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ORION NEW ZEALAND LIMITED

INFORMATION FOR DISCLOSURE

PURSUANT TO THE ELECTRICITY (INFORMATION
DISCLOSURE) REGULATIONS 1999 AND THE
ELECTRICITY (INFORMATION DISCLOSURE)
AMENDMENT REGULATIONS 2000 AND 2001

ORION NEW ZEALAND LIMITED

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

The disclosures cover the period from 1 April 2002 to 31 March 2003 and provide comparatives for prior years where required by the Regulations.

Regulation 6 - Financial Statement disclosure by line owners

Authorised for issue for and on behalf of directors:



Director
18 July 2003



Director
18 July 2003

STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 31 March	Notes	2003 \$000's	2002 \$000's
Operating revenues	2	<u>150,651</u>	<u>147,581</u>
Operating surplus before tax	3	65,542	62,635
Taxation expense	4	<u>25,589</u>	<u>21,671</u>
Net surplus after tax		<u>39,953</u>	<u>40,964</u>

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

STATEMENT OF MOVEMENTS IN EQUITY

For the year ended 31 March	Notes	2003 \$000's	2002 \$000's
Equity at the start of the year	10, 11	418,540	403,345
Net surplus		39,953	40,964
Revaluation of property, plant and equipment		148,398	-
Total recognised revenues and expenses for the period		188,351	40,964
Cash reinvested in other businesses		(14,529)	(1,569)
Distributions paid or provided to shareholders during the period		(23,650)	(24,200)
Equity at the end of the year	10, 11	<u>568,712</u>	<u>418,540</u>

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

STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	2003 \$000's	2002 \$000's
CURRENT ASSETS			
Bank		-	-
Short term deposits		-	-
Accounts receivable	5	8,141	10,184
Inventories	6	-	19
Intercompany balances		-	-
Total current assets		8,141	10,203
NON-CURRENT ASSETS			
Long term investments		1,470	1,680
Property, plant and equipment	7	618,979	462,194
Other tangible assets		-	-
		<u>620,449</u>	<u>463,874</u>
Total tangible assets		628,590	474,077
INTANGIBLE ASSETS			
Goodwill		-	-
Other intangible assets		-	-
Total intangible assets		<u>-</u>	<u>-</u>
Total assets		<u>628,590</u>	<u>474,077</u>
CURRENT LIABILITIES			
Bank overdraft		-	-
Short term borrowings		-	-
Accounts payable and accruals	8	18,605	19,248
Total current liabilities		18,605	19,248
NON-CURRENT LIABILITIES			
Deferred tax	9	41,273	36,289
SHAREHOLDERS' EQUITY			
	10,11	568,712	418,540
Total liabilities and equity		<u>628,590</u>	<u>474,077</u>

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

STATEMENT OF CASH FLOWS

For the year ended 31 March	Notes	2003 \$000's	2002 \$000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from:			
Cash receipts from customers		147,595	151,149
Interest received		-	-
		<u>147,595</u>	<u>151,149</u>
Cash was applied to:			
Non-capitalised payments to suppliers and employees		66,753	71,565
Income tax paid (net of refunds)		17,336	14,743
Interest paid		-	-
		<u>84,089</u>	<u>86,308</u>
Net cash inflow from operating activities	13	<u>63,506</u>	<u>64,841</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of fixed assets		286	191
Cash was applied to:			
Purchase of property, plant and equipment		25,613	37,583
Long term prepayment		-	1,680
		<u>25,613</u>	<u>39,263</u>
Net cash outflow from investing activities		<u>(25,327)</u>	<u>(39,072)</u>

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

STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 March	Notes	2003 \$000's	2002 \$000's
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was applied to:			
Dividends paid		23,650	24,200
		<u>23,650</u>	<u>24,200</u>
Net cash outflow from financing activities		<u>(23,650)</u>	<u>(24,200)</u>
CASH FLOW SUMMARY AND RECONCILIATION			
Opening bank and short term investments		-	-
Inflow from operating activities		63,506	64,841
Outflow from investing activities		(25,327)	(39,072)
Outflow from financing activities		(23,650)	(24,200)
Cash reinvested in other businesses		(14,529)	(1,569)
		<u>-</u>	<u>-</u>
Closing bank and short term investments		-	-
REPRESENTED BY:			
Cash at bank and short term investments		-	-
Bank overdraft		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

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

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF ACCOUNTING POLICIES

Reporting entity

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

Special purpose financial statements

These financial statements have been prepared for the purpose of complying with the requirements of the Electricity (Information Disclosure) Regulations 1999 ("*Regulations*"), and amendments to those Regulations.

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

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

Measurement base

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

Specific accounting policies

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

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

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

The main bases are periods not exceeding:

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

The electricity distribution system economic lives have been set consistent with the Ministry of Economic Development's revised ODV Handbook. The useful lives range from 15 - 70 years for the different components of the distribution system. The depreciation methods and useful lives of property, plant and equipment are reviewed annually to ensure that they remain appropriate.

- (f) Property, plant and equipment
The group's property, plant and equipment is revalued on a cyclic basis at least once every three years by independent valuers to fair value. Any subsequent additions are initially recorded at cost until the next revaluation.
- (g) Income tax
The income tax expense charged to the statement of financial performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method.

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

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

Changes in Accounting Policies

There have been no changes in accounting policies in the 2003 year. The policies have been applied on bases consistent with those used in previous years.

2. OPERATING REVENUES

A summary of operating revenue is as follows:

	2003 \$000's	2002 \$000's
Ancillary services charge	2,874	-
AC rental rebates	4,323	9,014
Bad debts recovered	14	10
Capital contributions	4,484	9,241
Changes in bad debt provisions	86	-
Donated/subsidised assets	1,745	-
Dividends	-	-
Interest	-	-
Line revenue	136,767	128,614
Profit on sale of equipment	85	47
Other	273	655
	<u>150,651</u>	<u>147,581</u>

3. OPERATING EXPENDITURE

Operating surplus before tax includes the following items:

Payment for transmission charges (prior to loss rental rebates)	35,040	35,645
AC loss-rental rebates (distribution to retailers) expense	4,323	9,014
Ancillary services charge	2,874	-
Transfer payments to the "other" business for:		
- asset maintenance	6,581	7,841
- consumer disconnection/reconnection services	-	-
- meter data	-	20
- consumer-based load control services	-	-
- royalty and patent expenses	-	-
- avoided transmission charges on account of own generation	-	-
- other goods and services not listed	-	-
	<u>6,581</u>	<u>7,861</u>
Total	6,581	7,861

	2003 \$000's	2002 \$000's
Expense to entities that are not related parties for:		
- asset maintenance	3,363	1,669
- consumer disconnection/reconnection services	-	-
- meter data	82	65
- consumer-based load control services	-	-
- royalty and patent expenses	-	-
Total	<u>3,445</u>	<u>1,734</u>
Employee salaries, wages and redundancies	8,045	7,587
Consumer billing and information system expense	583	535
Depreciation on:		
- buildings	304	273
- distribution system	16,613	15,794
- other	1,220	1,170
Total	<u>18,137</u>	<u>17,237</u>
Amortisation of:		
- goodwill	-	-
- other intangibles	-	-
Total	<u>-</u>	<u>-</u>
Corporate and administration	1,034	1,172
Human resource expenses	675	859
Leasing and rental	60	59
Loss on disposal of equipment	39	14
Asset write-offs	594	-
Marketing/advertising	50	34
Merger and acquisition expenses	-	-
Takeover defence expenses	-	-
Research and development expenses	-	-
Consultancy and legal expenses	1,346	624
Donations	29	37
Directors fees	241	197
Auditors Fees:		
- audit fees paid to principal auditors	60	41
- audit fees paid to other auditors	-	-
- fees paid for other services provided by principal and other auditors	6	14
Total	<u>66</u>	<u>55</u>

	2003 \$000's	2002 \$000's
Cost of offering credit:		
- bad debts written off	41	26
- increase in estimated doubtful debts	-	90
Total	41	116
Local authority rates expense	1,669	1,168
Rebates to consumers due to ownership interest	-	-
Subvention payments	-	-
Unusual expenses	-	-
Other expenditure not listed	237	998
Total operating expenditure	85,109	84,946
Operating surplus before interest and income tax	65,542	62,635
Interest expense		
- interest expense on borrowings	-	-
- financing charges related to finance leases	-	-
- other interest expense	-	-
Total	-	-
Operating surplus before income tax	65,542	62,635

4. TAXATION

The taxation provisions are subject to Inland Revenue Department assessment.

Surplus before taxation	65,542	62,635
Prima facie taxation at 33%	21,629	20,670
Taxation effect of :		
Deferred tax adjustment	414	211
Permanent differences	2,848	1,400
Under/(over) provisions in prior years	698	(610)
Taxation as per Statement of Financial Performance	25,589	21,671

5. ACCOUNTS RECEIVABLE

A summary of accounts receivable is as follows:

	2003 \$000's	2002 \$000's
Trade receivables	4,152	2,848
Other receivables	3,346	6,616
Prepayments	827	990
Interest receivable	-	-
	<u>8,325</u>	<u>10,454</u>
Provision for doubtful debts	(184)	(270)
	<u>8,141</u>	<u>10,184</u>

6. INVENTORIES

A summary of inventories is as follows:

Chargeable WIP	<u>-</u>	<u>19</u>
	<u>-</u>	<u>19</u>

7. PROPERTY, PLANT AND EQUIPMENT

	2003 \$000's	2002 \$000's
System fixed assets (at valuation)	588,280	398,500
System fixed assets (at cost)	-	66,070
Work in progress	6,240	6,495
Accumulated depreciation	-	(30,960)
	<u>594,520</u>	<u>440,105</u>
Land and buildings (at valuation)	20,759	18,283
Land and buildings (at cost)	-	1,283
Work in progress	129	88
Accumulated depreciation	(78)	(534)
	<u>20,810</u>	<u>19,120</u>
Consumer billing and information systems (at valuation)	861	1,018
Consumer billing and information systems (at cost)	2,020	1,245
Work in progress	9	-
Accumulated depreciation	(1,782)	(1,251)
	<u>1,108</u>	<u>1,012</u>
Office equipment (at valuation)	478	551
Office equipment (at cost)	324	284
Accumulated depreciation	(449)	(434)
	<u>353</u>	<u>401</u>
Motor vehicles and plant (at valuation)	1,203	778
Motor vehicles and plant (at cost)	1,311	920
Accumulated depreciation	(788)	(540)
	<u>1,726</u>	<u>1,158</u>
Other (at valuation)	297	361
Other (at cost)	332	229
Work in progress	7	-
Accumulated depreciation	(174)	(192)
	<u>462</u>	<u>398</u>
Total property, plant and equipment	<u>618,979</u>	<u>462,194</u>

	2003 \$000's	2002 \$000's
Totals for all asset classes		
At valuation	611,878	419,491
At cost	3,987	70,031
Work in progress	6,385	6,583
Accumulated depreciation	<u>(3,271)</u>	<u>(33,911)</u>
Carrying value	<u>618,979</u>	<u>462,194</u>

System fixed assets includes substation buildings of \$13,182,000 (2002: \$8,965,000). Land and buildings includes network land of \$9,181,000 (2002: \$8,328,000).

The value of system fixed assets at book value used in the calculation of Regulation 15 performance measures comprises:

System fixed assets	594,520	440,105
Less capital work in progress	(6,240)	(6,495)
Plus network land	<u>9,181</u>	<u>8,328</u>
	<u>597,461</u>	<u>441,937</u>

Revaluation

All the Company's land and buildings were revalued to fair value at 31 March 2003 by independent valuers Ernst & Young Corporate Finance Limited.

The electricity distribution system was revalued by Orion management on an optimised depreciated replacement cost basis and was certified by independent valuers, Ernst and Young Corporate Finance Limited as at 31 March 2003.

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

Depreciation has been applied to the assets for the year ended 31 March 2003 in accordance with the Company's accounting policies.

8. ACCOUNTS PAYABLE AND ACCRUALS

A summary of accounts payable and accruals is as follows:

Trade creditors	8,565	9,428
Accruals	7,855	6,088
Employee entitlements	1,122	1,153
Dividends payable	-	-
Income tax payable	-	-
Provisions	<u>1,063</u>	<u>2,579</u>
	<u>18,605</u>	<u>19,248</u>

	2003 \$000's	2002 \$000's
Provisions comprise:		
Long service leave	138	154
Site restoration	400	400
Revenue adjustments	525	2,025
	<u>1,063</u>	<u>2,579</u>

Details of these provisions are:

Long service leave

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

Opening balance	154	132
Additional provision made	23	35
Amount utilised	<u>(39)</u>	<u>(13)</u>
Closing balance	<u>138</u>	<u>154</u>

Site restoration

The provision for site restoration relates to a site owned by Orion, which has not been used for operational purposes for some years. This is an assessment of the costs to remove and treat contaminated soil and to reinstate with clean soil. The liability is expected to be incurred in the next few months.

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

Revenue adjustments

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

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

9. NON-CURRENT LIABILITIES

Non-current liabilities are as follows:

	2003 \$000's	2002 \$000's
Payables and accruals	-	-
Borrowings	-	-
Deferred tax	41,273	36,289
Other	-	-
	<u>41,273</u>	<u>36,289</u>

10. EQUITY

Equity comprises:

Share capital	120,000	120,000
Retained earnings	98,220	96,446
Reserves	350,492	202,094
	<u>568,712</u>	<u>418,540</u>
Total shareholders' equity	568,712	418,540
Minority interests	<u>-</u>	<u>-</u>
Total equity	568,712	418,540
Capital notes	<u>-</u>	<u>-</u>
Total capital funds	<u>568,712</u>	<u>418,540</u>

The 80 million (\$1.50) ordinary shares were issued in April 1993 pursuant to the approved establishment plan and sale and purchase agreement. The shares are fully paid up.

11. REVALUATION RESERVE

Opening balance	202,094	202,094
Revaluation of property, plant and equipment	<u>148,398</u>	<u>-</u>
	<u>350,492</u>	<u>202,094</u>

The revaluation reserve is comprised as follows:

Land and buildings	8,738	3,233
Distribution system	<u>341,754</u>	<u>198,861</u>
	<u>350,492</u>	<u>202,094</u>

12. FINANCIAL INSTRUMENTS

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

	Carrying Amount 2003 \$000's	Fair Value 2003 \$000's	Carrying Amount 2002 \$000's	Fair Value 2002 \$000's
Cash and short term investments	-	-	-	-

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

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

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

	2003 \$000's	2002 \$000's
Net surplus after tax	39,953	40,964
Non cash items:		
Depreciation	18,137	17,237
Deferred tax	4,984	3,294
Asset write offs	594	-
Subsidised assets	(1,745)	-
Other	210	-
Movements in other working capital items:		
(Increase)/decrease in debtors	(1,226)	3,601
(Increase)/decrease in interest receivable	-	-
(Increase)/decrease in stocks	19	36
Increase/(decrease) in creditors	(643)	(3,892)
Increase/(decrease) in interest payable	-	-
(Increase)/decrease in tax asset	3,269	3,634
Items classified as an investing activity:		
(Profit)/loss on sale of property, plant and equipment	(46)	(33)
Net cash inflow from operating activities	63,506	64,841

14. CONTINGENT ASSETS AND LIABILITIES

There were no material contingent assets or contingent liabilities as at 31 March 2003 or as at 31 March 2002.

15. COMMITMENTS

At balance date, capital commitments were as follows:

	2003 \$000's	2002 \$000's
Distribution system	4,894	4,018
Other	-	-
	<u>4,894</u>	<u>4,018</u>

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

At balance date, lease commitments were as follows:

2004	49	48
2005	49	48
2006	49	48
2007	49	48
2008 and beyond	488	477

Note: commitments that extend beyond 2008 have been assessed for a maximum period of 10 years.

16. RELATED PARTIES

Transactions with owners and directors

Christchurch City Holdings Limited (CCHL) is an 87.625% shareholder in the Holding Company. CCHL is 100% owned by the Christchurch City Council (CCC).

Selwyn Council Trading Enterprises Limited (SCTEL) is a 10.725% shareholder in the Holding Company. SCTEL is 100% owned by the Selwyn District Council (SDC).

Banks Peninsula District Council (BPDC) is a 1.650% shareholder in the Holding Company.

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

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

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

During the year no material transactions were entered into with any of the directors, except for the following transactions with a subsidiary of the Carter Group Limited, relating to subdivision power reticulation:

Purchase	\$51,000 (2002 \$166,000)
Liability at 31 March 2003	\$27,000 (2002 \$88,000)

These transactions are conducted on an arms length commercial basis.

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

	2003 \$000's	2002 \$000's
TRANSACTIONS DURING THE YEAR		
Purchases from CCC	1,328	1,568
Revenues from CCC	3,722	2,017
Dividend payments to CCHL	20,723	21,205
OUTSTANDING BALANCES AS AT 31 MARCH		
Accounts payable to CCC	15	6
Accounts receivable from CCC	1,012	38

Transactions with "other" businesses

For the purposes of Regulation 9 of the Regulations, transactions taking place between the line business and "other" businesses must be identified.

The Company had considerable numbers of interactions with its wholly-owned contracting subsidiary, Connetics Limited, during the years ending 31 March 2002 and 2003.

A description of the intercompany transactions, revenue amounts and balances at 31 March 2003 and 2002 follows. Note that estimated data has had to be used in the determination and apportionment of costs for Connetics into the required categories.

Connetics

Connetics has provided construction and maintenance services to the line business for the period 1 April 2002 to 31 March 2003, and for a number of prior years.

These services follow the awarding of a contract based on a contested lowest-price conforming tender.

In virtually every case multiple parties were invited to tender for such work.

In the case of emergency maintenance, a contract comprising a negotiated schedule of rates has been agreed. A contract has also been negotiated for the management of system spares.

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

Services provided by Connetics:

	2003 \$000's	2002 \$000's
Asset maintenance		
- asset storage	219	189
- emergency work	1,866	1,234
- other asset maintenance	4,496	6,418
	<u>6,581</u>	<u>7,841</u>
Asset construction		
- subtransmission assets	336	423
- zone substations	-	538
- distribution lines and cables	1,331	1,171
- medium voltage switchgear	2,439	1,810
- distribution transformers	24	78
- distribution substations	1,010	983
- low voltage lines and cables	1,442	6,844
- other system fixed assets	3,510	1,548
	<u>10,091</u>	<u>13,395</u>
Other services provided to line business		
- meter data	-	20
- consumer-based load control	-	-
- disconnection/reconnection services	-	-
- avoided transmission charges	-	-
- other goods and services	-	-
	<u>16,672</u>	<u>21,256</u>
Balance outstanding at 31 March	2,465	2,590

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

Some spare transformers have been sold to Connetics. These have been on a negotiated basis.

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

Payments received from Connetics for services	96	173
Payments received from Connetics for transformers	9	34
Balance outstanding at 31 March	8	18

17. SIGNIFICANT EVENTS AFTER BALANCE DATE

There were no significant events between the preparation and authorisation of these accounts on 18 July 2003.

Regulation 15

Disclosure by line owners of financial and efficiency performance measures

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

Financial performance measures

	2003 %	2002 %	2001 %	2000 %
(a) Return on funds	14.49	14.09	14.52	13.21
(b) Return on equity	9.63	9.98	9.54	8.18
(c) Return on investment (ROI)	8.84	7.69	14.49	(1.15)

Refer to Orion's Regulation 16 Disclosure for the derivation of these measures.

The 2002 ROI includes the impact of the recalibration of Orion's 2001 ODV by the Commerce Commission.

Excluding the impact of revaluations, ROI's were as follows:

	8.84	9.14	9.42	7.96
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Efficiency performance measures

	\$	\$	\$	\$
(a) Direct line costs per kilometre:	1,175	1,212	1,122	1,057
(b) Indirect line costs per electricity customer:	60	54	50	58

DERIVATION OF FINANCIAL PERFORMANCE MEASURES FROM FINANCIAL STATEMENTS

Derivation Table	Input and Calculations		ROF		ROE		ROI
Operating surplus before interest and income tax from financial statements	65,542						
Operating surplus before interest and income tax adjusted pursuant to req 18 (OSBIIT)	65,542						
Interest on cash, bank balances, and short-term investments (ISTI)	0						
OSBIIT minus ISTI	65,542	a	65,542				65,542
Net surplus after tax from financial statements	39,953						
Net surplus after tax adjusted pursuant to req 18 (NSAT)	39,953	n			39,953		
Amortisation of goodwill and other intangibles	0	g	add	0	add	0	add
Subvention payment	0	s	add	0	add	0	add
Depreciation of SFA at BV (x)	16,613						
Depreciation of SFA at ODV (v)	16,551						
ODV depreciation adjustment	62	d	add	62	add	62	add
Subvention payment tax adjustment	0	s*t			deduct	0	deduct
Interest tax shield	0	q				deduct	0
Revaluations	0	r				add	0
Income tax	25,589	p				deduct	25,589
Numerator			65,604		40,015		40,015
			$OSBIIT^{ADJ} = a + g + s + d$		$NSAT^{ADJ} = n + g + s - s*t + d$		$OSBIIT^{ADJ} = a + g - q + r + s + d - p - s*t$
Fixed assets at end of PFY (FA ₀)	462,194						
Fixed assets at end of CFY (FA ₁)	618,979						
Adjusted net working capital at end of PFY (ANWC ₀)	-9,045						
Adjusted net working capital at end of CFY (ANWC ₁)	-10,463						
Average total funds employed (ATFE)*	530,833	c	530,833				530,833
Total equity at end of PFY (TE ₀)	418,540						
Total equity at end of CFY (TE ₁)	568,712						
Average total equity*	493,626	k			493,626		
WUC at end of PFY (WUC ₀)	6,495						
WUC at end of CFY (WUC ₁)	6,240						
Average total works under construction*	6,368	e	deduct	6,368	deduct	6,368	deduct
Revaluations	0	r					
Half of revaluations	0	r/2				deduct	0
Intangible assets at end of PFY (IA ₀)	0						
Intangible assets at end of CFY (IA ₁)	0						
Average total intangible assets*	0	m			add	0	
Subvention payment at end of PFY (S ₀)	0						
Subvention payment at end of CFY (S ₁)	0						
Subvention payment tax adjustment at end of PFY	0						
Subvention payment tax adjustment at end of CFY	0						
Average subvention payment & related tax adjustment	0	v			add	0	
SFA at end of PFY at bv (SFA _{bv0}) - incl land	441,937						
SFA at end of CFY at bv (SFA _{bv1}) - incl land	597,461						
Average value of SFA at book value*	519,699	f	deduct	519,699	deduct	519,699	deduct
SFA at year beginning at ODV (SFA _{odv0}) - incl land	442,840						
SFA at end of CFY at ODV (SFA _{odv1}) - incl land	453,382						
Average value of SFA at ODV*	448,111	h	add	448,111	add	448,111	add
Denominator			452,877		415,671		452,877
			$ATFE^{ADJ} = c - e - f + h$		$Ave TE^{ADJ} = k - e - m + v - f + h$		$ATFE^{ADJ} = c - e - \frac{1}{2}r - f + h$
Financial Performance Measure:			14.486		9.627		8.836
			$ROF = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$		$ROE = NSAT^{ADJ} / ATE^{ADJ} \times 100$		$ROI = OSBIIT^{ADJ} / ATFE^{ADJ} \times 100$

t = income tax rate applying to corporate entities bv = book value ave = average odv = optimised deprival valuation subscript '0' = end of the previous financial year subscript '1' = end of the current financial year ROF = return on funds ROE = return on equity * = or regulation 33 time-weighted average ROI = return on investment PFY = previous financial year CFY = current financial year SFA = system fixed assets

Regulation 16A**Annual ODV Reconciliation Report**

Year ending	2003 \$000's	2002 \$000's	2001 \$000's	2000 \$000's
System fixed assets at ODV - end of previous year	442,840	435,510	405,978	448,457
Add system fixed assets acquired during the year at ODV	27,687	30,506	24,824	15,426
Less system fixed assets disposed of during the year at ODV	(594)	(914)	(2,116)	(551)
Less depreciation on system fixed assets at ODV	(16,551)	(15,674)	(14,425)	(15,404)
Add revaluations of system fixed assets	-	(6,588)	21,249	(50,015)
Equals system fixed assets at ODV - end of the financial year	<u>453,382</u>	<u>442,840</u>	<u>435,510</u>	<u>397,913</u>

The March 2000 ODV has been restated as follows:

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

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

Regulation 21

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

	2003 %	2002 %	2001 %	2000 %
1 (a) Load Factor	58.0	58.6	61.3	57.7
(b) Loss Ratio	4.9	4.9	4.9	4.9
(c) Capacity Utilisation	39.5	37.8	35.3	36.0
2 (a) Sum of overhead and underground line circuit lengths:				
	2003 Average (km)	2002 Average (km)	2001 Average (km)	2000 Average (km)
66kV	158	137	116	115
33kV	333	322	321	323
11kV	5,109	5,061	5,057	5,063
230/400V	2,799	2,644	2,724	2,836
230V Outside Lighting	2,446	2,341	2,268	2,204
Communications	1,017	1,001	989	980
	11,862	11,506	11,475	11,521
(b) Overhead line circuit lengths:				
66kV	95	76	57	57
33kV	313	303	302	306
11kV	3,216	3,207	3,180	3,163
230/400V	1,089	1,095	1,300	1,506
230V Outside Lighting	998	1,001	957	912
	5,711	5,682	5,796	5,944
(c) Underground line (cable) circuit lengths:				
66kV	63	61	59	58
33kV	20	19	18	17
11kV	1,893	1,854	1,877	1,900
230/400V	1,710	1,549	1,424	1,331
230V Outside Lighting	1,448	1,340	1,311	1,292
Communications	1,017	1,001	989	980
	6,151	5,824	5,678	5,578

	2003	2002	2001	2000
(d) Transformer capacity at year end (kVA):	1,525,800	1,495,443	1,487,575	1,505,103
(e) Maximum demand (kW):	603,396	564,822	525,652	541,614
(f) Total electricity entering the system (before losses) in kWh:	3,064,396,511	2,901,021,409	2,821,595,986	2,735,268,444
(g) Electricity conveyed on behalf of retailers/generators (kWh):				
Retailer A	2,049,973,994	1,345,583,394	1,959,825,487	2,230,898,898
Retailer B	383,277,084	880,318,140	275,512,446	104,530,358
Retailer C	363,510,762	239,575,482	242,632,856	78,093,485
Retailer D	23,827,095	182,079,737	106,627,472	69,106,565
Retailer E	93,192,486	72,589,410	67,224,588	40,635,978
Retailer F		36,268,407	18,477,651	32,500,530
Retailer G		1,618,066	10,947,852	19,193,341
Retailer H		403,570	974,067	19,091,786
Retailer I			692,124	6,717,131
Retailer J				61,929
Retailer K				
Retailer L				
Retailer M				
(h) Total number of consumers (average for the year)	170,490	168,455	166,556	162,543

Note: 1. No adjustment has been able to be made for the impact of changes in the level of unbilled units. This may affect disclosures 1(b) and 2(g) above.

Regulation 22

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

1 Total number of interruptions:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	2003	2002	2001	2000
Orion	B	Planned Shutdowns	356	220	162	313
	C	Unplanned Cuts	611	404	499	545
Transpower	A	Planned Shutdowns	0	0	0	3
	D	Unplanned Cuts	4	2	3	1
			971	626	664	862

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

2 &

3 Interruption targets:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	2004	Average 2004 - 2008
Orion	B	Planned Shutdowns	385	385
	C	Unplanned Cuts	555	555

4 Proportion of Class C interruptions not restored within:

(a) 3 hours	25.37%
(b) 24 hours	2.30%

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

	2003	2002	2001	2000
66kV	4.4	2.9	0.0	1.7
33kV	3.9	3.7	2.8	4.3
11kV	11.6	7.7	9.7	10.0
All	10.9	7.3	9.1	9.5

(b) &

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

	2004	Average 2004 - 2008
66kV	2.0	2.0
33kV	4.0	4.0
11kV	12.0	12.0
All	11.2	11.2

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

	2003	2002	2001	2000
66kV	3.2	3.3	0.0	0.0
33kV	0.0	0.0	0.0	0.0
11kV	2.6	3.3	3.0	2.9
All	2.6	3.3	2.9	2.8

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

66kV	5.3	2.6	0.0	3.5
33kV	4.2	4.0	3.0	4.6
11kV	16.9	10.2	13.6	14.3
All	15.5	9.5	12.5	13.3

8, 11,
12, 15,
16, 19 SAIDI, SAIFI and CAIDI by interruption class and in total for 2003:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	SAIDI (minutes per connected consumer)	SAIFI (interruptions per connected consumer)	CAIDI (minutes per consumer interrupted)
Orion	B	Planned Shutdowns	10	0.03	276
	C	Unplanned Cuts	86	0.89	97
			96	0.92	103
Transpower	A	Planned Shutdowns	0	0.00	0
	D	Unplanned Cuts	6	0.30	20
			6	0.30	20
			102	1.22	83

8, 11,
12, 15,
16, 19

SAIDI, SAIFI and CAIDI by interruption class and in total for **2002**:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	SAIDI (minutes per connected consumer)	SAIFI (interruptions per connected consumer)	CAIDI (minutes per consumer interrupted)
Orion	B	Planned Shutdowns	5	0.02	253
	C	Unplanned Cuts	33	0.58	58
			38	0.60	64
Transpower	A	Planned Shutdowns	0	0.00	0
	D	Unplanned Cuts	8	0.10	76
			8	0.10	76
			46	0.70	66

8, 11,
12, 15,
16, 19

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

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	SAIDI (minutes per connected consumer)	SAIFI (interruptions per connected consumer)	CAIDI (minutes per consumer interrupted)
Orion	B	Planned Shutdowns	3	0.02	165
	C	Unplanned Cuts	59	0.58	102
			62	0.60	104
Transpower	A	Planned Shutdowns	0	0.00	0
	D	Unplanned Cuts	0	0.00	10
			0	0.00	10
			62	0.60	103

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

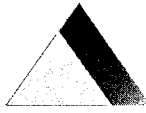
Note that these are Orion's overall reliability performance indices. Refer to Orion's Annual Report for the results by urban and rural areas.

9, 13 & 17 SAIDI, SAIFI and CAIDI targets for the next financial year:

Network Owner	Disclosure Regulation Class	Classification of Interruptions	SAIDI	SAIFI	CAIDI
			Target 2004	Target 2004	Target 2004
Orion	B	Planned Shutdowns	8.0	0.08	100
	C	Unplanned Cuts	55.0	0.67	82

10, 14 & 18 SAIDI, SAIFI and CAIDI targets for the next five financial years:

Network or Generation Owner	Disclosure Regulation Class	Classification of Interruptions	SAIDI	SAIFI	CAIDI
			Average Target 2004 - 2008	Average Target 2004 - 2008	Average Target 2004 - 2008
Orion	B	Planned Shutdowns	8.0	0.08	100
	C	Unplanned Cuts	55.6	0.66	83



Audit New Zealand

REPORT OF THE AUDITOR GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF ORION NEW ZEALAND LIMITED FOR THE YEAR ENDED 31 MARCH 2003

We have audited the financial statements of Orion New Zealand Limited on pages 2 to 20. The financial statements provide information about the past financial performance of Orion New Zealand Limited and its financial position as at 31 March 2003. This information is stated in accordance with the accounting policies set out on pages 7 and 8.

Directors' Responsibilities

The Electricity (Information Disclosure) Regulations 1999 require the Directors to prepare financial statements which give a true and fair view of the financial position of Orion New Zealand Limited as at 31 March 2003, and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 and Regulation 31 of the Electricity (Information Disclosure) Regulations 1999 require the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements presented by the Directors and report that opinion to you.

The Auditor-General has appointed K J Boddy, of Audit New Zealand, to undertake the audit.

Basis of Opinion

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

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

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

Other than in our capacity as auditor, acting on behalf of the Auditor-General, we have no relationship with or interests in Orion New Zealand Limited.

Unqualified Opinion

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

In our opinion –

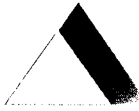
- proper accounting records have been kept by Orion New Zealand Limited as far as appears from our examination of those records; and
- the financial statements of Orion New Zealand Limited on pages 2 to 20:
 - (a) comply with generally accepted accounting practice in New Zealand; and
 - (b) give a true and fair view of Orion New Zealand Limited's financial position as at 31 March 2003 and the results of its operations and cash flows for the year ended on that date; and
 - (c) comply with the Electricity (Information Disclosure) Regulations 1999.

Our audit was completed on 8 August 2003 and our unqualified opinion is expressed as at that date.



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





Audit New Zealand

**AUDITOR- GENERAL'S OPINION ON THE PERFORMANCE MEASURES OF
ORION NEW ZEALAND LIMITED**

We have examined the information on pages 21 to 23, being –

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

that were prepared by Orion New Zealand Limited and dated 31 March 2003 for the purposes of regulation 15 of the Electricity (Information Disclosure) Regulations 1999.

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

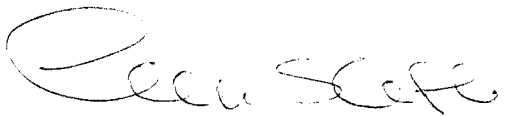
K J Boddy
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
8 August 2003

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

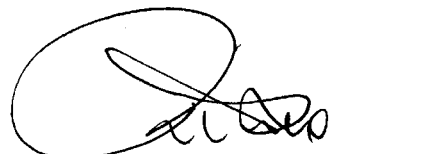
We, Linda Susan Constable and Peter Rae, directors of Orion New Zealand Limited certify that, having made all reasonable enquiry, to the best of our knowledge:

- (a) the attached audited financial statements of Orion New Zealand Limited prepared for the purposes of Regulation 6 of the Electricity (Information Disclosure) Regulations 1999, comply with the requirements of that regulation; and
- (b) the attached information, being the derivation table, financial performance measures, efficiency performance measures, energy delivery efficiency performance measures, statistics, and reliability performance measures in relation to Orion New Zealand Limited and having been prepared for the purposes of Regulations 15, 16, 21 and 22 of the Electricity (Information Disclosure) Regulations 1999, complies with the requirements of those regulations.

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



Director



Director