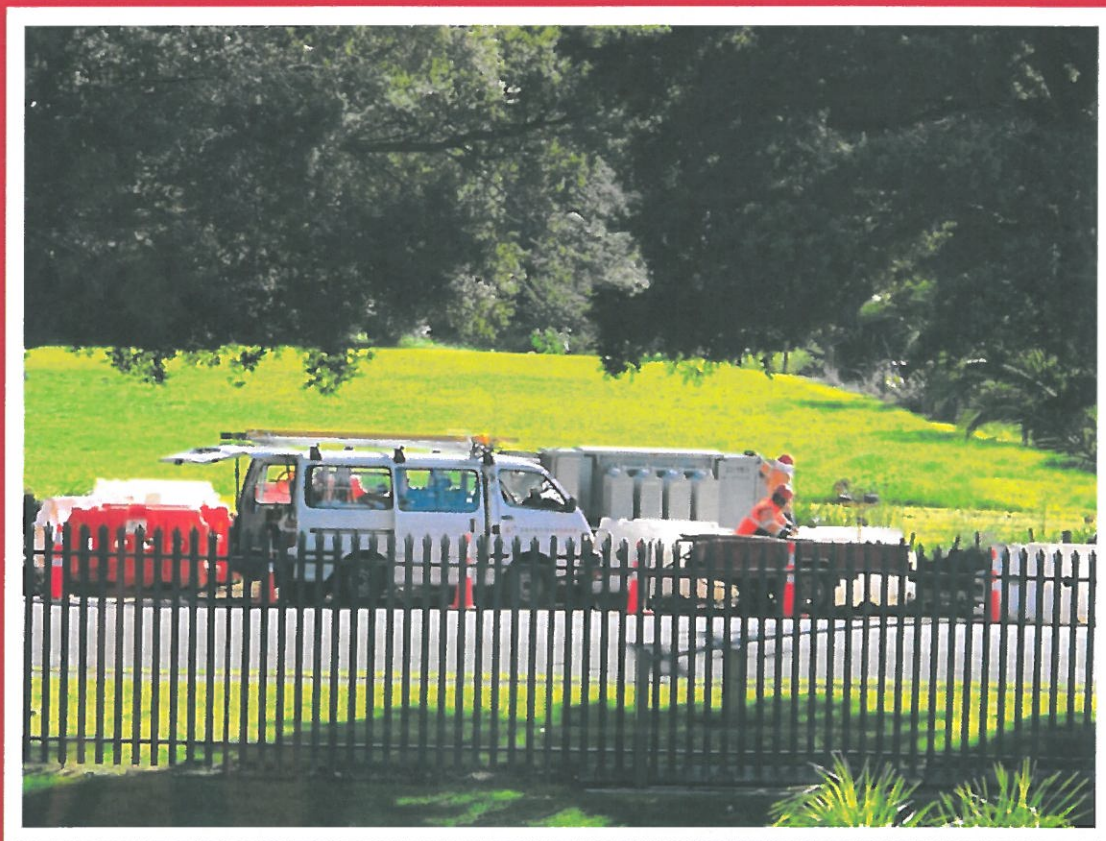


Statement of Corporate Intent

For the year ending 31 March 2015 and the following two years



COUNTIES **POWER**

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1.0 Introduction

This Statement of Corporate Intent sets out the overall intentions and objectives of the Company for the year ending 31 March 2015 and the two succeeding financial years.

It contains the particular information required by Section 39 of the Energy Companies Act 1992 and includes or refers to other matters as agreed by the Directors of the Company and its Shareholders.

This Statement of Corporate Intent overviews and complements a number of other documents provided to Shareholders throughout the year including the Company's:

- Strategic Plan;
- Business Plan Overview;
- Budgets;
- Asset Management Plan;
- Annual Report;
- Half Yearly Report;
- Quarterly Reports.

2.0 Nature and scope of activities

The nature and scope of the activities of the Company are as follows:

1. The provision and maintenance of a safe, efficient, reliable and cost-effective electricity distribution network;
2. Ancillary businesses associated with the electricity industry including contracting/ construction and electrical services;
3. Vehicle servicing and light metal construction for both internal and external customers;
4. The provision and maintenance of a fast, efficient, reliable and cost-effective fibre optic network;
5. The provision of telecommunication links for the deaf, hard of hearing and speech impaired community throughout Australia; and
6. Future investment to be in profitable and complementary business opportunities, which align with Counties Power's core strengths and business activities.

3.0 Objectives of the Company

The Directors will operate Counties Power Limited as a successful business in the ownership and management of its electricity network, ensuring that the necessary strategies are implemented to maximise shareholder returns, meet customer needs and achieve long term growth.

In pursuing this objective the Company is focused on the following key areas and related objectives:

3.1 Customer/community

1. The Company believes in providing a high level of customer service and embraces the concepts of quality, safety and environmental responsibility in all elements of its business. The Company is committed to continually providing a quality service at competitive prices for the benefit of its customers.
2. The Company will endeavour to provide its customers with an annual discount subject to its performance and will consult with Shareholders as to its distribution.
3. The Company will maintain and develop commercially sound relationships with business partners and suppliers and will conduct all its dealings in an ethical and commercially fair manner.
4. The Company will at all times operate in a professional, responsible and responsive manner in order to achieve positive perceptions both internally and externally.

3.2 Team

1. The Company will foster within its staff, a shared commitment towards customer service and will seek to maintain a loyal, competent, highly motivated and effective team.
2. The Company will promote a culture of delivering on promises and ensuring staff are continually developing both as individuals and as teams.

3.3 Performance

The Company seeks to achieve optimum productivity from all its resources. This means the Company will continue to develop its core business (network development, maintenance and reliability) by delivering on its targets and enhancing its planning, systems and processes in accordance with a continuous improvement philosophy.

3.4 Growth

1. The Company will strive to investigate and invest in growth opportunities that are complementary to its core strengths and business activities.

2. The Company will seek to have influence in relation to the statutory and regulatory environment to ensure shareholder value is maintained wherever possible.

4.0 Commercial performance - targets and measures

Counties Power operates in a regulated environment in respect of its core business. The Company will comply with all applicable regulatory requirements while seeking to meet its objectives. The Company and Trust will work together to comply with the regulatory framework for electricity lines businesses, established and /or monitored by the Electricity Authority, the Ministry of Economic Development and the Commerce Commission.

The Company is required to comply with the requirements and regulations of the Auckland Council, the Waikato District Council and the Hauraki District Council when constructing and maintaining its network. Safety and environmental imperatives relate to both statutory compliance and good corporate citizenship.

The Company has set the following performance targets for the three years ending 31 March 2017. These targets, which apply to the Company's total operations, have been set, based upon the Company's current understanding of, and known changes to, the business and regulatory environment.

4.1 Earnings before customer discounts, interest and tax on total capital employed (excluding debt)

The rate of earnings before customer discounts, interest and tax, expressed as a percentage of average total capital employed, is expected to be:

2014/15	2015/16	2016/17
10.7%	10.6%	10.4%

4.2 Net profit before customer discounts and after tax on consolidated shareholders' equity

The rate of net profit before customer discounts and after tax, expressed as a percentage of average consolidated shareholders' equity, is expected to be:

2014/15	2015/16	2016/17
8.2%	8.2%	8.0%

4.3 New investment

The Company has the objective of achieving a real post tax rate of return on new investment exceeding the estimated Weighted Average Cost of capital of the new investment.

4.4 System reliability

Average minutes without electricity per customer	2014/15	2015/16	2016/17
SAIDI			
Unplanned*	70	70	70
Planned	35	35	35
Total	105	105	105
Average frequency of outages per customer	2014/15	2015/16	2016/17
SAIFI	2.65	2.65	2.65

Note: *This makes no allowance for exceptional weather conditions that may be classified as having a severity of greater than a one in five year event.

4.5 Debt to equity

Debt will be maintained at a level no greater than 20 per cent of equity and may be increased only with the approval of the shareholders.

Debt will comprise those liabilities of the Company as described in the definition of "Debt" in paragraph 1.1.11 of the Company's Constitution.

Equity will be as described in the definition of "Shareholders' Funds" in paragraph 1.1.27 of the Company's Constitution.

4.6 Financial performance indicators

A schedule of financial performance indicators is shown in Appendix 1.

5.0 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. Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards, and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. Compliance with NZ IFRS ensures compliance with International Financial Reporting Standards.

6.0 Other information and policies

6.1 Distributions to shareholders

The Company may pay dividends to the shareholders after consultation with them prior to each dividend payment. The Company will take into account its profitability, cash position and future funding requirements. The Directors will determine distributions to shareholders in accordance with the requirements of the Companies Act 1993, the Company's Constitution and any other applicable regulatory requirements.

6.2 Information to be provided to shareholders

The Company will provide information which meets the requirements of the Companies Act 1993, Section 44 of the Energy Companies Act 1992, and the Financial Reporting Act 1993. The following information will be made available:

The Directors will provide to the Counties Power Consumer Trust **unaudited quarterly management reports** on the results of the Company within six weeks of the end of the quarter. These reports will include comment on:

- any material changes in electricity network capital and maintenance intentions;
- other business activities undertaken. The Counties Power Chairman will make a statement on strategic progress and advise on any significant performance variations including operational performance;
- operational and customer service performance.

The **half-yearly report** will be provided within two months of the end of the first half of each financial year and will include:

- Chairman's Report;
- unaudited statements of financial performance;
- movements in equity;
- financial position;
- any other information necessary to permit an informed assessment of the Company's performance.

Annual reports will be delivered to the Company's shareholders not less than 20 working days before the annual meeting of shareholders, but in any event before 30 June and will comprise:

- To the extent the Board believes it material for the shareholders and is not harmful to the business of the Company or its subsidiaries, a description of changes in the nature of the business of the Company or any of its subsidiaries, and any changes in the classes of business in which the Company has an interest by way of shareholding or otherwise;
- the financial statements completed and signed as required by the Financial Reporting Act 1993;
- the auditors' report(s);
- a description of any changes in accounting policies;
- particulars of any entries in the interest register;

- the total of the remuneration and other benefits received by directors and former directors;
- the number of non-director employees and former employees who receive remuneration and other benefits from the Company exceeding \$100,000 per annum (to be set out in brackets of \$10,000 and in total);
- the total amount of donations made by the Company and any subsidiary;
- the names of directors and those who retired as directors during the year;
- audit fees paid to auditors plus as a separate item, the fees paid by the Company to auditors for other services.

The Company's **audited financial statements** will comply with the Financial Reporting Act 1993 and include the following:

- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity;
- Operating statement in respect of each significant activity;
- Statement of cash flows;
- Details of transactions entered into during the financial year by the Company or any of its subsidiaries and other entities specified in Section 44(2)(f) of the Energy Companies Act 1992;
- Such other statements as may be necessary to fairly reflect the financial position of the Company and its subsidiaries, the resources available to them, and the financial results of the operations.

A draft **Statement of Corporate Intent** (excluding financial and commercial performance targets) will be delivered to the Company shareholders at least four calendar months prior to the end of the financial year. Commercial performance targets will be delivered at least one month prior to the end of each financial year. The final statement will be delivered no later than the last day of the financial year.

6.3 Acquisition and disposal of assets

It is intended that the Company shall not enter into any transaction or series of linked or related transactions to acquire, sell, lease, let, exchange, or otherwise dispose of (otherwise than by way of charge) assets of the Company or assets to be held by the Company:

1. Which would change the essential nature of the business of the Company, unless required by legislation; or

2. In respect of which the gross value is of an amount in excess of 20% of the amount of shareholders' funds of the Company immediately before the transaction; without first convening a special general meeting of the Company and obtaining approval by way of a special resolution at such meeting of such transaction or transactions.

Note: The constitution of the Company requires major transactions for the disposal or acquisition of assets to be approved by a special resolution at a special general meeting of the Company.

Major transaction means any dealing involving 20% or more of consolidated net assets of the Company or a major transaction as defined in section 129(2) of the Companies Act 1993.

6.4 New business proposals

The constitution of the Company requires that the Board convenes a special general meeting of the company for the purpose of approving, by way of a special resolution, a new business proposal, (as defined in the Company's Constitution), prior to the Company undertaking the new business proposal.

6.5 Transaction details

Normal operational transactions may be entered into from time to time between the Company and its wholly owned subsidiaries, or between wholly owned subsidiaries. No other transactions are intended to be entered into which require disclosure under section 39(2) (i) of the Energy Companies Act 1992.

6.6 Acquisition of shares in companies or other organizations

The Company and its subsidiaries will not subscribe for, purchase or otherwise acquire shares or other ownership interests in any company or other organization without the prior approval of the Board of the Company.

The Board will also approve the appointment of any representatives of the Company and its subsidiaries to the board or other governing body of such company or other organization.

The Company will notify the Chairman or Secretary of the Counties Power Consumer Trust of each proposed acquisition, and its purpose.

6.7 Consumer discount

The Company will return loss and constraint rentals received by it to end users of its line services through the issue of a rebate to retailers or discount to large consumers. The Company may choose to issue additional rebates and discounts dependent upon the financial position of the Company.

Energy retailers distribute line discounts based upon consumer consumption levels, (grouped into bands), and utilisation of Company-owned meters. Rebates and discounts are intended to achieve a number of commercial objectives, including ensuring net line prices remain competitive and as a promotional tool.

Issue of rebates and discounts is anticipated to occur in November or December each year, at which time precise bands and allocations will be determined.

6.8 Line pricing

Line prices and tariff structure will be determined in a manner that:

- Provides a fair and reasonable rate of return on shareholders' equity;
- Will endeavour to maintain a reasonable level of uniformity amongst like consumers;
- Recovers, where appropriate, line business costs, including capital costs, reasonably allocated to each group or class of consumer;
- Recovers the transmission costs in a manner that reflects how these costs are incurred by each group or class of consumer;
- Reflects costs associated with peak demand periods;
- Provides stability and certainty for consumers and energy retailers;
- Meets regulatory and public policy requirements imposed by Government and/or the Commerce Commission and/or the Electricity Authority;
- Is simple to understand, implement and administer;
- Ensures that the distribution pricing component is only changed once in any 12-month period.
- Is consistent with Counties Power's Use of System agreements with energy retailers.

6.9 Asset management

The Asset Management Plan (AMP) documents how Counties Power will ensure long-lived network assets are managed in a sustainable way for the benefit of Shareholders.

The primary objectives of the AMP are to meet regulatory compliance requirements, demonstrate responsible asset stewardship and communicate and justify network management expenditure and practice to stakeholders.

The Asset Management Plan has been developed taking into account the higher corporate goals of:

- Customer service and value (matching the performance of assets with the performance customers expect and are willing to pay for);
- Statutory and regulatory compliance;
- Operational and cost effectiveness;

- Shareholder returns

6.10 Counties Power area of supply/electrical network

Counties Power's current distribution network supplies part of Auckland City and the parts of the Waikato and Hauraki Districts. The network area is bordered by Vector to the north and WEL Networks to the south. Total area amounts to approximately 2,220 square km.

Urban areas include Waiuku, Tuakau, Pukekohe, West and South Papakura. Smaller settlements include Clark's Beach, Karaka, Patumahoe, Buckland, Drury, Mercer, Pokeno, Port Waikato and Kaiaua.

6.11 A good corporate citizen

Counties Power strives always to be a good citizen and to act responsibly and cooperatively in its community.

The Company will comply with all legislation, paying particular attention to people's safety and protection of the environment. It will act honestly in all dealings and services, and will provide value for money to consumers.

Counties Power operates within the principles of environmentally sustainable development including sound energy management and waste minimisation at its offices, substations and worksites through efficient use and re-use of resources.

6.12 Customer engagement

Counties Power strives to provide the highest standards of customer engagement and service. Key components of its service goals are:

- To be readily available to customers
- To respond as soon as possible
- At all times act with integrity and respect our customers' requirements
- Communicate clearly with customers
- Have a workable complaints resolution service available for use when required

6.13 Health and safety

Counties Power is committed to providing and maintaining a safe and healthy environment for all its employees and to protect the public against risk to their safety.

The prime component of the health and safety policy is to be proactive and take all practical steps to promote an accident and incident-free workplace to achieve goals as a responsible and good employer under present and proposed future health and safety statutory obligations for the workplace.

6.14 Undergrounding

The Company's undergrounding policy is summarised below:

1. Counties Power will generally only underground lines when, in Counties Power's opinion, there are sound technical, safety or financial reasons to do so and where it is not possible or practicable to relocate or reconstruct an existing overhead line.

When any of the local authorities approaches Counties Power with a request to underground a section of line, as part of their development programme, the Company would consider all relevant operational, technical and financial issues.

Generally a financial contribution from the local authority would be required, the level of which would reflect the cost of the project and the financial benefits that Counties Power would expect to earn from the project.

When a network line is undergrounded, consumers connected to the line may elect to underground the service line connected to their residence or other building on their property, at the same time.

Counties Power will generally subsidise the cost of this work. This subsidy would be based upon the amount it would have cost the Company to install a new pole on the consumer's boundary to connect up the new underground network line with an overhead service line, should the consumer have decided to stay with their existing overhead service line.

2. The provision of ducts for future use will be undertaken where:
 - a. Any local authority is undertaking major road or curb and channel or footpath reconstruction, and
 - b. An opportunity exists for the Company to install ducts for future use at minimal cost, and
 - c. The utilisation of the ducts is likely in the short to medium term as assessed by the Company.

6.15 Construction and Workshop

Much of the work, which supports Counties Power's network operations, is carried out by the contracting arm, CP Construction and the Workshop division, 'the Workshop'. Formerly, both divisions carried out specialist work required by the Company.

Today, however, they are businesses in their own right and compete not only for work with Counties Power but also for work for other customers.

This strategy has given them both the opportunity to generate additional revenue while achieving the best cost services for the Company.

CP Construction competes for internal customers as well as for contracts with private companies and other utility companies. One of its key roles is to operate the faults contract for Counties Power, minimising the impact of unplanned outages on its customers.

CP Construction also offers a comprehensive service to external customers, for all their needs arising from new electrical supply installations. In addition to its core role of supporting the electrical network, 'the Workshop' provides a widening external customer base with both vehicle maintenance and light engineering services.

6.16 Other Business Activities

The Company owns and operates a fibre optic network which provides fast broadband and other high speed communications links.

Appendix 1 - Financial performance

Earnings	2012	2013	2014	2015	2016	2017
	Actual	Actual	Estimate	Budget	Projection	Projection
EBITDA	18,441	19,349	20,610	22,413	27,764	30,416
EBIT	11,249	11,281	11,680	12,300	14,701	16,092
Profit after tax	8,116	8,099	8,598	8,792	9,774	10,746
Return – NPBT on average net assets	5.4%	5.1%	5.2%	4.9%	5.0%	5.3%
Return – NPBT on average equity	6.8%	6.3%	6.4%	6.4%	6.8%	7.1%

Balance sheet	2012	2013	2014	2015	2016	2017
	Actual	Actual	Estimate	Budget	Projection	Projection
Cash	146	221	144	144	144	144
Other Current Assets	4,863	5,847	6,716	6,982	7,326	7,692
Fixed Assets	206,802	214,032	226,297	256,531	269,042	275,160
Other Non-Current Assets	1,617	957	400	400	400	400
Total Assets	213,428	221,057	233,557	264,057	276,912	283,396
Current liabilities	7,394	7,977	8,907	13,617	11,820	11,411
Deferred tax	31,929	33,276	33,276	33,276	33,276	33,276
Borrowings	2,900	800	4,073	21,371	26,549	22,996
Shareholder Funds	171,205	179,004	187,301	195,793	205,267	215,713
	213,428	221,057	233,557	264,057	276,912	283,396

Cash flows	2012	2013	2014	2015	2016	2017
	Actual	Actual	Estimate	Budget	Projection	Projection
Operating Cash Flows	17,012	17,785	19,723	25,536	20,718	24,613
Capital Expenditure	(14,025)	(15,310)	(22,773)	(42,534)	(25,596)	(20,760)
Debt Repayments	(2,700)	(2,100)	3,273	17,298	5,178	(3,553)
Dividends	(300)	(300)	(300)	(300)	(300)	(300)
Net Cash Movement	(13)	75	(77)	0	0	0

Performance targets

1. Earnings before interest & tax on average capital employed

	2012	2013	2014	2015	2016	2017
	Actual	Actual	Estimate	Budget	Projection	Projection
Return	5.4%	5.1%				

2. NPAT before discounts on average shareholders' funds

	2012	2013	2014	2015	2016	2017
	Actual	Actual	Estimate	Budget	Projection	Projection
Return	6.8%	6.3%				

3. Debt

	2012	2013	2014	2015	2016	2017
	Actual	Actual	Estimate	Budget	Projection	Projection
Borrowings	2,900	800	4,073	21,371	26,549	22,996

4. Debt to equity ratio: debt will be maintained at a level no greater than 20% of equity.

5. Dividends

	2012	2013	2014	2015	2016	2017
	Actual	Actual	Estimate	Budget	Projection	Projection
Dividend	300	300	300	300	300	300

6. Megawatt Hours (MWh)

	2012	2013	2014	2015	2016	2017
	Actual	Actual	Estimate	Budget	Projection	Projection
Sales (MWh)	490,083	504,997	518,132	513,097	520,794	528,605

7. ICP Count (average per year).

	2012	2013	2014	2015	2016	2017
	Actual	Actual	Estimate	Budget	Projection	Projection
Sales (MWh)	37,058	37,511	38,123	38,694	39,275	40,060