

Orion Group Limited

Cost of Service

2001/02 BUDGET \$		2002/03 BUDGET \$
142,000,000	Operating Revenues	143,000,000
49,591,000	Operating surplus before taxation	53,530,000
20,934,000	Taxation expense	22,379,000
28,657,000	Operating surplus after taxation	31,151,000
1,661,000	Share of retained surpluses of subsidiary companies	942,000
2,260,000	Goodwill write-off	2,260,000
<u>28,058,000</u>	Net Surplus Attributable to parent company shareholders	<u>29,833,000</u>

Net Surplus After Taxation

Projected surplus after taxation for 2003/04	(\$26,949,000)
Projected surplus after taxation for 2004/05	(\$27,022,000)

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 11,500km 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 this company is in accordance with Strategic Objective 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.

For a list of directors see page 169.

Overall Service Objective

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 its business for the benefit of customers and the shareholders.

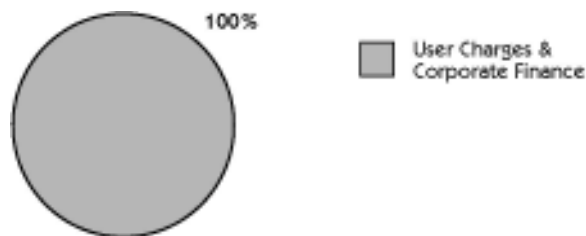
Objectives for 2002/03

1. Achieve projected overall financial performance.

Performance Indicators

- 1.1 Net after tax surplus to average equity of at least 7.5% (based on estimated average ordinary equity of \$395 million) for the year ending 31 March 2003.
- 1.2 Dividend payments on the ordinary shares of \$23.6 million for the year ending 31 March 2003. Christchurch City Holdings Ltd's 87.6% share is \$20.7 million.

Sources of Funding



Orion Group Limited



The Orion Group Ltd building in Manchester Street.



Orion commissioned "Nebula Orion" to enhance the newly developed substation in Armagh Street, Christchurch, and to celebrate the building of its cross city cable interconnection facility, which will secure the electricity supply network for the Christchurch central business district. The animated neon work is 11.5 x 7 metres; one of the largest ever made by Auckland artist, Paul Hartigan. It is constructed of neon and mercury-argon tubing on painted aluminium with a programmed animation sequence.