

3. **ORION GROUP LIMITED – DRAFT INTERIM STATEMENT OF CORPORATE INTENT FOR THE YEAR ENDING 31 MARCH 2001**

Officer responsible Company Secretary, Christchurch City Holdings Ltd	Author Bob Lineham, Richard Simmonds
Corporate Plan Output: Trading activities monitoring	

The purpose of this report is to submit an interim Statement of Corporate Intent (“SCI”) from Orion Group Limited for approval by the Council. The SCI has been reviewed and approved by Christchurch City Holdings Limited.

As has been reported to the Council, the recent sale of the North Island gas network and associated assets has left Orion with substantial surplus funds. CCHL is in the process of formulating a recommended framework, which will be presented to the Council for approval, for facilitating determination of the ultimate disposition of the surplus funds. Amongst other issues, the framework will need to assess appropriate investments to replace the income stream previously provided by Enerco, and determine appropriate debt levels both for subsidiaries and the Council group as a whole. CCHL has requested Orion to prepare a strategic plan for their future needs with a view to ensuring any redeployment of the sale proceeds from Orion initiatives is assessed by CCHL within the group framework.

Until much of this work is complete, it is not possible for Orion to issue a comprehensive SCI which takes account of any new directions for Orion and/or repayment of surplus capital. However, in order to meet statutory deadlines, Orion have submitted an interim SCI for shareholder approval that is based on “business as usual” with funds applied to debt reduction in Orion in the meantime. Of necessity, it is reasonably generic in nature. Orion have indicated that they will prepare a new SCI once its strategic direction has been finalised.

Orion will formally consider shareholders’ responses to their interim SCI at a meeting on 23 May, at which CCHL representatives and the two minority shareholders will be present.

The Committee considered that the Council should, through the Statement of Corporate Intent, foreshadow its intention to review the future direction of Orion before any decision is made on the use of the proceeds from the sale of Enerco.

The draft Statement of Corporate Intent has been separately circulated to Councillors.

Recommendation: That the Council approve Orion's draft Interim Statement of Corporate Intent for the year ending 31 March 2001, subject to:

1. Reference to the process for reviewing the company's capital structure and the future scope and nature of the company's business being included in the Statement of Corporate Intent.
2. The wording in the section on undergrounding being revised.