



ALPINE ENERGY LTD

**STATEMENT OF CORPORATE
INTENT**

2019/22

Final

ALPINE ENERGY LIMITED

2019/22 STATEMENT OF CORPORATE INTENT

Alpine Energy Limited (the "Company") is an electricity distribution company. This statement of corporate intent sets out the overall intentions and objectives for the Company for the trading period of 1 April 2019 to 31 March 2020 and the two succeeding financial years.

1. Mission, Values, and Strategic Framework – Objectives and Outcomes

1.1 Mission

Infrastructure providing secure reliable electricity supply in South Canterbury

1.2 Our values

Our Values are:

- Health and Safety Always
- Lawful conduct
- Respect, Integrity, and Honesty
- Professional Excellence
- Environmental Responsibility
- Contribute to the Community

1.3 Strategic Framework – Objectives and Outcomes

The Company's strategic framework is shown in figure 1. Having given consideration to the drivers on the business the Company will develop and review its strategic objectives and desired outcomes prior to the commencement of each financial year.

Reporting against the Company's strategic objectives and outcomes, in addition to the reporting obligations referenced throughout, will be by way of regular monthly reporting to shareholders, shareholder meetings with the Company, and Chairman interaction with shareholders.

STRATEGY, PERFORMANCE & OUTCOMES

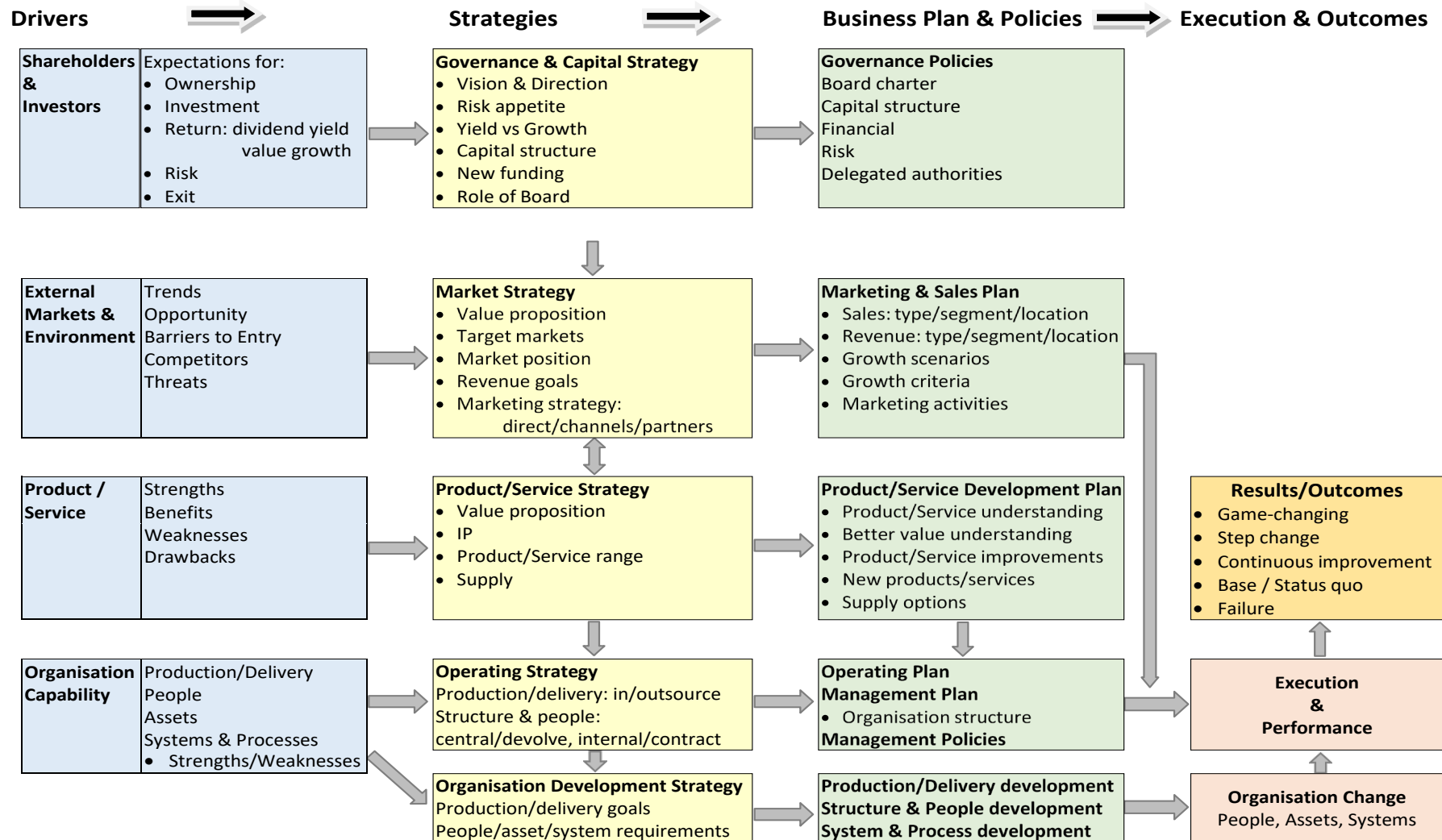


Figure 1 – Strategic Framework

1.4 Nature and scope of activities to be undertaken

The Company's business will primarily be that of quality energy delivery and infrastructure asset ownership and management.

The Company, through its subsidiary companies, NETcon Limited and Infratec Limited, are also involved in activities which support and develop the Business.

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

Opportunities for investment in activities consistent with its Mission will be investigated by the Company.

The Company will consult with its shareholders on any proposed investment which has a value greater than 5% of the value of the total assets of the Company, as disclosed in the statement of financial position published in the preceding annual report of the Company.

Regarding the above mentioned value, the Company will not proceed on any projects other than the safe, efficient, reliable and cost effective sale and delivery of energy (renewable and historical) and data (e.g. backhaul fibre), and will not proceed without the approval of a majority of shareholders.

1.5 Proprietorship Ratio

The ratio of shareholders' funds to total assets will be maintained at not less than 45 percent.

Total assets will comprise all the recorded tangible assets of the Company at their 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.

1.6 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 1993.

The Company's electricity distribution network has been maintained to a sustainable standard while being depreciated in the financial accounts.

1.7 Financial Performance Targets

The Company has developed financial performance targets to be used to instigate productivity improvements in each of the main business units and these will comprise specific measurable standards monitored for each unit. The following performance measures have been established for the Group. It should be noted the reduction in revenue in 2020/21 is a reflection of the estimated impact of the next five year reset period.

Statement of Corporate Intent Financials - Alpine Group For the years ended 31 March 2020 - 2022

	2019/20	2020/21	2021/22
(i) Ratio of Shareholders funds to total assets	0.52:1.00	0.57:1.00	0.59:1.00
(ii) Rate of return on shareholders funds:	12.89%	9.62%	10.38%
(iii) Net Tangible Assets per share \$	7.52	7.65	7.86
(iv) Earnings per share (cents per share)	50.24	39.57	44.60
(v) Ordinary Dividend per share (cents per share)	24.00	24.00	24.00
Financial Projections	\$M	\$M	\$M
Revenue	105.7	104.7	111.4
Operating Expenses	77.7	82.9	86.7
Operating Surplus Before Tax	28.1	21.9	24.8
Net Operating Surplus After Tax	20.8	16.4	18.4
Shareholder Funds	166.6	173.4	181.9
Current assets	19.1	18.6	20.3
Non-current Assets	291.6	297.5	304.5
Total Assets	310.8	316.1	324.8
Current Liabilities	17.2	17.5	17.9
Non-current liabilities	126.9	125.3	125.1
Total Liabilities	144.2	142.8	142.8
Net assets	166.6	173.4	181.9
Customer Capital Contributions	2.0	2.0	2.0
Capital Expenditure	17.4	19.4	19.7
- Asset Management Plan (Network)	12.9	17.4	18.3
- Other	4.5	2.1	1.3
Interest Cover - Parent (not to be less than 3.0 times)	7.41	6.12	6.69
Interest Cover - Group	7.70	6.52	7.32
Shareholder Funds to total assets (Parent) to be 45% or greater	53%	54%	55%
Shareholder Funds to total assets (Group)	54%	55%	56%

1.8 Operating Performance Targets

The Company has developed annual operating performance targets to show how its quality of service to customers and consumers is focused. Apart from the consequences of extreme weather events, Alpine Energy seeks to be in the top quartile of New Zealand line companies and its annual operating targets below are based on these criteria.

- (i) Electricity Line Losses < 6% per year
- (ii) Average Interruption Duration (SAIDI) < 132.81 minutes of interruption p.a. with a cap of 154.15
- (iii) Average Interruption Frequency (SAIFI) < 1.2973 interruptions per customer with a cap of 1.5071

1.9 Dividend Distribution Policy

The Company will, subject to a solvency certificate being signed by Directors, distribute to its Shareholders in cash a total of 24.0 cents per share in 2019/20 and the following two years.

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 recommending the maximum amount of dividend (if any) payable by the Company in respect of its equity securities.

Quarterly interim dividends of 20% of the annual forecasted dividend will be paid out on 30 September, 31 December, and 31 March with a final dividend on 31 July subject to completion of the Annual General Meeting.

1.10 Information to be provided to Shareholders

The Company will provide information which complies with all relevant statutes and regulation. The following information will be available.

Half yearly reports will be delivered to the Company's shareholders within 2 months after the end of each reporting period. These reports will comprise:

- (i) a report from the directors covering the operations for the half year period, including significant activities of the Company in regard to its associate company investments; and
- (ii) financial statements, including a statement of financial position and a statement of profit and loss.

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, including significant activities of the Company in regard to its associate company investments;
- (ii) audited consolidated financial statements for the financial year in respect of the Company and its subsidiaries (if any);
- (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:

- * Income Statement
- * Balance Sheet
 - * Statement of cash flows
 - * Statement of changes in equity
 - * Details of all transactions entered into during the financial year by the Company or any of its subsidiaries and certain other bodies
 - * Such other statements as may be necessary to fairly reflect the financial position of the Company and its subsidiaries (if any), the resources available to it or them and the financial results of the operations.

Draft statements of corporate intent will be delivered to the Company's shareholders one month before the end of each financial year.

Shareholders may request further information or reports from the Directors, and the Company shall supply this information to all Shareholders in such manner as shall from time to time be agreed between the Company and Shareholders.

1.11 Procedures for Acquisition of Interests in Other Companies or Organisations

As a general policy, any proposed investment by the Company in other companies or organisations will be required to meet the weighted average cost of capital (WACC) of the investments being considered, which shall reflect the market cost of debt and the market cost of equity.

All investment proposals will be considered by the Company's Board of Directors and in respect of any acquisition which has a value greater than 5% of the value of the total assets of the Company, as disclosed in the statement of financial position published in the preceding annual report of the Company, recommendations will be made for shareholders' approval.

1.12 Transaction Details

The following information is disclosed in terms of Section 39(2) (i) of the Energy Companies Act 1992:-

- * Contractual arrangements with the District Councils include:-
 - * Development, installation and maintenance of community lighting facilities.
 - * Road and Footpath Sealing: - re-sealing of cable trenches and restoration of footpaths etc. after underground cabling and new subdivisions.
 - * Negotiation of a contribution towards the overhead line to underground conversion programme.

All transactions between the Company and its Shareholders will be conducted on a commercial basis. Charges between the parties made for services provided as part of the normal trading activities of the Company, are incorporated into the operating costs and revenues of the Company.

1.13 Further Matters

The Company intends to investigate, consider and if appropriate, acquire interests in electricity lines related activities to the extent that such opportunities become available to the Company.

The maintenance and development of the total reticulation system of the Company will be a prime responsibility for the Company and shall be charged for on a fair and reasonable basis while acknowledging that some cross subsidisation among customers may occur.

The Company will seek to collaborate with the wider lines industry in seeking to improve consumer, community and workplace outcomes through developments such as:

- Tariff reform
- Technology recovery strategies
- Disaster recovery strategies
- Health and safety procedures