

## NETWORK WAITAKI STATEMENT OF INTENTION TO PAY DISCOUNT

Network Waitaki has budgeted for a fixed discount of \$1,000,000 for the year ending 31 March 2021. The total discount consists of the fixed budgeted component of \$1,000,000 and a variable component, which is self-funding out of profits greater than budget, to a maximum of \$500,000. The variable component of the discount will be determined using the formula as depicted in the table below.

Three hypothetical scenarios are presented in the table to illustrate the impact of various forecasted profit levels on the variable discount to be paid.

<b>Hypothetical discount calculation for the year ending 31 March 2021</b>	Scenario 1	Scenario 2	Scenario 3
Fixed discount	\$1,000,000	\$1,000,000	\$1,000,000
Variable discount (max.)	A \$500,000	\$500,000	\$500,000
Variable discount (min.)	B \$0	\$0	\$0
Annual budgeted network profit (*BTCD)	\$5,136,725	\$5,136,725	\$5,136,725
Year-end forecast network profit (*BTCD) as at 31 January	\$6,936,725	\$5,016,725	\$5,736,725
Variance to budgeted network profit (*BTCD)	C \$1,800,000	-\$120,000	\$600,000
Variable discount (if C>0, D=C/3 (to a max of \$500,000), otherwise 0)	D \$500,000	\$0	\$200,000
Fixed discount	\$1,000,000	\$1,000,000	\$1,000,000
<b>Total discount</b>	<b>\$1,500,000</b>	<b>\$1,000,000</b>	<b>\$1,200,000</b>

Notes:

\*BTCD - Before Tax, Capital Contributions and Discount  
All amounts above are GST exclusive