions from operations over which the group has operating control, are accounted for. The change has been made to align group's organisation boundary with that of its majority shareholder, Christchurch City Holdings Limited.

In 2025 the group applied an *equity share* approach to determine the boundary of our greenhouse gas emission inventory. There is no difference in the emissions reported for the group between the two organisational boundary methods, due to Connetics Limited being a wholly owned subsidiary of Orion, and there were also no significant emission sources associated with assets controlled but not owned by the group. The table below provides an overview of all group companies as at 31 March 2026, and details how each entity is treated for GHG accounting purposes, including between 2025 and 2026 for comparison purposes.

Table: Overview of all group companies

Company Name	Principal activity	Equity interest	Treatment for 2026 GHG emissions inventory	Treatment for 2025 GHG emissions inventory
Orion New Zealand Limited	Parent company - electricity distribution	100%	Operational control (100% for the group's Scope 1, 2, 3)	Equity share (100% for the group's Scope 1, 2 and 3)
Connetics Limited	Contracting	100%	Operational control (100% for the group's Scope 1, 2, 3) – included under Orion New Zealand Limited	Equity share (100% for the group's Scope 1, 2, 3). Wholly owned subsidiary of Orion New Zealand Limited.
Orion New Zealand Ventures Limited	Holding company	100%	Company deregistered 10 January 2025	Non-operating holding company, therefore no emissions
HCB Solar New Zealand Limited	Solar contracting	50%	Connetics Limited joint venture. No operational control. 100% Scope 1 emissions included under Scope 3, category 15.	Joint venture was dormant.

Uncertainty

Users of this disclosure should be aware of the following sources of uncertainty inherent in greenhouse gas quantification:

Measurement and estimation uncertainty

Reported group emissions are derived from activity data combined with emission factors. These inputs carry inherent measurement error and estimation uncertainty. Activity data (such as fuel consumption, electricity use, and refrigerant quantities) may be derived from invoices or meters each with differing precision. We note emission factors represent averages that may not always precisely reflect the specific conditions of group operations. The group uses a qualitative assessment of measurement and estimation uncertainty as a measure of data quality, with a focus on parameter uncertainty.

Scientific uncertainty

The science of climate accounting continues to develop. Methodologies for quantifying emissions from activities remain areas of active scientific and policy development. Future revisions to reporting standards, emission factors, or Intergovernmental Panel on Climate Change (IPCC) guidance may require restatement of prior period figures to maintain comparability.

² Greenhouse Gas Protocol – A Corporate Accounting and Reporting Standard, Revised Edition (2004) (GHG Protocol).

Refer also to the company's Statement of Intent 2026 -2028, available at www.oriongroup.co.nz/our-story/our-publications

Performance targets — Investing to maintain a safe, reliable, resilient network at lowest total lifecycle cost - asset and know-how

	Actual 2026	Target 2026	Actual 2025
Network Performance			
SAIDI – total minutes per customer	102.81	124.12	53.19
SAIFI – total number of interruptions per customer	0.6741	1.1299	0.5230
Resilience of our rural and urban network			
Hoon Hay zone substation upgrade and replacement of oil filled 66kV cables from Milton to Hoon Hay	In progress	In progress	Started
Replacement of oil filled 66kV cables from Halswell to Hoon Hay	In progress	In progress	Started
Integrated view of our assets and processes			
Delivery of Integrated Asset Management • Maximo integration • GeoSpatial	In progress	In progress	Implementation in Progress
Customer experience of our network			
Overall performance – customers are satisfied with Orion as a lines company	8.1/10	8.3/10	8.1/10

Refer also to the company's Statement of Intent 2026 -2028, available at www.oriongroup.co.nz/our-story/our-publications

Audit New Zealand independent auditor's report



Independent auditor's report

To the readers of Orion New Zealand Limited's group financial statements and performance information for the year ended 31 March 2026

Opinion

The Auditor-General is the auditor of Orion New Zealand Limited and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Dereck Ollsson, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Group on his behalf.

We have audited:

- the financial statements of the Group on pages 41 to 69, that comprise the consolidated statement of financial position as at 31 March 2026, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include material accounting policy information and other explanatory information; and
- the performance information of the Group on pages 70 to 75.

In our opinion:

- the financial statements of the Group:
 - present fairly, in all material respects:
 - the Group's financial position as at 31 March 2026; and
 - the financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the Group:
 - accurately reports, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 31 March 2026; and
 - has been prepared, in all material respects, in accordance with section 44 of the Energy Companies Act 1992 (the Act).

Our audit was completed on 24 June 2026. This is the date at which our opinion is expressed.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Responsibilities of the auditor* section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the Group for preparing performance information in accordance with the Act.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Act.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

Audit New Zealand independent auditor's report continued

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- We evaluate the overall presentation, structure, and content of the performance information, including the disclosures, and assess whether the performance information achieves its statutory purpose of enabling the Group's readers to judge the actual performance of the Group against the performance targets adopted in its statement of intent.

We plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises all of the information included in the annual report but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)*, as applicable for audits of public interest entities issued by the New Zealand Auditing and Assurance Standards Board.

In addition to the audit, we have carried out assurance engagements pursuant to the Electricity Distribution Information Disclosure (Amendments related to IM Review 2023) Amendment Determination 2024 [2024] NZCC 31, and the Electricity Distribution Services Default Price-Quality Path Determination 2025 [2024] NZCC 28, as well as the Customised Price-Quality Path Proposal complying with the Electricity Distribution Services Input Methodologies Determination 2012 [2023] NZCC 35. Other than the audit and these assurance engagements, we have no relationship with or interests in the Group.

Dereck Ollsson

Audit New Zealand

On behalf of the Auditor-General

Christchurch, New Zealand

Governance

Shareholders

Our shareholders are:

Christchurch City Holdings Limited – 100% owned by the Christchurch City Council	89.275%
Selwyn District Council	10.725%
	<u>100.00%</u>

Principal objective and principal activities

In accordance with section 36 of the Energy Companies Act 1992, the group's principal objective is to operate as a successful business. The group's principal activities during the year were to provide electricity distribution services to Ōtautahi Christchurch and central Canterbury and to provide contracting services in the utilities sector.

Statement of Intent (SOI)

In accordance with section 39 of the Energy Companies Act 1992 and the company's constitution, the Orion board submits a draft SOI to shareholders in March each year. After due consultation with the shareholders and after considering their comments (and board approval) the final SOI is delivered to shareholders by the end of June. A copy of the latest SOI is available on the company website.

Board of Directors

Our shareholders appoint the directors to govern Orion New Zealand Limited. The Orion Board appoints the directors of Connetics Limited. The Orion Board is the overall and final body responsible for the direction and control of the activities and decision-making for both companies.

The boards' responsibilities include the overall strategy, objectives, stewardship, performance and reporting of the relevant entities and Group.

Our boards are committed to best practice governance. Our boards' operations are subject to the companies' constitutions and the Board Charter. The Charter sets out how the boards and directors shall undertake their responsibilities.

The Orion Chair leads the Board and its relationship with shareholders and other major stakeholders. The Chair maintains a close professional relationship with the Group Chief Executive and leadership teams. New directors undertake an induction process to familiarise them with matters related to the company.

Board meetings and committees

Each board meets approximately eight times per year. Additional meetings are convened as and when required. The boards' annual work programmes are set by each board before the start of each calendar year. The boards receive formal agenda papers and regular reports, generally a week in advance of meetings. The Orion Integrated Leadership Team (ILT) and the Connetics Senior Leadership Team (SLT) and other business leaders in the group are regularly involved in board discussions. Directors also have other opportunities to obtain information and may seek independent expert advice.

The boards delegate some responsibilities and tasks to board committees, but the boards retain the ultimate responsibility and accountability for any committee's actions or inactions. Subject to any conflict of issues, all directors receive agenda papers for committee meetings and all directors may attend committee meetings.

Governance continued

The Orion board has two standing committees:

- **Audit Risk committee:** liaises with the company's independent external auditor and reviews the effectiveness of internal controls, financial and regulatory information, and climate reporting
- **People and Culture committee:** reviews the company's remuneration policies and practices. It reviews and sets the remuneration of the companies' Chief Executives and ILT as well as providing guidance and feedback on succession planning, talent development, inclusion and diversity and other people and culture policies and practices

Connetics report Audit Risk and People and Culture activity to the full Connetics Board.

The following directors served as standing committee members during the year ended 31 March 2026:

Audit Risk committee

Sally Farrier
Paul Munro
Mike Sang – chair

People and Culture committee

Jen Crawford – chair
Vena Crawley
Jason McDonald
Paul Munro

The board may convene special purpose committees for specific tasks.

Performance management

The boards regularly review their performance and the performance of the Group Chief Executive. The reviews identify opportunities and set plans for performance development and improvement. Orion maintains a regularly reviewed Orion directors' skills matrix with the skills and areas of expertise Orion needs mapped against our strategy and current capabilities.

Risk management

The group provides a flexible and purpose-built approach to the application of risk management and is consistent with ISO31000:2018 Risk Management Guideline. Our risk management processes and tools are embedded within our business operations, to drive consistent and accountable decision-making through an Enterprise Risk Management (ERM) approach. This ensures we have a complete, integrated, group-wide focus on managing our strategic and operational risks and enables the group to make clear decisions around opportunities. Our risk management approach is reviewed by the full Orion Board and reported to the Orion Board at least twice yearly.

Liability insurance and indemnity

The group arranges comprehensive liability insurance policies within the limits and requirements as set out in the Companies Act 1993 and the group's constitution. The group also indemnifies directors and employees within the limits and requirements set out in the Act.

Legislative compliance

As a purpose driven group our aspiration is to accelerate Aotearoa New Zealand's transition to a low-carbon, affordable, equitable economy. To ensure we deliver on our purpose we need to balance what is in the best interest of our community while managing our compliance under relevant legislation and regulation.

The board receives regular updates and representations from management on legislative compliance. Compliance manuals are updated at least annually, training is made available to all employees and the group engages independent experts for advice on some issues.

Governance continued

Matatika code of ethics, conflicts of interest policy and reporting serious wrongdoing (whistle-blower) policy

These three policies require all directors and employees to:

- act honestly, fairly, and with integrity both professionally and personally
- comply with the law, apply good judgement and proactively identify, disclose and manage conflicts of interest
- promptly disclose or report any significant potential or perceived conflicts of interest or wrongdoing
- protect those who report suspected wrongdoing in good faith

Group reporting

The board delivers a publicly available group integrated annual report to shareholders before 30 June each year, which includes:

- audited financial statements
- performance relative to SOI targets
- how the group otherwise contributes to community aspirations
- how we are delivering on our Group Purpose and Strategy
- climate reporting
- other information to enable an informed assessment of the group's governance, performance and financial position

The board also delivers half-year reports to shareholders that contain summarised unaudited information similar in content to annual reports, in compliance with financial reporting standard NZ IAS 34 *Interim Financial Reporting*. The company also provides regular updates to shareholders on financial, strategic, risk and operational issues.

The group's accounting policies comply with applicable NZ IFRS standards and interpretations and are consistent with the accounting policies adopted by the CCC group.

Loans to directors

The group does not make loans to directors.

Donations

The group made \$7,000 of donations to charitable causes during the year ended 31 March 2026 (2025: \$90,000).

Auditor

Audit New Zealand on behalf of the Auditor-General is the group's independent auditor.

Subsidiary companies

The following persons served as directors of the company's subsidiaries during the year ended 31 March 2026:

Connetics Limited

Jason McDonald (chair)

Nigel Barbour

Matthew Todd from 1 May 2025

Governance continued

Financial Market Authority's good governance guidelines

The FMA's guidelines promote eight principles of good governance. The company's governance practices compare as follows:

FMA principle	Orion relative to the FMA principle
Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.	Directors are required to comply with the board charter and company policies. Employees are also required to comply with company policies – including the code of ethics, conflicts of interest, fraud, bribery and corruption, reporting serious wrongdoing (whistle-blower), sustainability and diversity and inclusion policies.
To ensure an effective board, there should be a balance of skills, knowledge, experience, independence and perspectives.	The board regularly reviews the company's key policies for alignment with the company's purpose and objectives and monitors compliance with policies and legislative requirements – including via liaison with the company's independent auditors.
The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.	The board has a good degree of such a balance. Achieving that balance is the responsibility of the company's shareholders, who appoint all directors. The shareholders usually consult with the board chair in that process. All directors are independent non-employees.
The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.	The board charter specifies the terms of reference and delegated authorities for the audit risk and people and culture committees. Both committees are chaired by a director other than the board chair. The board may also establish committees for other specific tasks. The board charter specifies that delegations to board committees do not absolve the board from the overall responsibility for a committee's actions or inactions.
	The board scrutinises internal and external reporting and liaises closely with the company's independent auditors to ensure integrity in reporting.
	The board has an independent internal audit programme to further assist assurance in this area.
	As an electricity distribution business, the company is subject to significant ongoing regulatory information disclosure requirements. The group's annual financial and performance statements and certain regulatory information disclosures are subject to director certification and independent audit. Annual Reports include financial and non-financial disclosures.
The remuneration of directors and executives should be transparent, fair and reasonable.	The company's shareholders review and approve the total pool of directors' fees by way of shareholder resolution, which currently applies for the three years to 30 June 2027. The board allocated the total pool to per-director positions and for board committee members. The Orion board reviews and approves directors' fees for Connetics. Orion executives do not receive fees as Connetics directors.
	The people and culture committee oversees the Group Chief Executive's, company executives' and other employees' remuneration policies and practices and it reviews relevant market information as part of that process. The overall policy for employee remuneration is for the group to meet the relevant market, subject to employee performance.
Directors should have a sound understanding of the key risks faced by the business and should regularly verify there are appropriate processes to identify and manage these.	The board receives regular reports on and reviews the company's: <ul style="list-style-type: none"> • risk context and key risks – which include, strategic, natural disasters (especially a major earthquake), health and safety, cyber security, climate risk, critical network equipment failure and global pandemic • risk treatments – including risk reduction and risk transfer (insurance)
The board should ensure the quality and independence of the external audits process.	The board and the board audit risk committee have a good professional relationship with the group's independent internal and external auditors. Audits can be financial and/or non-financial, including for regulatory information disclosures. Audit committee meetings have staff-excluded time to ensure auditors' independence from management. The External auditor meets with Chair of ARC.
The board should respect the rights of shareholders and foster constructive relationships with shareholders and stakeholders. Shareholders should be encouraged to engage with the entity.	The board charter requires this principle and the group's Statement of Intent also commits the group to this. The board chair and the Group Chief Executive lead this process for the board but given the nature of the group's business and its community ownership, such respect and constructive relationships with shareholders occur at many levels of the group. The company operates on a proactive 'no surprises' basis with its shareholders and key stakeholders.

Governance continued

Interests register

Directors recorded the following in the interests register during the year ended 31 March 2026:

Jen Crawford

Burnt Hill Storage Limited	from 1 September 2025	Advisory Committee
ChristchurchNZ Limited		Director
ChristchurchNZ Holdings Limited		Director
Jen Crawford Limited		Director and shareholder
Koparima Family Trust		Trustee
MHV Water Limited		Director
Nelmac Limited		Director
Rangitata Diversion Race Management Ltd		Director
Waipā Networks Limited	from 1 September 2025	Director
Waipā Networks Growth Limited	from 1 September 2025	Director

Vena Crawley

Added Value Limited		Director and shareholder
AUT Industry Board		Director
Institute of Directors		Member
Southern Cross Health Society	from 1 October 2025	Director
Summerset Group Holdings Limited		Director
Variety		Director

Sally Farrier

Arc Innovations Limited		Director
Bluecurrent Assets NZ Limited		Director
Bluecurrent Holdings NZ Limited		Director
Bluecurrent NZ Limited		Director
Bluecurrent No.2 NZ Limited		Director
Bluecurrent No.3 NZ Limited		Director
Bluecurrent Services NZ Limited		Director
Bluecurrent Assets Pty Limited		Director
Bluecurrent Pty Limited		Director
Bluecurrent Holdings Pty Limited		Director
Bluecurrent No.2 Pty Limited		Director
Bluecurrent No.3 Pty Limited		Director
Ergo Corp Pty Limited		Director
Independent Energy Appointment Selection Panel (Australia)		Member

Governance continued

Interests register continued

Jason McDonald

CentrePort Limited		Director
CentrePort Captive Insurance Limited		Director
CentrePort Investment Holdings Limited		Director
Connetics Limited		Director
First Gas Limited		Director
First Gas Midco Limited		Director
First Gas Topco Limited		Director
Firstlight Network Limited		Director
First Renewables Limited		Director
First Renewables Power Limited		Director
First Renewables Power Midco Limited		Director
First Renewables Power Topco Limited		Director
First Sunrise Bidco Limited		Director
First Sunrise Topco Limited		Director
First Sunrise Midco Limited		Director
First Sunrise Holdco Limited		Director
Flexgas Limited		Director
Gas Services NZ Limited		Director
Gas Services Midco Limited		Director
Helios Energy Limited		Director and shareholder
Helios Energy Hold GP		Shareholder
Jason McDonald Consulting Limited		Director and shareholder
Jaspen Ventures Limited		Director and shareholder
Jaspen Family Trustee Limited		Director and shareholder
Jaspen Investment Trustee Limited		Director and shareholder
Rockgas Limited		Director

Paul Munro

API Council (Payments NZ Ltd)	from 1 August 2025	Independent Member
Blis Technologies Limited	from 1 March 2026	Independent Director
Cambridge Partners Limited		Director
Electricity Ashburton Limited		Director
Green Peak Investments Limited		Director and shareholder
King Salmon Limited		Director
Lynn River Limited		Director
Lynn River Holdings Limited		Director
Maccure Seafoods Limited		Director
McKenzie Balfour & Associates Limited		Director
MHV Water Limited	to 30 June 2025	Director
Mid Canterbury Water Storage Limited	to 30 June 2025	Director
New Zealand King Salmon Exports Limited		Director
New Zealand Salmon Investments Limited		Director

Governance continued

Interests register continued

New Zealand King Salmon USA Inc		Director
NZKS Custodian Limited		Director
Omega Innovations Limited		Director
Ora Kinga Limited		Director
Regal Salmon Limited		Director
R F Industries Pty Limited		Director
RFI Holdings Limited		Director
Scales Corporation Limited	from 14 October 2025	Director
Selacs Insurance Limited	from 14 October 2025	Director
Southern Eye Specialists Limited		Director
Southern Ocean Salmon Limited		Director
Southern Ocean Seafoods Limited		Director
Tait International Limited		Director
The New Zealand King Salmon Co Limited		Director

Mike Sang

Building Research Assn. of NZ (BRANZ)		Director
Comvita Limited		Director
Government Super Fund Authority	to 31 December 2025	Board member

Directors' remuneration

	Orion \$000	Connetics \$000
Jen Crawford	65	-
Vena Crawley	59	-
Sally Farrier	61	-
Jason McDonald	59	58
Paul Munro	119	-
Mike Sang	69	-
Mathew Todd	-	33
	<u>432</u>	<u>91</u>

Employee remuneration

The group aims to attract, retain, develop and motivate high calibre employees. The group's employee remuneration approach aims for consistency, fairness and alignment with the group's principal objective, to operate as a successful business. The group regularly compares employee remuneration against relevant 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 Orion board approves the Group Chief Executive's employment terms and conditions, and the board remuneration committee approves those of the Group Chief Executive's direct reports. Three collective employment agreements cover approximately 30% of the group's employees.

Governance continued

The number of group employees and former employees, whose total remuneration fell within specified bands:

\$000	2026	2025
100 - 110	48	69
110 - 120	69	69
120 - 130	71	68
130 - 140	76	77
140 - 150	60	54
150 - 160	52	25
160 - 170	24	24
170 - 180	27	26
180 - 190	17	19
190 - 200	17	8
200 - 210	4	8
210 - 220	7	5
220 - 230	5	4
230 - 240	1	1
240 - 250	3	2
250 - 260	2	6
260 - 270	3	2
270 - 280	3	2
280 - 290	2	2
290 - 300	4	1
300 - 310	-	1
310 - 320	2	-
320 - 330	1	1
330 - 340	2	-
350 - 360	-	2
360 - 370	1	-
370 - 380	-	1
380 - 390	1	1
400 - 410	1	2
420 - 430	1	-
430 - 440	-	1
440 - 450	-	1
450 - 460	1	-
460 - 470	1	-
490 - 500	-	1
510 - 520	1	-
880 - 890	-	1
900 - 910	1	-

The board determines the Group Chief Executive's remuneration, after taking independent expert advice and considering relevant market data. The board reviews the Group Chief Executive's remuneration annually. Nigel Barbour's total remuneration as Group Chief Executive for the year ended 31 March 2026 was \$905,000 (2025: \$880,000).

Five year trends

	2026	2025	2024	2023	2022
	\$000	\$000	\$000	\$000	\$000
Statement of comprehensive income					
Operating revenue	426	369	334	323	311
EBITDA	160	128	109	103	111
EBIT	86	59	46	46	58
Profit before income tax	48	32	23	28	49
Net profit	35	24	12	22	36
Other comprehensive income	121	(18)	47	61	110
Total comprehensive income	156	6	59	83	146
Statement of financial position					
Current assets	76	70	76	65	55
Non-current assets	2,023	1,769	1,708	1,576	1,425
	2,099	1,839	1,784	1,641	1,480
Current liabilities	73	52	58	57	50
Current borrowings	-	43	1	151	186
Non-current borrowings	735	614	583	347	234
Deferred tax liability	299	258	263	239	215
Other non-current liabilities	9	15	3	5	2
Shareholders' equity	983	857	876	842	793
Total liabilities and shareholders' equity	2,099	1,839	1,784	1,641	1,480
Statement of cash flows					
Operating cash flows	119	83	71	65	53
Investing cash flows	(168)	(128)	(132)	(111)	(87)
Financing cash flows	48	47	61	46	31
Financial measures					
Dividends paid	30	25	25	32	31
EBITDA margin %	37.4	34.8	32.7	32.0	35.6
Net profit to average shareholders' equity %	3.9	2.8	1.4	2.6	4.8
Net interest-bearing debt to debt-plus-equity %	43	43	40	37	35
Other measures					
Electricity maximum demand (MW)	702	681	698	661	721
Electricity deliveries into the network (GWh)	3,546	3,668	3,628	3,521	3,416
Number of customer connections (000)	235	230	225	221	216

Directory as at 23 June 2026

Directors

Paul Munro – Chair
 Jen Crawford
 Vena Crawley
 Sally Farrier
 Jason McDonald
 Mike Sang

Leadership team

Nigel Barbour

John Thompson

Group Chief Executive

Connetics Chief Executive

David Freeman-Greene

Alice van den Hout

CPP Director

GM Investment Portfolio and Capability

Vaughan Hartland

Karen Wiese

Chief Financial Officer

Chief Governance Officer

Steve Macdonald

Nic Wong

GM Electricity Network

GM Asset Management

Duane Makin

GM Digital, Data and Technology

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 W: connetics.co.nz

Other sources of information

Christchurch City Council – ccc.govt.nz
 Christchurch City Holdings Limited – cchl.co.nz
 Selwyn District Council – selwyn.govt.nz

Auditor

Audit New Zealand, on behalf of the Auditor-General

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