



Statement of Corporate Intent

1 April 2015 – 31 March 2016

Dated: 30 March 2015

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1. Function of the Statement of Corporate Intent and Introduction

This Statement of Corporate Intent for Network Waitaki Limited is submitted to the Waitaki Power Trust by the Board of Directors of Network Waitaki Limited and sets out the Directors' overall intentions and objectives for the Company for the financial year ending 31 March 2016 and the two succeeding financial years.

This statement assumes that the Company continues to operate primarily as an electricity network company while investigating business opportunities within the utilities sector. Any changes that may result from further electricity reforms or regulatory requirements initiated by Government legislation have not been factored in.

The Statement of Corporate Intent is submitted in accordance with the provisions of sections 39 and 40 of the Energy Companies Act 1992 (the "Act").

Network Waitaki Limited, and any Subsidiary and Relevant Subsidiary Companies (if any) are referred to as "the Company" throughout this Statement of Corporate Intent.

Network Waitaki Limited is an energy company (as that term is defined in the Energy Companies Act 1992). This Statement of Corporate Intent sets out the overall intention and objectives for the Company for the period 1 April 2015 to 31 March 2016 and the two succeeding financial years and is prepared in accordance with Section 39 (2) of the Energy Companies Act 1992.

2. The Objectives of the Company

- **Mission statement**

- *To be a locally-owned and operated electricity distribution company that provides the benefits of local consumer trust ownership by:*
 - owning and operating a safe, reliable and efficient distribution system that meets the evolving needs of its consumers, in accordance with the Asset Management Plan;
 - supporting the economic growth and wellbeing of the community it serves.

- **Principal objectives**

- *Shareholders*
 - To pursue policies which will secure the Company's financial position as a consumer trust-owned business for present and future consumers.
- *Consumers*
 - To provide consumers with the delivery of a safe, efficient and reliable electricity distribution system.
- *Health and Safety*
 - To provide a safe and reliable network and a safe and healthy work environment for all employees, contractors, and visitors.
- *Efficient Use of Resources*
 - To promote the efficient use of energy as required under the Energy Companies Act 1992 clause 36 (2);
 - To efficiently and effectively utilise the resources of the Company.
- *Public and Social Responsibility*
 - To be a good corporate citizen by being a law abiding company; and
 - Supportive of activities that provide economic growth in the area serviced by the network.
- *Employer*
 - To be an equal opportunity employer;
 - To recruit and retain competent, motivated, committed staff;
 - To provide training opportunities that will enable individual staff members to attain their fullest potential in the service of the Company.
- *Environmental*
 - To ensure compliance with the Resource Management Act;
 - To operate in a way that minimises the impact on the environment.
- *Compliance*
 - To continue with our comprehensive compliance programmes currently in place and to comply with all obligations under relevant legislation and regulators.

3. The Nature and Scope of Activities of the Company will be:

- to operate, maintain, upgrade, expand the Company's electricity distribution network business and develop transmission connection assets to meet the demands of electricity consumers in the region supplied by the Company;
- to investigate and evaluate profitable additional business opportunities within the utilities sectors and legislative frameworks. Such investments, other than investments in the safe, efficient, reliable and cost-effective delivery of energy including transmission connection asset, will be subject to consultation with the Company's shareholders;
- to own and operate a metering facility.

4. The Ratio of Consolidated Shareholders' Funds to Total Assets & Definitions of those Terms.

The ratio of shareholders' funds to total assets shall be maintained at not less than 70 per cent. This ratio may be revised should the Company have the opportunity to invest in a major capital expenditure.

Total assets will comprise all the recorded tangible and intangible assets of the Company at their current book value as defined in the Company's Statement of Accounting Policies.

Consolidated shareholders' funds of the Company will comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

5. The Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 1993 and be consistent with generally accepted accounting principles. Financial Statements will conform to the Financial Reporting Standards as required by the Financial Reporting Act 1993.

Details of the current accounting policies and their application are contained in the Network Waitaki Company Annual Report for the year ending 31 March 2014.

6. The Company's Performance Targets and Other Measures

A summary of budgeted financial performance, financial position and other financial measures and performance statistics for the 2015-2016 financial year and the forecast for the following two financial years for the Network Waitaki Company are provided for in the following tables.

The Company accounts represent the financial performance of Network Waitaki Limited.

Network capital and maintenance expenditure are consistent with the estimates provided in the Asset Management Plan and include required sub-transmission development.

An investment in Smart Meters representing the replacement of all old technology electricity meters throughout the region has been provided for.

For readers information a summary capital expenditure and the funding of this expenditure is contained in Appendix B.

	Budget for Year Ended 31 March 2016	Projected for Year Ended 31 March 2017	Projected for Year Ended 31 March 2018
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Income Statement			
Operating Revenue	24,867,633	26,714,183	27,248,466
Cost of Sales	(11,475,771)	(13,086,822)	(13,358,164)
Gross Profit	13,391,862	13,627,361	13,890,302
Gross Profit Percentage	54%	51%	51%
Operating Costs	(5,054,206)	(5,190,009)	(5,322,589)
Depreciation	(4,593,868)	(4,910,010)	(5,241,369)
Net Profit from Operational Activities	3,743,788	3,527,341	3,326,344
Discount	(1,500,000)	(1,500,000)	(1,500,000)
Net Profit from Operational Activities after Discount	2,243,788	2,027,341	1,826,344
Taxation	(658,500)	(881,090)	(840,860)
Net Profit After Tax	1,585,288	1,146,251	985,484
Capital Contributions	1,800,000	1,800,000	1,800,000
Net Profit after Capital Contributions	3,385,288	2,946,251	2,785,484
Retained Surplus for the year	3,385,288	2,946,251	2,785,484

	Budget for Year Ended 31 March 2016	Projected for Year Ended 31 March 2017	Projected for Year Ended 31 March 2018
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Balance Sheet			
Shareholders' Equity	79,955,288	82,751,300	85,537,300
Current Assets	10,160,000	5,626,000	4,524,000
Current Liabilities	2,577,000	2,925,000	3,035,000
Working Capital	7,583,000	2,701,000	1,489,000
Non-Current Assets	84,601,000	91,645,000	95,143,000
Non-Current Liabilities	12,228,712	11,594,700	11,094,700
	72,372,288	80,050,300	84,048,300
Net Assets	79,955,288	82,751,300	85,537,300

Key Financial Performance Measures			
NPBT to Shareholder Funds	5.06%	4.63%	4.24%
Net Assets Per Share	\$5.71	\$5.91	\$6.11
Earnings Per Share Before Tax	28.88 cents	27.34 cents	25.90 cents
Ratio of S/holders' Funds to Total Assets	84.38%	85.07%	85.82%
Network Operating Cost per ICP	\$397.31	\$401.29	\$405.30
Rate of Return After Tax on Shareholder Funds	4.23%	3.56%	3.26%
Direct Cost per Circuit km of Line	\$1,862.65	\$1,881.28	\$1,900.09

Network Non-Financial Performance Measures			
System Average Interruption Duration Index	116.50	116.50	116.50
System Average Interruption Frequency Index	1.54	1.54	1.54
Customer Average Interruption Duration Index	75.64	75.64	75.64
Line Loss	6.00%	6.00%	6.00%

7. Financial Distribution

Dividend Policy

The policy on apportioning net profits distributed to shareholders will be determined by the directors from time to time in accordance with the yearly results and prevailing circumstances, with the objective of ensuring that the company retains an appropriate level of earnings and funds for profitable investment in the Company's business.

The directors will include within their report on the operations of the Company (prepared after the end of each financial year) a statement recommending the maximum amount of dividend (if any) payable by the Company in respect of its equity securities.

The directors may distribute to the shareholders any financial surpluses not needed for the operation and development of the business, to ensure the security of the network in case of a disaster and to take advantage of investment opportunities.

Discount Policy

Network Waitaki Limited will discount line charges when Directors believe the yearly results and prevailing circumstances, will allow the discounting of charges while retaining sufficient funds to allow the appropriate level investment in the Company's business. In setting the discretionary discount the Directors' believe that the discount will:

- maintain the Parent's line charges and associated profit level within the electricity industry requirements;
- promote consumer goodwill;
- encourage greater utilisation of Network Waitaki's electricity distribution network; and
- promote consumer perception of Network Waitaki as a corporate body which makes a positive contribution to the community.

The discount will be made up of discretionary and/or non-discretionary amounts. The non-discretionary amount is established when setting the Network Lines Tariff.

8. Information to be provided to the Shareholders of the Company during the course of those financial years, including the information to be included in each Quarterly Report.

The directors will provide information to shareholders as required by The Companies Act 1993, the Financial Reporting Act 1993, the Energy Companies Act 1992 and New Zealand International Financial Reporting Standards.

The Company includes any relevant subsidiary of the Company.

A company is a Relevant Subsidiary of another company if:

- (a) That other company holds more than 20% of the issued shares of the company;

OR

- (b) The company is a subsidiary of a company that is that other company's Relevant Subsidiary.

8.1 The following information will be made available:

A. *Annual Report*

The Annual Report for the Company, its subsidiaries and associated companies (if any) will be submitted to Shareholders within three months of the end of the financial year and will include:

- (a) a report by the directors of the operations of the Company, its subsidiaries (if any) and relevant subsidiaries (if any) during the financial year; and
- (b) audited financial statements for the financial year in accordance with New Zealand International Financial Reporting Standards;
- (c) an Auditor's Report on the financial statements and the performance targets and other measures by which the performance of the Company has been judged in relation to the objectives.

The information to be contained in the above report shall be sufficiently detailed so as to enable an informed assessment to be made of the operations of the Company, its subsidiaries (if any), and relevant subsidiaries (if any) including a comparison of the performance criteria provided in the Company's Statement of Corporate Intent.

The audited consolidated financial statements will include:

- 1. Balance Sheet; and
- 2. Profit and Loss Statement; and
- 3. Statement of Cash Flows; and
- 4. Such other information as may be necessary to fairly reflect the financial position of the Company, its subsidiaries (if any) and relevant subsidiaries (if any).

B. *Quarterly Report*

Three quarterly reports will be submitted to shareholders within eight weeks after the end of each quarter. These reports will provide shareholders with timely information on the financial position and operations of the Company with a comparison of actual results and forecasts. They will be un-audited and in an abbreviated form.

Further information or reports will be supplied to shareholders from the directors concerning issues of interest and where the information required relates to a decision to be made by the shareholders.

C. *Statement of Corporate Intent*

A draft Statement of Corporate Intent will be delivered to the trustees of the Waitaki Power Trust as shareholders of Network Waitaki Limited no later than 1 month after the commencement of each financial year.

9. The procedures to be followed before the Directors of the Company subscribe for, purchase, or otherwise acquire shares in any company or other organisation.

The directors will only consider the acquisition of shares in other companies or organisations where such acquisition is consistent with the long-term commercial objectives of the Company.

The directors of the Company will consider an acquisition of shares in the following circumstances:

- (a) to better manage risk in the best interest of the Company and its shareholders;
- (b) where, in the directors' opinion, the acquisition is in the best interests of the Company in terms of creating wealth or potential wealth for the shareholders; and
- (c) under other circumstances which, in the opinion of the directors, are in the best interests of the Company.

The directors will not authorise the Company to acquire shares in any other company or organisation without the prior written consent of the majority of shareholders in the Company.

10. *Details of Related Party Transactions*

Network Waitaki Limited and Network Waitaki Contracting Limited amalgamated on 1 April 2015.

11 Such other matters as are agreed by the Shareholders and the Directorate

11.1 Procedure for acquisition and disposal of assets

The directors' of the Company will not make an acquisition or disposal of non-electricity distribution assets (by a transaction or series of related transactions) if the value of the assets is greater than \$2,500,000 without first consulting with the Company's shareholders.

11.2 Community interest

The Company is conscious that spending on sponsorships or charitable activities is an indirect cost on consumers. However, the Company may be involved in modest sponsorship activities where these activities are related to the commercial objectives of the Company and in line with the Company's sponsorship policy.

11.3 Appointment of Directors to Subsidiary Companies

The Company will not appoint any person as a director of any subsidiary of the Company (if any) or relevant subsidiary (if any) of the Company (or remove any person from office as a director) without first consulting with the shareholders of the Company.

11.4 Issue of shares

The directors' will not authorise the issue of shares to any person or grant to any person options in respect of any share in Network Waitaki Limited, without first obtaining the approval of Trustees in accordance with the Waitaki Power Trust Deed Clause 9.10.

The directors' will not authorise the issue of shares to any person or grant to any person options in respect of any share in any subsidiary of Network Waitaki Limited without first consulting with the Company shareholders.

Appendix A: Assumptions to the Financial Statements

- a) Financial forecasts are based on the Company continuing in its projected business structure and scope.
- b) Revenue and expenditure projections assume no extraordinary breakdowns in the Company's lines network system.
- c) Transactions between members of the Company will be at normal commercial terms.
- d) Network, Metering, Land and Building assets are valued at a deemed cost less any subsequent depreciation.
- e) No changes will occur from electricity reforms or regulatory requirements.
- f) In line with the Asset Management Plan (AMP) no allowance has been made for the effect of inflation on financial performance of the Company.
- g) Expected, increased revenue resulting from higher utilisation of the network reflects the assumptions made in the AMP.
- h) This Statement of Corporate Intent assumes the merger of Network Waitaki Contracting Limited with Network Waitaki Limited takes place on 1 April 2015.

Appendix B: Capital Expenditure

Projected Capital Works Programme

The Company has a capital works programme to meet increasing system demand, reliability expectations and renewal of existing transmission lines and substation equipment. The Network Waitaki Asset Management Plan (AMP) details assumptions associated about capital expenditure associated with network activities.

The budgeted capital expenditure for the year ended 31 March 2016 is \$10,087,140.

The 3 year capital budget excludes all potential research and development other than for smart metering.

Advanced Meters

Network Waitaki Limited aims to develop a solution for the drive towards advanced meters.

Network Waitaki Statement of Corporate Intent from 1 April 2015 to 31 March 2016

Capital Investment			
	Year ended 31 March 2016	Year ended 31 March 2017	Year ended 31 March 2018
Network Investment			
System Growth			
66kV line Awamoko - Ngapara (Plan& Design)	10,000	-	-
Tighten Earthquakes Feeder	10,000	-	-
Upgrade 1km of Haka Feeder for Haka Scheme	50,000	-	-
Purchase land for Five Forks Zone Substation	75,000	-	-
Five Forks Zone Substation Geo tech and Design	15,000	-	-
Install 10/12 Tx at Kurow (ex Redcastle)	240,000	-	-
Install Distribution Transformers - Ld growth	80,000	80,000	80,000
Reconductor McHenry's Road - Stn Pk Feeder - Stage 2	300,000	-	-
Duntroon Termination at 33kV for Kurow 66kV Line	100,000	-	-
Kurow 33kV bus and CB bay for line to Duntroon	280,000	-	-
Kurow installation of 11 kV switchboard (6 CBs)	400,000	-	-
66kV line Duntroon - Ngapara (Plan, & Design)	10,000	-	-
66kV line Duntroon - Awamoko (Plan, Design, Easement Agreements)	10,000	-	-
33kV line Enfield to Five Forks - 11 km (Plan, Design, Easement Agreements)	15,000	-	-
66kV line Kurow - Duntroon Stage 2	2,200,000	-	-
WTK GXP - Stage 1 (PC Sum)	1,000,000	-	-
3 Pot 150A 11kV Voltage Boosters & Automation	110,000	120,000	-
WTK GXP - Stage 2	-	-	800,000
66/33/11 kV Substation - Awamoko	-	-	1,700,000
66kV line Ngapara - Awamoko 13km	-	-	1,680,000
33kV line to Five Forks - 15 km	-	1,500,000	-
New 7MVA Sub at Five Forks	-	1,700,000	-
Total	4,905,000	3,400,000	4,260,000
Reliability, Safety & Environment - Quality of Supply			
New Recloser on Solway Feeder	25,000	-	-
Fibre for Hampden (to fix radio comms issue here)	20,000	-	-
Fibre for Pukeuri	50,000	-	-
Replace Ohau 11kV oil switches with Halo RMU	65,000	-	-
Retrofit RPS Switchgear covers for safer racking in/out	15,000	-	-
TWZ/Kurow/Parsons Ripple isolation Project	45,000	-	-
Replace 1 X 551 relay and unsafe protection panel	28,000	28,000	28,000
1 x Trimble GPS Unit	15,000	-	-
2 x Linak SD2 RMU remote actuators	12,000	-	-
Rural switch gear, install fault indicators, and other minor rural protection changes	30,000	30,000	30,000
Purchase and Install Reclosers/Sectionalisers/Tie Switches	45,000	35,000	35,000
Replace Reclosers R650 and R654 and reuse elsewhere	60,000	-	-
UG Ducting HV LV Fibre (General)	15,000	25,000	25,000
Ferry Road Feeder - Upgrade from Mink to Dog	270,000	-	-
Differential Zone Transformer Protection	18,000	12,000	-
Zone Substation Info. System & Protn. (Two Subs per year)	30,000	30,000	-
Arc Flash Protection (Weston 33, Chelmer, Redcastle)	60,000	40,000	40,000
PV Trial	50,000	-	-
Duplicate 33kV DC-DC Power Supply	-	8,000	-
Omarama - Replace 11kV Oil switches with CBs	-	140,000	-
Omarama - Second 33 kV CB (1 for each Tx)	-	280,000	-
Install 4 x ABS	-	24,000	24,000
Line differential Protection Weston - Chelmer	-	135,000	-
Radio Link Upgrade	-	-	258,000
Total - Reliability, Safety & Environment - Quality of Supply	853,000	787,000	440,000
Reliability, Safety & Environment - Legislative & Regulatory			
Distribution Box Replacement (incl. J boxes - BF)	\$ 50,000	\$ 50,000	\$ 50,000
Total - Reliability, Safety & Environment - Legislative & Regulatory	\$ 50,000	\$ 50,000	\$ 50,000
Total	903,000	837,000	490,000
Asset Replacement & Renewal			
Investigate and Replace Coastal Copper (e.g. Beach Road)	50,000	-	-
Install Distribution Transformers - Cond Repl	120,000	120,000	120,000
Urban Reinforcement/Replacement LV	50,000	75,000	75,000
Urban Upgrade (General)	30,000	50,000	50,000
Rebuild Moeraki Kaikes	60,000	-	-
Distribution Pole Replacements	540,000	500,000	600,000
Replace 110V Battery Banks & Chargers (Kurow, Omarama, Otematata, Duntroon)	24,000	-	-
Install 11kV Fuses/Links/LAs	120,000	75,000	75,000
Install 5 x ABS	30,000	-	-
Replace 1 x Oil RMUs	60,000	-	-
Replace 1 x Transformer enclosure conversions	30,000	60,000	-
Subtransmission Pole Replacements	60,000	50,000	50,000
Replace 2 x Oil RMUs	-	40,000	40,000
Rebuilds Due to Line Condition	-	75,000	75,000
Rebuild Tapui/Fuchsia 11kV Feeder	-	450,000	-
Total	1,174,000	1,495,000	1,085,000
Customer Connection			
Install Distribution Transformers - Customer	320,000	320,000	320,000
New 11kV Network Extensions	100,000	100,000	100,000
New LV Service Connections	100,000	85,000	85,000
Total	520,000	505,000	505,000
Asset Relocations			
Total	-	-	-
Labour to Capital	83,000	85,905	88,912
Total Network Investment	7,585,000	6,322,905	6,428,912
Non-Network Investment			
Metering and Relays	1,275,140	3,300,000	700,000
Non-network projects	1,227,000	1,495,000	1,040,000
TOTAL	10,087,140	11,117,905	8,168,912

Funding of Capital Expenditure from 2016 to 2018 years			
	Budget for Year Ended 31 March 2016	Projected for Year Ended 31 March 2017	Projected for Year Ended 31 March 2018
Capital requirements for the 2016-2018 years			
Network related capital investment	7,585,000	6,322,905	6,428,912
Meters and Relays	1,275,140	3,300,000	700,000
Non-network capital investment	1,227,000	1,495,000	1,040,000
Capital requirements for the 2016-2018 years	10,087,140	11,117,905	8,168,912
Funded From Current Year's Operation			
Depreciation	4,593,868	4,910,010	5,241,369
Retained Earnings (including Capital Contributions)	3,385,288	1,146,251	985,484
Total funding from current year's operation	7,979,156	6,056,261	6,226,853
Retained Earnings - from previous years	2,107,984	5,061,644	1,942,058
Total funding	10,087,140	11,117,905	8,168,912