

Cost of Service

2000/01 BUDGET	2001/02 BUDGET
\$	\$
(338,000,000)	(142,000,000)
=====	
(232,950,000)	(49,591,000)
17,000,000	20,934,000

(215,950,000)	(28,657,000)
(50,000)	(1,661,000)
-	2,260,000

(216,000,000)	(28,058,000)
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Net Surplus After Taxation

Projected surplus after taxation for 2002/03 (\$29,833,000)
 Projected surplus after taxation for 2003/04 (\$26,949,000)

Nature and Scope

Orion's core business is the provision of network services to 167,500 connections. It achieves this by providing and maintaining an electricity reticulation system currently comprising approximately 11,500 km of lines and cables and 9,300 distribution substations and pole mounted transformers.

Orion is run as a commercial business and undertakes investments which yield a commercial rate of return and increase the commercial value of the company.

Collectively, these activities contribute towards the achievement of Orion's mission and thereby maintain and enhance the social and economic well-being of the Canterbury community.

Relationship to the Council

The shareholders of Orion Group Limited are as follows: 87.6% Christchurch City Holdings Ltd; 10.7%, Selwyn Council Trading Enterprises Ltd; 1.7%, Banks Peninsula District Council.

The shareholders hold the above proportions in the following securities of Orion Group Limited: 266 million \$1.00 ordinary shares issued (\$266 million), 120 million \$1.00 redeemable preference shares (\$120 million) and 180 million subordinated optional convertible notes (\$180 million). The optional convertible notes will (subject to favourable binding rulings) be repaid in full in the 2001/02 year.

The shareholders exercise influence on the company through the negotiation of the annual Statement of Corporate Intent. The Council's interest in the company is in accordance with Strategic Objectives F4 (as printed in the Strategic Statement).

Orion New Zealand Limited (formerly Southpower Limited) was established as an energy company on 30 April 1993, as required by the Energy Companies Act 1992. Orion New Zealand Limited is a 100% subsidiary of Orion Group Limited and remains the main operating company

Overall Service Objective

1. To deliver high quality network services while operating as an innovative and successful business by:
 - earning surpluses which are commercial and sustainable;
 - adopting competitive and sustainable pricing policies;
 - having due regard to ensuring the efficient use of energy and the network;
 - continually improving all aspects of the business for the benefit of customers and shareholders.

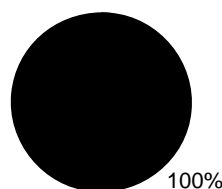
Objectives for 2001/02

2. Achieve projected overall financial performance.

Performance Indicators

- 2.1 Net after tax surplus to average equity of at least 7.0% (based on estimated average ordinary equity of \$400 million) for the year ending 31 March 2002.
- 2.2 Dividend payments on the ordinary shares of \$24.2 million for the year ending 31 March 2002. Christchurch City Holdings Ltd's 87.6% share is \$21.2 million.
- 2.3 Interest payments on the subordinated optional convertible notes paid on time in full.
- 2.4 Repayment of the \$180 million of subordinated optional convertible notes (subject to favourable IRD binding rulings) plus a \$20 million fully imputed special distribution.

Sources of Funding



	User Charges & Corporate Finance
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The Orion building in Manchester Street