

Statement of Intention to Pay Discount

Network Waitaki Limited has budgeted for a total discount of \$1,600,000 for the year ending 31 March 2019. The discount has a fixed component of \$1,500,000 and a variable component with a maximum of \$100,000 which 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 2019

| | Scenario 1 | Scenario 2 | Scenario 3 |
|---|--------------------|--------------------|--------------------|
| Fixed Discount | \$1,500,000 | \$1,500,000 | \$1,500,000 |
| Variable Discount (max.) | A \$100,000 | \$100,000 | \$100,000 |
| Variable Discount (min.) | B \$0 | \$0 | \$0 |
| Annual Budgeted Network Profit *(BTCD) | \$5,243,969 | \$5,243,969 | \$5,243,969 |
| Year End Forecast Network Profit *(BTCD) as at 31 January | \$5,593,969 | \$5,123,969 | \$5,318,969 |
| Variance to Budgeted Network Profit *(BTCD) | C \$350,000 | -\$120,000 | \$75,000 |
| Variable Discount (if C > A, D=A, if C < 0, D=B, otherwise D=C) | D \$100,000 | \$0 | \$75,000 |
| Fixed Discount | \$1,500,000 | \$1,500,000 | \$1,500,000 |
| Total Discount | \$1,600,000 | \$1,500,000 | \$1,575,000 |

*(BTCD) Before Tax, Capital Contributions & Discount