

Statement of Intention to Pay Discount

Network Waitaki Limited has budgeted for a discount of \$1,000,000 for the year ending 31 March 2020. The discount has a fixed component of \$1,000,000 and a variable component, which is self-funding out of profits greater than budget, with no maximum and it will be determined using the formula below. There are three scenarios noted to show the effect of various forecast profit levels on the variable discount to be paid.

Discount Calculation for the year ending 31 March 2020

	Scenario 1	Scenario 2	Scenario 3
Fixed Discount	\$1,000,000	\$1,000,000	\$1,000,000
Variable Discount (max.)	A \$0	\$0	\$0
Variable Discount (min.)	B \$0	\$0	\$0
Annual Budgeted Network Profit *(BTCD)	\$5,062,894	\$5,062,894	\$5,062,894
Year End Forecast Network Profit *(BTCD) as at 31 January	\$6,862,894	\$4,942,894	\$5,662,894
Variance to Budgeted Network Profit *(BTCD)	C \$1,800,000	-\$120,000	\$600,000
Variable Discount (if C >0, D=C/3, otherwise 0)	D \$600,000	\$0	\$200,000
Fixed Discount	\$1,000,000	\$1,000,000	\$1,000,000
Total Discount	\$1,600,000	\$1,000,000	\$1,200,000

*(BTCD) Before Tax, Capital Contributions & Discount