



STATEMENT OF CORPORATE INTENT

For the Period: 1 April 2021 – 31 March 2022

Network Waitaki Limited
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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 2022 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 2020 to 31 March 2021 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

Our vision

Powering a vibrant Waitaki

Our mission

Promoting regional growth and wellbeing through the provision of innovative and sustainable energy solutions for our customers

Our principal objectives

To preserve and grow the value of the business for the long term benefit of consumers

Health and Safety

- To ensure that no harm comes to our people or members of the public as a result of our operations and assets;
- To maintain safe plant, equipment and systems of work to keep our people safe by elimination of risks, or where reasonably practicable or minimise them with effective management;
- To maintain an accredited public safety management system in accordance with NZS7901;
- To have programmes in place to ensure the health and wellbeing of our people.

Our people and culture

- To be the employer of choice in North Otago and amongst our industry;
- To attract and retain top talent;
- To train and develop our people to meet current and future business needs;
- To be an equal opportunity employer promoting inclusiveness and diversity;

Our customers and community

- To be the service provider of choice for our customers, providing safe, reliable, cost effective and innovative solutions;
- To maintain a positive profile in our community and ensure there is clear value in Trust ownership;
- To provide electricity consumers with a safe, efficient and reliable electricity distribution system;
- To be supportive of activities that provide economic growth and wellbeing in our network area;

Building a sustainable future

- To operate the business in a commercially sustainable manner and use company resources in an efficient manner;
- To preserve and grow the value of the business for the long-term benefit of consumers;
- To provide dividends, discounts and community support activities in accordance with the shareholder's wishes;
- To promote the efficient use of energy as required under the Energy Companies Act 1992 clause 36 (2);
- To operate in a way that minimises the impact on the environment and ensure compliance with the Resource Management Act;
- To comply with all obligations under relevant legislation and regulations.

3. The nature and scope of activities of the Company will be:

- to operate, maintain, upgrade and expand the Company's electricity distribution network and develop transmission connection assets to meet customer requirements;
- to provide electrical construction and maintenance services;
- to own and operate electricity metering assets and provide metering services to customers and energy retailers;
- to own and operate a fibre optic network within the Waitaki area and develop this to meet customer requirements;
- to investigate, evaluate and undertake profitable additional business opportunities within the energy, utilities and infrastructure sectors, with a total investment level or financial exposure not exceeding \$2,500,000;

Investments in activities other than those outlined above will be subject to receiving prior written consent from the majority of the Company's shareholders

4. The ratio of Consolidated Shareholders' Funds to Total Assets and definitions of those terms.

The ratio of shareholders' funds to total assets shall be maintained at not less than 60 per cent. This ratio may be revised on receiving prior written consent from the majority of the Company's shareholders should the Company have the opportunity to invest or undertake 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 2013.

Details of the current accounting policies and their application are contained in the Network Waitaki Company Annual Report for the year ending 31 March 2020.

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 2021-2022 financial year and the forecast for the following two financial years for Network Waitaki Limited 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.

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

Network Waitaki Statement of Corporate Intent - 1 April 2021 to 31 March 2022

Network Waitaki Profit and Loss			
	<i>year end 31 March</i>		
	<i>2022</i>	<i>2023</i>	<i>2024</i>
Revenue			
Revenue excluding Customer Contributions	25,638,686	27,300,097	29,106,355
Customer Contributions	1,618,939	1,357,436	1,357,436
Total Revenue	27,257,625	28,657,533	30,463,791
Operating Expenses			
Expenses excluding Depreciation	(15,529,109)	(16,441,260)	(18,544,526)
Depreciation	(5,218,518)	(5,843,935)	(5,938,777)
Total Operating Expenses	(20,747,627)	(22,285,195)	(24,483,302)
Operating Profit	6,509,999	6,372,338	5,980,488
Net Interest Income / (Expense)	(107,181)	(490,811)	(574,212)
Discount	(1,000,000)	(1,000,000)	(1,000,000)
Net Profit before Tax	5,402,818	4,881,527	4,406,276
Provision for Taxation	(1,512,789)	(1,366,828)	(1,233,757)
Net Profit after Tax	3,890,029	3,514,699	3,172,519

Network Waitaki Balance Sheet			
	<i>year end 31 March</i>		
	<i>2022</i>	<i>2023</i>	<i>2024</i>
Total Equity	105,712,165	109,226,865	112,399,383
Current Assets	5,413,451	6,451,078	6,159,794
Current Liabilities	(2,861,184)	(2,907,460)	(3,080,003)
Working Capital	2,552,267	3,543,618	3,079,791
Non-Current Assets	121,920,882	132,243,507	137,671,130
Non-Current Liabilities	(18,760,984)	(26,560,260)	(28,351,538)
Net Assets	105,712,165	109,226,865	112,399,383

Financial performance measures – a core objective is to operate as a successful business and shareholders expect it to make a profit, therefore financial performance measures are necessary.

A mandated financial performance measure is the rate of return on shareholders' funds after payment of tax, as section 39(2)(e) of the Energy Companies Act 1992 requires it.

We have also included other financial performance measures as follows:

Network Waitaki			
Key Financial Performance Measures			
	<i>year end 31 March</i>		
	<i>2022</i>	<i>2023</i>	<i>2024</i>
NPBT to Shareholder Funds	5.11%	4.47%	3.92%
Net Assets per Share	\$7.55	\$7.80	\$8.03
Earnings per Share before Tax	38.59 cents	34.87 cents	31.47 cents
Ratio of Shareholder Funds to Total Assets	83.02%	78.75%	78.15%
Rate of Return after Tax on Shareholder Funds	3.68%	3.22%	2.82%

Health and safety measures – a core objective is to ensure that no harm comes to our people or members of the public from our assets and operations. We have selected the following performance measures:

- industry standard measures of Lost Time and Total Recordable injury frequency rates,
- ongoing accreditation of our NZS7901 Public Safety Management System,
- accreditation for our health and wellbeing program in collaboration with Work Well,
- independent critical risk reviews by subject matter experts, and ongoing accreditation with SiteSafe to provide confidence to clients that our health and safety management systems meet and exceed industry standards.

For both our LTIFR and TRIFR measures, we have a target of zero harm, although in reality minor incidents do occur, and our position is to improve our performance year on year and to outperform industry measures. Our focus is on improving performance by controlling our critical safety risks and minimising the severity of injuries which do occur.

	2021-22	2022-23	2023-24
Lost Time Injury Frequency Rate (LTIFR)	1.20	1.10	1.01
Total Recordable Injury Frequency Rate (TRIFR)	2.40	2.15	1.96
Public Safety Management System accreditation (NZS7901)	Achieved	Maintain	Maintain
Review of Critical Risks	4	4	4
WorkWell (Health and Wellbeing) Program Accreditation	Bronze	Silver	Gold
SiteSafe Contractor Accreditation	Achieved	Maintain	Maintain

Reliability measures – a core objective of an electricity distributor is to reliably distribute electricity to consumers. The most commonly used measures of network reliability are System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI).

	2021-22	2022-23	2023-24
SAIDI minutes (unplanned)	45	45	45
SAIDI minutes (planned)	105	105	105
SAIDI minutes total	150	150	150
SAIFI (unplanned)	0.8	0.8	0.8
SAIFI (planned)	0.4	0.4	0.4
SAIFI total	1.2	1.2	1.2

Note that the systems used to collect reliability data are manual in nature and as such have inherent limitations but we believe they remain the most cost-effective method available to us at present. Manual systems are widely used throughout our sector and even with their inherent limitations they are still considered suitable to give an indication of network reliability.

7. Financial Distribution

Dividend Policy

The policy on apportioning net profits distributed to the shareholders, who are the Trustees of the Waitaki Power Trust, 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 or 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 budget for an annual discount that meets the requirements of the Waitaki Power Trust Deed. A Statement of Intention to Pay Discount will be published on the company website prior to the commencement of each financial year. In setting the discounts the directors believe that the discounts will:

- will meet the requirements of the Waitaki Power Trust Deed;
- maintain the Company'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.

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 2013, 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.

The following information will be made available:

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;
- (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).

Quarterly Report

Three quarterly reports will be submitted to shareholders within eight weeks of 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 by the directors, concerning issues of interest and where the information required relates to a decision to be made by the shareholders.

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 before 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 Company Transactions

Network Waitaki Limited intends to continue to engage with Whitestone Contracting Limited, a related party due to a common Director, to provide civil works services on an arms length basis, consistent with prior and recent practice. Contestable pricing will be sought on larger works.

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 prior written consent from the majority of the Company's shareholders.

11.2 Community sponsorship, support and engagement

The Company is an integral part of the community - through its Trust ownership structure and also the significant role it plays in the community as both a service provider and employer. The Company may be involved in modest community sponsorship activities and the funding of community initiatives where these activities are related to the strategic objectives of the Company.

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 receiving prior written consent from the majority of the Company's shareholders.

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 9.11.

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 receiving prior written consent from the majority of the Company's 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) Network, Fibre, Metering, Land and Building assets are valued at a deemed cost less any subsequent depreciation.
- d) No changes will occur from electricity reforms or regulatory requirements.
- e) Forecast revenues are based on the average of the three previous years' energy volumes transported plus forecast growth from new connections.

Appendix B: Capital Expenditure

Projected Capital Works Programme

The Company has a capital works programme to meet safety, reliability and increasing system demand. The Network Waitaki Asset Management Plan (AMP) details assumptions associated with capital expenditure and network activities.

The budgeted capital expenditure for the year ended 31 March 2022 is \$17,231,566.

Network Waitaki Capital Expenditure			
	<i>year end 31 March</i>		
	2022	2023	2024
System Growth	2,652,000	4,364,000	2,950,000
RSE Quality Of Supply	1,173,632	1,128,451	742,037
RSE Legislative & Regulatory	814,046	239,866	239,866
Replacement & Renewal	4,415,860	4,182,204	4,892,330
Consumer Connection	1,301,027	1,301,027	1,301,027
Asset Relocations	299,570	-	-
Total Core Network Capital Expenditure	10,656,135	11,215,549	10,125,260
Non Network Capital Expenditure	6,575,432	4,981,011	1,241,140
Total Capital Expenditure	17,231,566	16,196,560	11,366,400

Network Waitaki Capital Funding			
	<i>year end 31 March</i>		
	2022	2023	2024
Network Capital Investment	10,656,135	11,215,549	10,125,260
Non Network Capital Expenditure	6,575,432	4,981,011	1,241,140
Total Capital Requirements	17,231,566	16,196,560	11,366,400
Funded from			
Depreciation	5,218,518	5,843,935	5,938,777
Capital Contributions	1,618,939	1,357,436	1,357,436
Retained Earnings (from current year)	2,271,090	2,157,264	1,815,083
Total Funding from Current Year's Operations	9,108,546	9,358,634	9,111,295
Cash Reserves	7,123,020	(1,162,074)	255,105
Debt Funding	1,000,000	8,000,000	2,000,000
Total Funding	17,231,566	16,196,560	11,366,400