

Orion Group Limited

Cost of Service

2002/03 BUDGET \$		2003/04 BUDGET \$
135,000,000	Operating Revenues	135,900,000
50,527,000	Operating surplus before taxation	48,847,000
22,398,000	Taxation expense	21,532,000
28,129,000	Operating surplus after taxation	27,315,000
1,000,000	Share of retained surpluses and goodwill write-off of subsidiary companies	99,000
5,809,000	Share of retained surpluses and goodwill write-off of associated companies	9,533,000
23,320,000	Net Surplus Attributable to parent company shareholders	17,881,000

Net Surplus After Taxation

Projected surplus after taxation for 2004/05	19,400,000
Projected surplus after taxation for 2005/06	25,450,000

The forecasts above reflect the upwards revaluation of the network assets as at 31 March 2003 and the resulting increase in depreciation.

Nature and Scope

Orion's core business is the provision of network services to 172,000 connections. It achieves this by providing and maintaining an electricity reticulation system currently comprising approximately 12,000km of lines and cables and 9,500 distribution substations and pole mounted transformers.

Orion is run as a commercial business and undertakes investments that 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) and 120 million \$1.00 redeemable preference shares (\$120 million).

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 (see page 13).

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 is the main operating company.

For a list of the Company directors see page 221.

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;

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- 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.

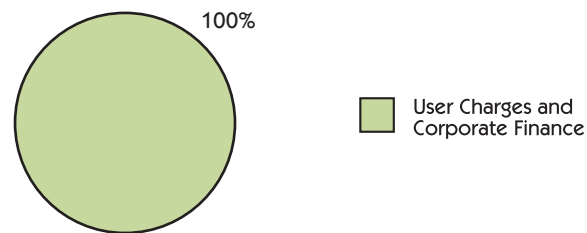
Objectives for 2003/04

2. Achieve projected overall financial performance.

Performance Indicators

- 2.1 Net after tax surplus to average equity of at least 3.1% (based on estimated average ordinary equity of \$583 million) for the year ending 31 March 2004.
- 2.2 Dividend payments on the ordinary shares of \$23.7 million for the year ending 31 March 2004. Christchurch City Holdings Ltd's 87.6% share is \$20.8 million.

Sources of Funding



The Energy Supplier of the Year Award is presented by the Minister of Energy, Pete Hodgson (left) to Roger Sutton, General Manager Operations, Orion New Zealand Limited.



Before and after undergrounding work in Shakespeare Road.

