



**OUR PEOPLE | OUR POWER**

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## **1 Introduction**

This Statement of Corporate Intent (SCI) is submitted to the CHB Consumers Power Trust (the Shareholder) by the Board of Directors of Centralines Limited (the Company) and sets out the Board's overall intentions and objectives for the Company for the financial year ended 31 March 2013 and the two succeeding financial years.

The SCI is submitted in accordance with the provisions of Sections 39 and 40 of the Energy Companies Act 1992.

Centralines is a community owned Company. 8,000,000 Shares have been issued and are owned by the CHB Consumers Power Trust, the beneficiaries of which are the consumers connected to the Company's distribution assets as defined in the Trust Deed.

This statement represents the Directors intent to ensure the Company will operate as a successful business.

## **2 Nature and Scope of Activities to be Undertaken**

The Company's core business is to provide a safe, efficient and reliable electricity network system and related services. To achieve this the Company is structured to provide the following services:

### **2.1 Network Services**

This includes the maintenance and operation of the Network Assets to allow Retailers to convey electricity from the national power grid to an end customer's premises. The company welcomes and encourages competition across its network subject to certain credit criterion for Retailers.

### **2.2 Electrical Contracting**

This includes the undertaking of a wide range of contracting work for both the Company and for other customers predominantly within the Centralines Geographical area.

The Company will undertake these activities in a manner consistent with:

- ❑ The safe and effective utilisation of the Company's physical assets and human resources.
- ❑ The prudent management of the Company's business risks.

All activities will be carried out with the objectives of protecting and growing shareholder value.

### 3 Principal Objective

Section 36 of the Energy Company's Act 1992 requires Centralines, as its principle objective, to operate as a successful business. To achieve this we will strive to:

- ❑ Achieve our objectives and performance targets as set out in this Statement of Corporate Intent.
- ❑ Exhibit a sense of social and environmental responsibility by having regard to the communities in which we operate.
- ❑ Be a good employer.

In support of these objectives the Company will:

- ❑ Understand and meet our customers' needs in terms of network reliability and security of supply.
- ❑ Ensure electricity network services are maintained and priced at sustainable levels.
- ❑ Minimise Operating Costs.
- ❑ Undertake new investments on the electricity distribution network which over their lives:
  - are aimed at yielding a return at least equal to the Company's cost of capital,
  - can add to the commercial value of the Company,
  - add to the stability, safety and security of the Network,
  - are compatible to the overall strategy of the Company,
- ❑ Maintain active participation with other lines companies and wider industry stakeholders and participants.
- ❑ Continue to investigate generation opportunities in Central Hawke's Bay.
- ❑ Continue to extend the fibre optic network
- ❑ Continue to explore other opportunities relevant to the company's capabilities

In addition the company is leading serious investigation to effect provision of fibre driven broadband services at 10MBps to 98% of Centralines consumers by March 2013. This investigation is expected to be completed by August 2012 and may lead to the use of company financial and operational resources.

#### 4 Performance Targets and Measures – To be confirmed when final budgets signed off

The following are the performance targets for the next three years ending 31 March 2015

	2010/ 2011 Actual	2011/ 2012 Actual	2012/ 2013	2013/ 2014	2014/ 2015	
<b>Safety Measures</b>						
Number of Lost Time Injuries			0	0	0	
<b>Total Financial Return Measures</b>						
(a) Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) (excluding discounts) as a percentage of Average Assets Employed.	10.40%	10.18%	9.67%	9.90%	9.89%	
(b) Net Profit after tax (adjusted for discounts) as a percentage of Average Shareholders' Funds	5.94%	5.93%	4.45%	4.07%	4.06%	
(c) Network Operational Costs - per ICP (Excluding Transmission Costs and Depreciation)	\$363	\$372	\$ 435	\$ 428	\$ 440	
(d) Network Operational Costs - per kilometre of line (Excluding Transmission Costs and Depreciation)	\$1,733	\$1,769	\$2,077	\$2,042	\$2,099	
(e) Total Planned Electricity Network Capital Expenditure	\$4.52m	\$1.49m	\$4.19m	\$2.81m	\$3.12m	
<b>Reliability Measures</b>						
The System Average Interruption Duration Index SAIDI is the average length (in minutes) of interruptions for all customers that have interruptions in any one year. It includes interruptions for maintenance work but not interruptions from Transpower.	Planned	84.81	33.56	65	63	61
	Unplanned	106.64	134.25	102	100	98
	Total	191.45	167.81	167	163	159
Regulatory Target	197.55	197.55	197.55	197.55	197.55	
The System Average Interruption Frequency Index SAIFI is the average number of supply interruptions that a customer experiences in the period including maintenance but excluding transmission (Transpower)	4.72	3.83	3.5	3.0	3.0	

Regulatory Target	4.53	4.53	4.53	4.53	4.53
Number of major (33kV) faults which result in interruptions to supply, per 100 kilometres of line per year		2	2	2	

## 5 Ratio of Consolidated Shareholders Funds to Total Assets

The ratio of consolidated shareholders' funds to total assets will be maintained for each year at not less than 60%.

"Consolidated Shareholders' Funds" means the total contributed capital, reserves and retained earnings at the end of the previous financial year.

"Total Assets" means all the recorded tangible assets of the Company as shown in the Statement of Financial Position.

## 6 Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 1993 and the Financial Reporting Act 1993 and be consistent with generally accepted accounting principles. Details of material accounting policies are contained in Appendix 1.

## 7 Information to be reported to Shareholder –

In addition to information required by legislation, the Company will provide sufficient information to enable the Shareholder to assess the value and performance of the Company.

Before the commencement of the financial year the Directors will deliver to the Shareholder a draft SCI in accordance with Section 39 of the Energy Companies Act 1992 and will as required by Sections 40 and 41 of that Act make any modifications required and then deliver such SCI to the Shareholder.

Within two months after the end of the first half of the financial year of the Company the Directors will deliver to the Shareholder an un-audited report of the Company's operations during that half year. This report will include such details as are necessary to permit an informed assessment of the company's performance during the reporting period.

Within three months after the end of the financial year of the Company the Directors will deliver to the Shareholder in accordance with Section 44 of the Energy Companies Act 1992:

- ❑ Operations:  
A report on the operations of the Company during the financial year.
- ❑ Financial Statements:  
Audited consolidated financial statements for that financial year in respect of the Company.

□ **Auditors Report:**

The Auditors report on

- those financial statements; and
- performance targets and other measures by which performance has been judged in relation to the objectives.

Every report will contain such information as is necessary to enable an informed assessment of the operations of the Company and including a comparison of the performance of the Company and its subsidiaries with any relevant SCI.

The Chairman will provide regular briefings to the Shareholder on all material matters and the company will provide further information as the Shareholder may require in order to properly undertake its duties and to act as a diligent trustee shareholder.

## **8 Dividend Policy**

The Company will pay an annual dividend of at least \$50,000 to the CHB Consumers Power Trust.

## **9 Extraordinary Capital Expenditure**

Electricity Network Capital Expenditure is commensurate with clause 3 and is not extraordinary by definition.

## **10 Projections**

The financial forecasts in the SCI for the period 1 April 2013 to 31 March 2015 have been prepared for the purposes of this document and may not be appropriate for other purposes. The actual results for any period are likely to vary from the information presented.

## **11 Discount Policy**

Centralines may discount a percentage of its operating surplus each year as the Directors deem prudent after consultation with the Trustees and after making allowance for current and future capital and other expenditure. This will include any expenditure referred to in Note 16.

## **12 Acquisition Procedure**

No acquisition by the Company of shares or assets in another company or organisation, the value of which exceeds 5% of the Share Capital of the Company (other than in the course of a re-organisation, reconstruction, merger etc as defined in Clause 9.9 of the Trust Deed) shall be undertaken without prior Shareholder approval.

### **13 Disposal of Assets**

No assets will be disposed of other than in the normal course of business without consultation with the Shareholder. Before any assets are transferred to a subsidiary company the Directors will consult with the Shareholder.

### **14 Reserves**

In accordance with the long term strategic plan, The Company has committed to a capital expenditure programme greater than the rate of depreciation of the network. As a result reserves are being progressively reduced, with some likelihood that borrowings will be required within the period of forecast of this Statement.

### **15 Investment of Surplus Funds**

The Company will make prudent investments with minimum risk to an appropriate level from time to time having taken professional advice and in accordance with the company's investment Policy.

### **16 Community Contribution**

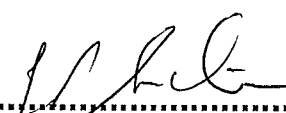
The Company acknowledges a role in contributing to significant Community activities as shall be mutually agreed upon from time to time by the Board and the Trust.

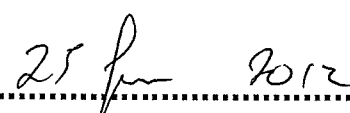
### **17 Relationship with the Shareholder**

The Company will make available facilities and resources for the operation of the CHB Consumers Power Trust.

The Company will supply to the Trust within a reasonable time of receiving a written request the name and address of each consumer as defined by the Trust Deed.

The Company will meet with the Trust at not more than six monthly intervals to discuss matters of mutual interest.

  
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**J Aitken**  
**Chairman**

  
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**Date**