

Statement of Corporate Intent



2016 / 2017

Statement of Corporate Intent 2016/2017

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1.0 Overview

This document overviews the strategic and tactical business plans and performance targets for The Lines Company Limited (TLC). The information provided is within the scope defined in Section 39 of the Energy Companies Act 1992.

1.1 Core focus

Strategically TLC's core focus is on ensuring that its assets are performing and producing the necessary returns for stakeholders.

1.2 Vision, Goals, Values

Vision

To provide a sustainable service to all our customers and communities. This service shall deliver a return to the shareholder, preserving the current regulated network and expanding beyond the existing network borders.

Goal

To become the company most respected for successfully adapting and changing the way that energy infrastructure services are supplied in the rural environment.

Values

By utilising our core values of innovation, competence and accountability we will deliver all services with unyielding pride and be passionately focused on driving customer success while maintaining environmental and community focus with an unwavering safety consciousness.

1.3 The environment

At the macro level the global political and the international trends which prioritise environmental matters will influence electricity distribution businesses in NZ.

Solar generation, batteries, more efficient appliances, the internet, communications, automation and electric vehicles are going to change the way electrical energy is distributed in the future.

The industry is poised for change, driven by macro-economic factors and technology evolution that are beyond the industry's ability to control. It is expected that these changes will fundamentally shift the way distribution businesses operate, invest and perform over the next 20 to 30 years.

The customer value requirements are going to be amplified as are the technical complexities of managing a network. The details of the impacts are difficult to predict but what is known is that significant unwinding and rebuilding of the present industry business and regulatory structures will be needed. The reality is that this will take time.

1.4 TLC's positioning

In terms of TLC's investment in assets, the core network value is effectively locked down by Commerce Commission regulation. The value of the generation investment will self-adjust with the changing energy rates. The opportunities are seen as the technologies that make things simple for customers and provide choice.

A key metric for any business is its return on investment. TLC's rate of return is low and strategies to improve this position will need to attract focus during the planning period.

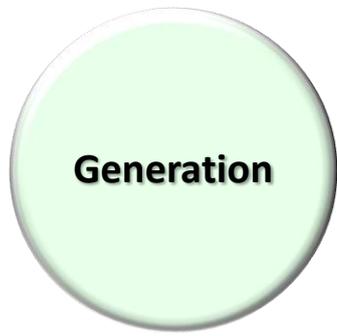
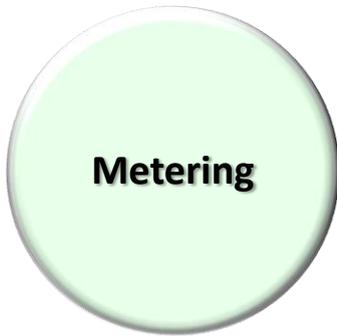
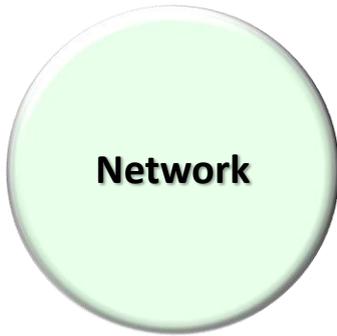
TLC has deployed a service based pricing strategy ahead of the industry. The company also needs to continue to address the business basics (with a focus on a capacity and demand charging methodology that customers can accept), and look to the future. It is important that TLC reads the industry ahead of time to ensure it maximises company value through investments in technology that make the changing world more understandable for customers.

A recent discussion document on the implications of evolving technologies for pricing of distribution services, authored by the Electricity Authority and released in late 2015, favours a service based approach that includes demand and capacity elements. This paper signalled that the regulator views TLC's approach as a way forward that minimises customer revenue pressures. The risk of regulatory intervention to force the company to go back to the historic volumetric approach has thus reduced.

Although the rate of industry change is expected to be slow, in the initial stages, the role of the distribution company to act as community advisor (simplifying complex issues) and as an enabler of customer value (optimising the deployment and management of new customer centric technologies) has never been more important. Without direct involvement, it is likely if not inevitable that the deployment of energy technology such as solar panels and batteries will distort costs in the industry rather than reduce them. TLC sees itself playing a leading role in facilitating and optimising technological change for its customers going forward, with an underlying objective of improving the Company's levels of community trust in the organisation and subsequently longer term profitability.

1.5 The future

TLC has prepared itself well for this change. The Company has continued to evolve, while maintaining and improving financial performance. This can only be achieved by having a community focus and employing good people, with appropriate tools, knowledge, attitude and leadership qualities.



thelines
company



2.0 Nature and Scope of Activities

The Company's core business is owning and operating an electricity distribution business in the Waitomo and King Country region of New Zealand's North Island.

As well as keeping power flowing to homes and businesses in the region it also has invested in an electrical contracting, metering and generation business. These three businesses are not constrained to the network area.

TLC is owned by the Waitomo Energy Services Customer Trust. Three trustees are elected by customers within a gazetted area (Hangatiki and Whakamaru). These trustees then appoint one further trustee. The major customers within the same gazetted area also elect two trustees. The Head Office is in Te Kuiti with depots in Taumarunui, Turangi, Ohakune and Mangakino.

2.1 Network

The network business provides a distribution service to connected customers. The distribution area covers 13,700 km² and is one of the largest network areas in New Zealand with no major urban centre. TLC specialises in providing electrical capacity to rural and sparsely populated areas, including to the highest points in the North Island of New Zealand (the Turoa and Whakapapa ski fields on Mount Ruapehu). The major challenges facing TLC's network are maintaining supply quality, reliability and customer service that is sustainable and affordable to our communities.

Figure 1 (over) illustrates the geographical area within which TLC network assets are located and key physical attributes.

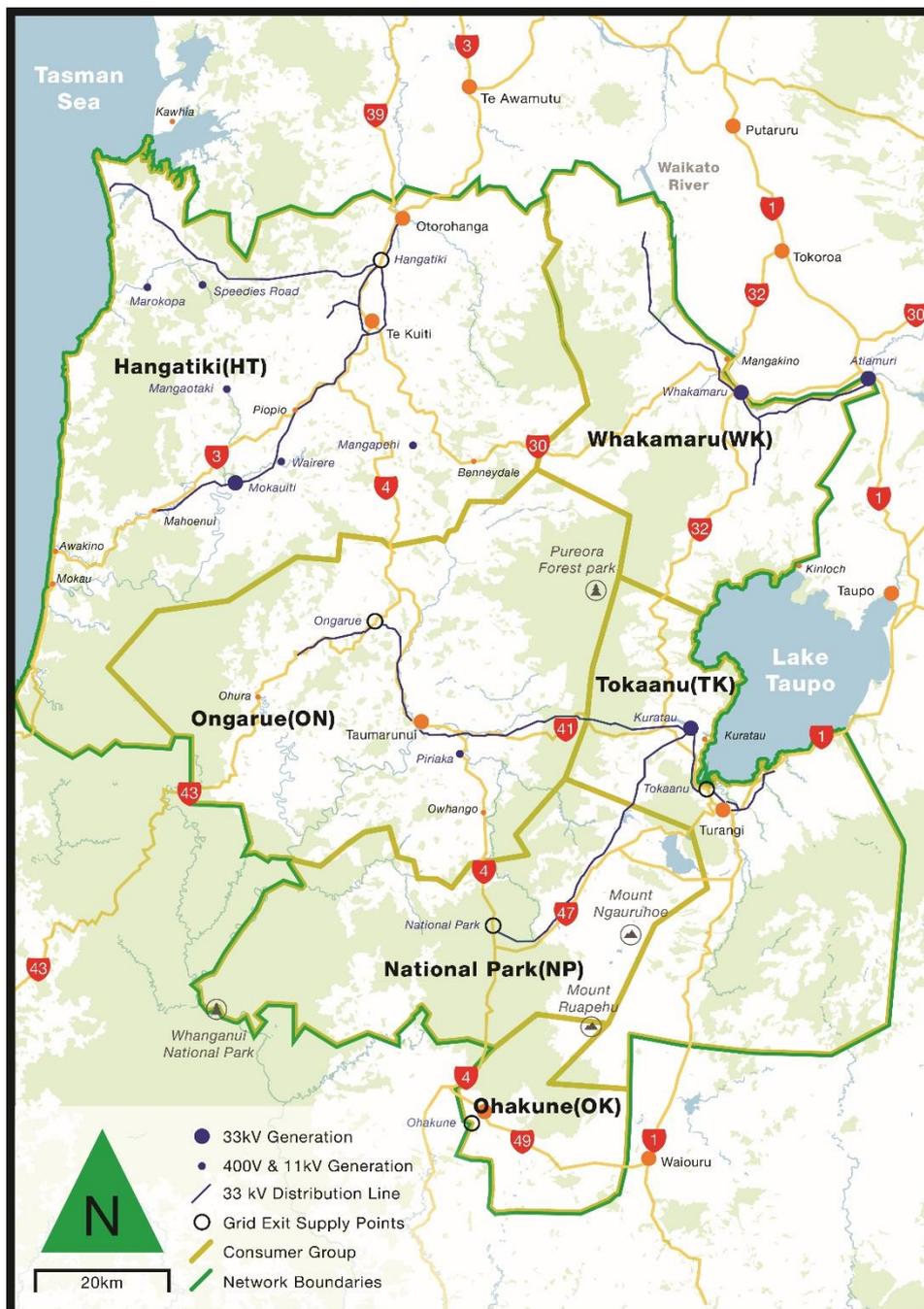


Figure 1: Geographical area within which network assets are located and key physical attributes.

Network Challenges

Depopulation is occurring in the King Country while the supply requirements today are more substantial and complex than needed by the population of 50 years ago. Today the majority of appliances and equipment have some form of data processor or sophisticated electronics within their core functions, and thus requires greater supply quality and reliability.

There are other issues also having an impact, for example environmental policies requiring that farmers fence rivers and streams, excluding stock from drinking water out of these directly. Farmers have to pump water to their stock, which means they need reasonably sized and reliable pumps that often need to be capable of getting 100,000 litres per day to their stock. The reality is that it is not practical to do this with alternative power supplies.

With the arrival of small scale solar generation, electric vehicles and battery technologies, there is strategic pressure on the network business. The need to generate enough revenue to maintain existing assets while maintaining moderate future prices, means minimising capital requirements by controlling demand is important. Also important to customers is the total energy and power delivery package cost (delivered energy) and thus the focus on enabling retailers to sell energy directly to customers without the impediment of having to pass on the complexities of network pricing structures.

Today’s customers are demanding more transparency of costs. Technology has provided tools to allow the analysis and breakdown of cost drivers. People want to pay as close as possible to the real cost and not pay a proportion of someone else’s costs. They also want convenient tools such as mobile applications to simplify the complexities and allow them to make informed choices at their convenience.

The implications of the legislation around particularly the High Voltage lines that individual customers are responsible for is recognised by the company. TLC identifies and notifies landowners of their liabilities as part of its rolling 15 year line renewal program. TLC also completes repair work for landowners who choose to pay as required. When hazardous aged lines are found and the landowner refuses to pay, the safety regulator is notified.

The ownership and maintenance of electricity distribution is a natural monopoly and as a consequence the industry is regulated and overseen by various pieces of government legislation.

TLC’s prices and quality are regulated by the Commerce Commission to provide consumer protection and a fair rate of return. The revenue required needs to be in line with the investment in the network and the funding needs of the business, mindful that the network is a long term asset and decisions now will affect future generations.

The key Metrics of the network business are listed in Table 3:

Line and Cable length (All voltages):	4,251km
Asset Regulatory Value:	\$175,959,000
Distribution Transformer capacity:	240 MVA
Connected customers:	23,595 (Ave. for disclosure year)
Growth in connected numbers over the last year:	102
Any time Max Demand:	64 MW
Energy transported (Energy Delivered)	314,646 MWh

Table 3: Key network business metrics (All figures from Information Disclosure year 31 March 2015)

2.2 Metering Business

The metering business operates via TLC's subsidiary Financial Corporation Limited (FCL). Meter rental sites are made up of a combination of On and Off Network metering installations. Rental is charged directly to the customer of On Network installations, and retailers for Off Network sites. Advanced meters are currently being installed On Network to improve customer service by providing the ability of meters to capture data to support TLC's capacity based charges. Replacement is also required in some areas for compliance purposes.

The Off Network metering sites have come about due to opportunities that have been available since the separation of retail and network businesses. At present TLC is replacing many of these assets with advanced meters. The Company is also an audited Metering Equipment Provider under the Electricity Authority participation codes.

The Off Network meter rental business is dominated by two major players and at this time TLC is focusing on the niches within the industry.

Customers require advanced meter owners to deploy and maintain the stock along with providing data and operational services. The latter requires various systems and TLC has and will continue to develop these services.

The metering business is an activity that was historically a network company activity and as such TLC has the background to do this well.

2.3 Generation Business

The Company owns either wholly, or in partnership with landowners, three generation sites.

Two generation sites are in TLC's network area and one is located at Matawai near Gisborne.

The key metrics of the generation business are listed in Table 4.

	Mangapehi	Speedys	Matawai
Annual expected Output	5.2Gwh	8.6Gwh	7.0Gwh
Head	106m	42m	153m
Capacity	1.6MW	2.0 MW	2.0MW
Distance from Te Kuiti	27km	52km	358km
Catchment area	53.9km ²	120.7km ²	43.3km ²
Ownership	100% TLC	75% TLC 25% Landowner	100% TLC

Table 4: Key generation business metrics

These assets are run of the river (no storage) hydro plant. The output is dependent on rain in the catchments that supply them and given that rain generally falls over wide areas of the country at the same time, this plant is effectively competing with other owners' hydro equipment. A competitive operating cost base is important for the business. All three schemes either own or have access to large north facing hill sides that have the potential for large scale solar installations.

2.4 Contracting Business

TLC has a power system and heavy industrial contracting division. This operation supports the network as well as providing connection and technical services to customers. It employs about 70 staff. At any one time there are usually in excess of 5 trainees employed within this division and due to the diversity of work these people are exposed to, they have a wide skill and experience base.

2.5 Key Issues

The key issues that have been identified as needing to be addressed over the next five years are summarised below:

Health and Safety <ul style="list-style-type: none">• Ensuring documentation systems are in place to support continuous improvement in health and safety
Business Basics <ul style="list-style-type: none">• Ensuring business activities are hazard controlled, capital investment is minimised, efficiency maximised.
Future Technologies <ul style="list-style-type: none">• Making sure we develop achievable, sustainable and profitable approaches to new technologies such as solar, metering, energy storage, communication, data and IT information systems including securing the appropriate business relationships.
Customer Value Proposition <ul style="list-style-type: none">• Ensuring existing and new products are what customers (network connected and others) want and being able to offer them at an appropriate price, producing suitable profits with acceptable levels of risk.
People <ul style="list-style-type: none">• Making sure we have leadership, innovation, problem solving, forward thinking, competence, accountability and responsibility as the focus of people within the organisation, in order to deliver the company vision.
Company Value <ul style="list-style-type: none">• Ensure the value of the Company is enhanced.
Regulatory <ul style="list-style-type: none">• Ensure that the Company is aligned to the regulatory environment

Table 5: Key issues of the business environment

Individual businesses must stand on their own. However combined, these businesses are to be increasingly used collectively to increase the wealth of the group via difficult to copy products, that customers want, in markets with minimal competition and high barriers to entry.

3.0 Strategy

3.1 Strategic Issues

The Company intends to concentrate on improving the value of its existing businesses over the next five years with a focus on the network, metering, generation and disruptive technologies. Where a business has unacceptable risk and/or it is not providing or not predicted to provide, an acceptable rate of return on the assets deployed, then exiting may be a preferred option. Health and safety has been the priority driver of many management decisions in the past and as such will continue to be part of the organisation’s core values.

3.2 Key Strategic Objectives

The high level key objectives, both long and short term are summarised in Table 6.

NETWORK
<ul style="list-style-type: none">• Maintaining consistent reliability and quality of supply.
<ul style="list-style-type: none">• An innovative approach to Network management with a focus on completing the required amount of renewal to maintain reliability at the lowest possible cost.
<ul style="list-style-type: none">• Provide a level of customer service as if TLC was in a fully competitive customer environment.
<ul style="list-style-type: none">• Provide services and products that customers want, accept and perceive as fair to ensure they want to remain connected to the network rather than go off grid
<ul style="list-style-type: none">• Pricing structure that enhances retail competition and simplification. This will facilitate the lowest possible combined energy and power (lines) prices for customers.
<ul style="list-style-type: none">• Revenues in line with the Commerce Commission price path, with a pricing strategy aligned with network cost drivers (user pays).
<ul style="list-style-type: none">• Achieving the regulated ROI on a “right sized” and economic Regulatory Asset Base (RAB).
<ul style="list-style-type: none">• Effectively monitored and measured compliance with statutory and regulatory requirements.
<ul style="list-style-type: none">• Contracting section which:<ul style="list-style-type: none">○ Enhances the organisation’s ROI whilst providing the services required by the organisation to fulfil customers’ requirements.○ Develops a skill base that supports the core network operations.○ Operates in markets where there is minimal competition and high barriers to entry especially with respect to Health and Safety compliance.

METERING

- Deploys and maintains metering stock.
- Provides the data and information services customers require.
- Expands services via innovative approaches.

GENERATION

- Maintaining and positioning the investment so that the value is maximised.
- Ensuring the schemes are hazard controlled and compliant.
- Identify opportunities that are able to produce energy at low cost when demand and prices are high and adding these to the portfolio when the risk and returns are acceptable.

CORPORATE

- Drive a zero harm health and safety culture across the organisation including well documented and managed systems.
- Provide strategic leadership that is focused on managing risk and enhancing the overall value of the company.
- Enhance the leadership qualities of our people.
- Provide governance, and shared corporate support services systems, in an effective and efficient manner.

Table 6: Key objectives

3.4 Required Outcomes

The outcomes expected over the coming 3 to 5 years have been identified below.

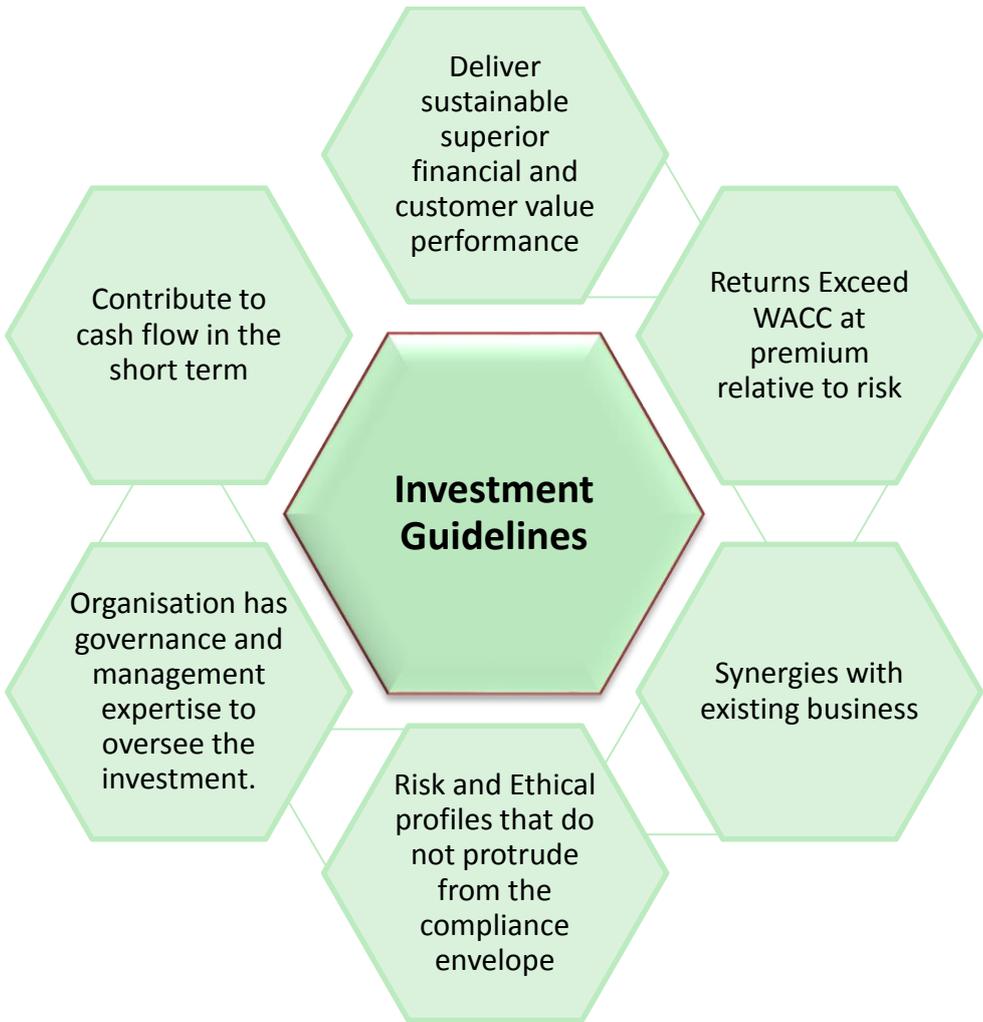
Beyond this period the intent is to continue to iterate these based on an underlying driver to increase company value and maintain the core network from a reliability, quality and hazard control perspective.

REQUIRED OUTCOMES	
Network	
Capital Investment	<ul style="list-style-type: none"> Renewals aligned as closely as possible to depreciation with the network producing reliability to customer's expectations. Growth investment producing increased revenue.
Pricing	<ul style="list-style-type: none"> Plans in place to improve customer understanding.
Customer value	<ul style="list-style-type: none"> Initiatives and products to improve the customer value proposition.
Metering and related services	
Business adding to overall ROI	<ul style="list-style-type: none"> Business growth plan underway that enhances overall ROI.
Meter installation	<ul style="list-style-type: none"> Meter installation over the TLC network substantially completed by end FY 2016/17.
Expanded products and services that customers want.	<ul style="list-style-type: none"> Innovative products available to customers.
Generation	
Focus on improving the ROI.	<ul style="list-style-type: none"> Improved performance
Future/Disruptive Technologies	
Customer interface and disruptive technologies.	<ul style="list-style-type: none"> Key customer interface technologies identified and development/investment advanced.
Products and services	<ul style="list-style-type: none"> Opportunities for enhance the growth of the corporate portfolio as an integrated whole identified and activities which have potential to enhance the ROI with acceptable levels of risk pursued.
Corporate	
Health and Safety	<ul style="list-style-type: none"> Compliance with legislation and continued development of positive Health & Safety culture.
Strategy	<ul style="list-style-type: none"> Strategy lead organisation (as opposed to operational/reactionary lead)
Company Value	<ul style="list-style-type: none"> Increase Company ROI.
Public relations	<ul style="list-style-type: none"> Sponsorship and customer surveying that measures the level of trust by customers in the organisation.
Facility's	<ul style="list-style-type: none"> Earthquake and other disaster resilient facilities.
People	<ul style="list-style-type: none"> Leadership growth program implemented.
Systems and IT	<ul style="list-style-type: none"> Ensure innovative enabling business and IT systems are in place.

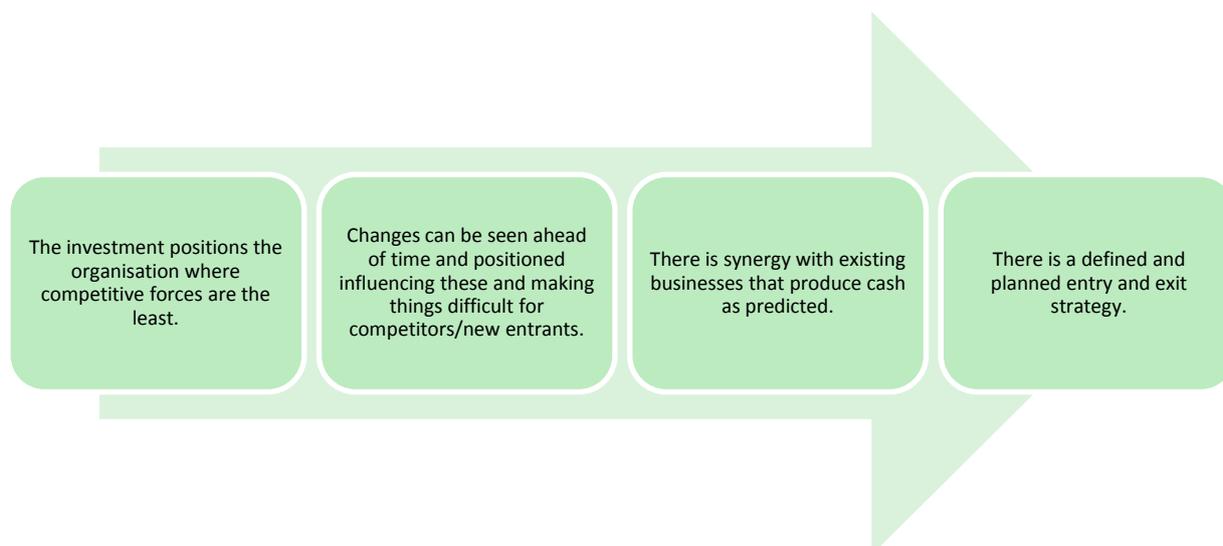
Table 7: Key strategic actions to be focused on over the next 3 to 5 year period.

3.5 Investment criteria guidelines

The Company recognises that its main mission is to deliver a strong sustainable network to the greater King Country area. It is therefore willing to invest in network expansion within this geographic area at a minimum of our cost of capital, where new revenue is assured, in order not to limit community growth. Non-regulated business investments will in general terms be subjected to the following assessment elements including a premium on the appropriate industry WACC.



3.6 External investment tests



The Company has to apply commercial and risk management principles to its investment portfolio. This includes a constant review of the activities TLC is involved in, seeking profitable growth, seeking to make activities/products more difficult for competitors to copy, using the business/activity for strategic positioning of the group, or exit.

Individual investments will be weighted and prioritised according to their risk profile.

New investment for the 2016/17 year will be focused around:

- Providing metering and related services.
- Products that will deliver customers better service at a lower price.
- Customer growth related expansion.
- Network renewal.

3.7 Dividend Policy

Surplus funds from the operation of the business shall be applied to:

1. Renewal of existing assets.
2. Repayment of debt at 8% of opening debt levels. Net debt level changes will be the difference between this debt repayment and new debt used to fund capital projects.
3. Of the balance 20% shall be retained and applied to growth of the Company and the remaining 80% distributed to the Shareholder, subject always to:
 - Directors' discretion.
 - The solvency requirements of the Companies Act 1993.
 - Any banking or other funding covenants by which the Company is bound from time to time and,
 - The investment and operating requirements referred to in this policy.

4.0 Financial Performance

TLC Group - All figures are in \$'000s.

Earnings	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projected	Projected	Projected
EBITDA	23,434	24,635	24,811	26,713	27,728	28,960
EBIT	12,646	13,465	13,383	16,082	16,485	17,366
Interest, net	3,078	2,923	2,658	3,119	3,231	3,258
Profit after tax	7,315	7,341	7,427	9,334	9,549	10,167
Return on average assets	3.9%	4.0%	3.9%	4.7%	4.7%	4.8%
Return - average equity	5.1%	5.2%	5.4%	6.5%	6.5%	6.7%

The 2016 forecast includes allowing for writing off the JDE goodwill of \$860,000.

Balance Sheet	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projected	Projected	Projected
Cash	3,500	837	447	589	405	624
Other Current Assets	3,450	5,071	5,351	4,652	4,754	4,902
Non-current Assets	229,350	239,345	244,991	252,341	258,141	262,821
Loan to Related Entity	13,500	0	0	96	96	96
Total Assets	249,800	245,253	250,789	257,678	263,395	268,443
Current Liabilities	6,900	9,498	11,810	6,250	6,064	6,064
Deferred Tax	44,100	47,910	48,380	46,810	46,966	47,012
Bank Loans	51,950	47,950	49,100	57,691	59,291	59,891
Subordinated debentures & Minority Interest Loans	4,250	4,000	4,200	4,200	4,150	4,150
Shareholder Funds	142,600	135,895	137,299	142,727	146,925	151,326
Total Equity + Liabilities	249,800	245,253	250,789	257,678	263,396	268,443

Cash Flows	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projected	Projected	Projected
Operating Cash flows	20,100	19,200	17,516	20,186	20,909	21,793
Capital Expenditure	(12,800)	(13,000)	(17,516)	(20,507)	(17,043)	(16,274)
Debt Movements, net	11,000	(4,000)	1100	5,100	1,600	600
Dividends	(4,950)	(5,000)	(5,000)	(5,300)	(5,600)	(5,900)
Loan to related party	(13,500)	-	-	-	-	-
Sale (purchase) of Investments	2,150	100	-	-	(50)	-
Net Cash Movement	2,000	(2,700)	(390)	(521)	(184)	219

It is important to note that the forecast capital expenditure include the new building costs and the completion of the roll out of smart meters across the network. These are largely one-off capital expenditure events with forecast capital expenditure expected to reduce to less than \$13m per annum from 2020. This reduction in capital expenditure will translate directly to additional free cash flow which indicates that debt will reduce approximately \$5.5m per year from 2020.

4.1 Performance Targets

1. Return on Average Assets

	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projected	Projected	Projected
Return	3.9%	4.0%	4.2%	4.7%	4.7%	4.8%

2. Return on Average Equity (including revaluation gains)

	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projected	Projected	Projected
Return, excluding revaluations	5.1%	5.2%	5.4%	6.5%	6.5%	6.7%
Asset Revaluation	-	4.1%	-	-	-	-
Return, including revaluations	5.1%	9.3%	5.4%	6.5%	6.5%	6.7%

3. Debt

	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projected	Projected	Projected
Subordinated debentures	3,000	3,000	3,000	3,000	3,000	3,000
Minority Interest loans	1,250	1,250	1,200	1,200	1,150	1,150
Bank Loans	51,950	47,950	49,100	57,691	59,291	59,891
Total	56,200	52,200	53,300	61,891	63,441	64,041

With the lower capital expenditure anticipated from 2020 onwards bank debt is expected to reduce to \$54.6m in 2020, and \$49.2m in 2021.

4. Equity to Asset ratio: will not be less than 40%.

5. Dividends

	2014	2015	2016	2017	2018	2019
	Actual	Actual	Actual	Projected	Projected	Projected
Dividends	4,950	5,000	5,000	5,300	5,600	5,900

6. Reliability

The performance target relating to SAIDI and SAIFI reliability is for TLC not to breach the reliability limits as set out in the Default Price Path Annual Compliance Statement.

7. Regulated Revenues

To have a Notional Revenue to Allowable Notional Revenue ratio as set out in the Default Price Path Annual Compliance Statement of between 80% and 100%.

8. Funding of Community Projects

To expend at least \$60,000 in supporting community projects.

4.2 Other Required Measures

Equity Ratio

This ratio is defined as total consolidated shareholder funds as a percentage of total assets where:

- Consolidated shareholder's funds comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves including revaluations, less any minority interests, plus subordinated debentures.
- Total assets comprise all recorded tangible and intangible assets of the Company valued at their carrying value, less deferred tax assets.

Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 2013 and the Financial Reporting Act 1993.

The accounting policies will be consistent with those adopted by the Company in its Annual Report to 31st March 2015, which comply with the International Financial Reporting Standards (IFRS).

5.0 Other Matters

5.1 Information to be provided to Shareholder

1. Updates will be provided on key issues.
2. Half yearly reports will be delivered to the Company's shareholder within 3 months after the end of the half-year. These reports will comprise:
 - A report from the Directors covering the operations for the half year, and
 - Un-audited consolidated financial statements for the half year.
3. Annual reports will be delivered to the Company's shareholder within 3 months of the end of each financial year and will comprise:
 - A report from the Directors covering the operations for the year; and
 - Audited consolidated financial statements for the financial year; and
 - Auditor's report on the financial statements and the performance targets (together with other measures by which the performance of the Company has been judged in relation to the Company's objectives).
4. Draft Statement of Corporate Intent (SCI) is required to be delivered to the Company's shareholder within one month of the beginning of each financial year.
5. A summary of the annual capital expenditure budget adopted by the Board, including identification of all programmed network projects with a budgeted capital expenditure in excess of \$500,000.

5.2 Procedures for Acquisition of Shares in Other Companies or Organisations

As a general policy, any proposed share investment by the Company will be required to meet the same financial criteria as any significant capital expenditure. In addition, the questions of control and risk will be addressed.

All share investment proposals will be considered by the Company's Board of Directors. If the size of the proposal makes it a Major Transaction as defined by the Companies Act 1993, then Shareholder approval to the proposal will be sought. For transactions with a value in excess of 10% of the Company's equity, but below that required for a major transaction, the Company will, at least 10 business days prior to the Company entering into any such transaction, supply to the Shareholder a report which, in the opinion of the Directors, gives reasonable particulars of:

- The estimated size of the transaction.
- The benefits to the Company.

-
- The risks to the Company.
 - The likely financial impact on the Company.

5.3 Transactions with related companies and local authority shareholders

The Energy Companies Act 1992 requires the Company to publish in its Statement of Corporate Intent the details of any transactions that the Company intends to enter into with any related company or any local authority that is a shareholder of the Company.

The Company's subsidiary Clearwater Hydro Limited (CHL) provides management services to the Company's hydro subsidiaries. The Company's contracting division provides services to CHL and Financial Corporation Limited, the Company's metering arm.

5.4 Procedure to Modify the Statement of Corporate Intent

The Statement of Corporate Intent may be modified by the Directors provided that they have first given the Shareholder one month to make comments on the proposed modification.

The Shareholder may also resolve, at a general meeting of the Company, to require the Directors to modify the statement. The Shareholder must have regard:

- to the requirement that the principal objective of the Company is to operate as a successful business, and the desirability of ensuring the efficient use of energy;
- to the financial accounts and other reports the Company is required to prepare under Section 44 of the Energy Companies Act 1992;
- and the Shareholder must consult the Directors.

Glossary of Terms

EBITDA	Earnings before interest, tax, depreciation and amortisation.
EBIT	Earnings before interest and tax.
Assets	Total assets, less deferred tax assets.
Net Assets	Total assets, less current liabilities.
Equity Ratio	Shareholders Funds / Assets.
Return on Average Assets	(EBIT multiplied by the applicable tax rate) divided by ((opening Net Assets plus closing Net Assets) divided by 2).
Return on Average Equity	(Profit for the year) divided by ((Opening Shareholder's Funds plus closing Shareholder's Funds) divided by 2).
Renewals	Replacement of existing property, plant and equipment either undertaken or committed to in the financial year.
ROI	Return of Investment.
Shareholders' Funds	Shareholder's equity plus subordinated debentures.
Surplus Funds	Net cash from operating activities less any increase in net cash due to temporary changes in working capital.
WACC	Weighted Average Cost of Credit.