ORION GROUP LIMITED

Cost of Service

1999/00 BUDGET $		2000/01 BUDGET $
(246,000,000)	Operating Revenues	(338,000,000)
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(47,471,000)	Operating surplus before taxation	(238,950,000)
14,796,000	Taxation expense and subvention payment	18,000,000
(32,675,000)	Operating surplus after taxation	(220,950,000)
(632,000)	Share of retained surpluses of subsidiary companies	(50,000)
3,462,000	Goodwill write-off	-
(250,000)	Share of retained surpluses less losses of associate companies	-
(30,095,000)	Net Surplus Attributable to parent company shareholders	(221,000,000)
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Net Surplus After Taxation

Projected surplus after taxation for 2001/02 ($31,000,000)
Projected surplus after taxation for 2002/03 ($33,129,000)

Nature and Scope

Orion's core business is the provision of network services to 165,000 connections. It achieves this by providing and maintaining an electricity reticulation system currently comprising 5,000km of overheads line, 3,000km of underground cable and 9,000 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 number of shares and convertible notes issued may change as part of the planned capital repatriations during 2000/01.

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 the Strategic Objective F4 (see page 33).

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.

The forecasts reflect the decision to pay a special dividend of $90 million in May 2000.

The forecasts also assume that Orion's Southdown interests were sold at the end of the 1999/00 year and that Orion's gas network and industrial gas trading activites were sold at the beginning of the 2000/01 year. The latter sales result in an estimated post tax abnormal gain on sale of approximately $191 million in the 2000/01 year.

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 its business for the benefit of customers and the shareholders.

Objectives for 2000/01

2. Achieve projected overall financial performance.

Performance Indicators

2.1 Net after tax surplus to average equity of at least 49.8% (based on estimated average ordinary equity of $444 million) for the year ending 31 March 2001. Excluding the abnormals this is 6.7%.

2.2 Dividend payments on the ordinary shares of $27.0 million for the year ending 31 March 2001. Christchurch City Holdings Ltd 87.6% share is $23.7 million.

2.3 Interest payments on the subordinated optional convertible notes paid on time in full.

2.4 Return $90 million of ordinary share capital to shareholders in accordance with the SCI forecasts.

Sources of Funding

User Charges & Corporate Finance

100%