



## STATEMENT OF CORPORATE INTENT

2008-2009

**Northpower Limited** (the "Company") is an energy company (as that term is defined in the Energy Companies Act 1992). This Statement of Corporate Intent sets out the overall intentions and objectives for the Company for the trading period of 1 April 2008 to 31 March 2009 and the two succeeding financial years.

### - OBJECTIVES OF THE COMPANY -

- *To operate as a successful business in supplying line services to its customers.*
- *To operate as a successful business providing asset management, design, project management, construction, operation and maintenance services to other network owners and managers.*
- *To grow and enhance the future value and viability of the business through the development of new business opportunities that utilise the skills and competencies of the Company, and /or offer synergies with existing activities.*

In pursuing these objectives the Company is guided by the following key principles:-

#### ***Profitability:***

The Company is committed to earning a commercial rate of return acceptable to its shareholders and sufficient to maintain its operating capability.

#### ***Financial Performance:***

The Company is committed to operating as a successful business and achieving its financial objectives. It will be striving to minimise its operating costs and manage its financial assets and liabilities on a prudent basis with regard to time, gearing, interest rates, currency and risk.

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***Service:***

The Company recognises that the needs of its customers are paramount, and is committed to meeting those needs through the provision of hassle free service. It will endeavour to achieve network reliability levels that are best practise for comparable networks in New Zealand and supply line services at a price which compares favourably with other line companies in New Zealand. The Company will work with other industry participants to ensure appropriate security of supply and consumer orientated pricing models. It will, consistent with obligations under the energy sector reform legislation, account openly for its network business costs and adopt a commercial pricing strategy which gives clear information to customers.

***Productivity:***

The Company is committed to improving levels of productivity from all the Company's resources. The Company will provide other products and services where these improve the Company's competitiveness in the long term.

***Human Resources Policy:***

The Company values its employees and will recruit and retain employees with the skills necessary to grow the business. It will ensure that employees are fairly treated and provided with good and safe working conditions. It will provide opportunities for staff training and development, encouraging the enhancement of abilities of individual employees. The Company, together with its employees, will create a culture which is market driven, and recognises the importance of being competitive, the value of customer service and the mutual benefit of continued employment. This will involve effective internal communications.

***Environment:***

The Company will meet all requirements of the Resource Management Act, will have proper regard in all its activities for the natural environment in which it operates, and will at all times strive to operate in a way that minimises the impact on that environment. It will develop environmental policies and make full use of technological opportunities.

***Efficient and Sustainable Use of Energy:***

In carrying out its Lines business activities in particular, the Company will have regard to the desirability of the efficient use of energy. The Company will encourage the use of sustainable energy options in Northland.

**NATURE AND SCOPE OF ACTIVITIES TO BE UNDERTAKEN**

The Company's business will be the supply of electricity network services and the operation of works for the distribution of electricity.

The Company will design, construct and maintain lines and systems for other network owners.

The Company will investigate and, if appropriate, develop opportunities for distributed generation and effective demand side management in Northland.

Other activities that offer the opportunity to use the skills and competencies of the Company, or which offer synergies with existing activities, will be undertaken.

The Company will consult its shareholders before entering any new markets or business activities that significantly alter/affect the Company's risk position. Further, the Company will promptly report to shareholders on any transaction(s) that could affect the risk profile of the Company.

Consistent with its objectives, the Company will pursue activities designed to ensure the efficient utilisation of its existing capital assets and human resources.

### **CAPITAL RATIO**

The ratio of shareholders' funds to total assets will be maintained at not less than 50 per cent.

Total assets of the Company 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 will comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves.

### **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 NZIFRS ensures compliance with International Financial Reporting Standards.

### **PERFORMANCE MEASURES**

The following performance targets are the measures by which the Company's financial performance will be judged.

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		<u>2008-2009</u>	<u>2009-10</u>	<u>2010-11</u>
<b>Group:</b>				
<u>Net Profit After Tax</u>				
Shareholders' Funds	x 100 =	6%	7%	8%

**Network Division:** (incl. lines function services, generation, broadband network services)

<u>EBIT</u>				
Total Assets		5%	5%	5%
Network Reliability (SAIDI)		<120 mins	<120 mins	<120 mins
Average number of faults per 100 KM		<10	<10	<10
Customer Satisfaction (Residential)		>85%	>85%	>85%
Customer Satisfaction (Commercial)		>85%	>85%	>85%

**Contracting Division NZ:** (incl. electrical, gas, communications, construction/maintenance services)

<u>EBIT</u>				
Total Assets		15%	20%	20%
Lost Time Accidents per million man hours		≤2	≤2	≤2

**West Coast Energy:**

<u>EBIT</u>				
Total Assets		6%	15%	20%
Lost Time Accidents per million man hours		≤2	≤2	≤2

### **Dividend Distribution Policy**

The Company will distribute to shareholders all funds surplus to the investment and operating requirements of the Company. The annual dividend will be a minimum of 35% of the net profit after tax, subject to the solvency requirements of the Companies Act 1993, the maintenance of the minimum capital ratio specified above, and meeting the investment needs of the Company.

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

### **INFORMATION TO BE PROVIDED TO SHAREHOLDERS**

The Company will provide information which meets the requirements of the current Companies legislation, the Energy Companies Act 1992 and the Institute of Chartered Accountants. The following information will be available.

Half yearly reports will be delivered to the Company's shareholders within three months after the end of each half of the financial year. These reports will comprise:-

- (i) a report from the Directors covering the operations for the half year period; and
- (ii) the information required to be included by the Company's Statement of Corporate Intent.

The Company will also provide quarterly reports to the Company's Shareholders, which will comprise an overview of the Company's financial performance for the period.

Annual reports will be delivered to the Company's shareholders within three months of the end of each financial year and will comprise:-

- (i) a report from the Directors covering the operations for the year;
- (ii) audited consolidated financial statements for the financial year in respect of the Company;
- (iii) auditors' report on the financial statements and the performance targets (together with other measures by which performance of the Company has been judged in relation to the Company's objectives).

The Company's audited consolidated financial statements will comprise the following:-

- Statement of financial position
- Statement of financial performance
- Statement of movements in equity
- Operating statement in respect of each significant activity
- Statement of cash flows
- Such other statements as may be necessary to fairly reflect the financial position of the Company, the sources available to it, and the financial results of the operations.

The quarterly, half-yearly and annual reports will include a debt/equity ratio.

Draft Statements of Corporate Intent will be delivered to the Company's shareholders within one month of the end of each financial year.

It will be possible for the shareholders to request further information or reports from the Directors where the information relates to a decision to be made by the shareholders.

The Chairman and Chief Executive will provide regular briefings to the Northpower Electric Power Trust on all material matters and will ensure that they are provided with the appropriate information. This will include confidential reporting of Research and Development undertaken by the Company.

<b>PROCEDURES FOR ACQUISITION OF SHARES IN OTHER COMPANIES OR ORGANISATIONS</b>
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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. For acquisitions that reduce the Company's ratio of Consolidated Shareholders Funds to Total Assets below

50%, recommendations will be made to the shareholders who will make a decision in respect of such acquisitions.

<b>TRANSACTION DETAILS</b>
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There are no local authorities who are shareholders in Northpower Limited. West Coast Energy Pty Ltd and Northpower Western Australia Pty Ltd are subsidiaries of Northpower Ltd, operating in Perth, Australia. West Coast Energy is an electrical contracting business, and Northpower Western Australia are a holding company.