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INVERCARGILL CITY HOLDINGS LIMITED

STATEMENT OF INTENT FOR THE FINANCIAL YEAR ENDING 2026

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PREAMBLE

Invercargill City Holdings Limited (ICHL) was established by Invercargill City Council (ICC) in 1996 to monitor and oversee the performance of its subsidiaries and is accountable to ICC against this role.

Section 64 of the Local Government Act 2002 requires ICHL to prepare a statement of intent that:

- States the activities and intentions of ICHL for the year and the objectives to which those activities will contribute;
- Provide an opportunity for ICC to influence the direction of ICHL; and
- Provide a basis for the accountability of the directors of ICHL to ICC for the performance of ICHL.

ICHL and ICC have determined that the investments held by ICHL may be classified as either strategic or commercial and this statement of intent reflects those classifications.

The Directors have prepared this Statement of Intent which consolidates the intentions and objectives of its subsidiaries for the year.

OBJECTIVES

Section 59 of the Local Government Act 2002 sets out the principal objectives of ICHL. ICHL has the following specific objectives:

- To ensure that ICHL and its subsidiaries
  - work together with ICC to form an agreed strategic objective for the group;
  - activities and strategy are aligned with the strategic objectives agreed with ICC;
  - manage investments in a manner that optimises returns to its shareholder while achieving the desired strategic objectives.
- To ensure that the commercial investments of ICHL provide returns to its shareholder ICC that are sustainable and consistent with the agreed risk appetite of ICHL.
- To ensure that any projects or investments are undertaken in a commercially prudent manner to achieve the strategic outcomes of those projects or investments agreed with ICC.
- To keep the ICC informed of matters of substance affecting the group on a no surprises basis.
- To monitor the performance of each subsidiary against their stated performance objectives and ensure they have proper governance procedures in place.
- To promote health and safety management and reporting within the group.
- To ensure that regular reporting of results occurs to Invercargill City Council.
- To act generally as a responsible corporate citizen.

NATURE AND SCOPE OF ACTIVITIES

ICHL will monitor and oversee the performance of its investments. Specific actions that ICHL will take towards performance of this activity include:

a. Providing input into the Statement of Intent of each of its subsidiaries to ensure that they reflect the strategies and objectives of Invercargill City Council; and,

b. Monitoring the performance of the individual subsidiary companies against the Statement of Intent.

c. Providing funding and treasury services to the subsidiary companies.

d. Regularly, at least every 12 months, reviewing the strategic alignment of the commercial investments held by ICHL against its agreed strategic objectives.

e. Assisting Invercargill City Council in the management of its commercial investments.

The undertaking by ICHL of any activity of a nature or scope not provided for would be subject to the prior approval of the Invercargill City Council.

In particular the prior approval of the shareholder would be required for ICHL forming, acquiring or divesting an interest in any subsidiary company and in the case of each subsidiary the Directors of ICHL shall not, without the prior approval of the shareholder approve any investment which is contrary to that subsidiary's Constitution.

Activities of the subsidiary companies are as follows:

COMMERCIAL INVESTMENTS

ICHL expects a commercial return from Electricity Invercargill Limited consistent with its operations as a regulated entity.

ICHL expects that Invercargill Airport Limited will continue to progress towards providing a commercial return.

Both Electricity Invercargill Limited and Invercargill Airport Limited are identified as strategic assets by Invercargill City Council in its Significance and Engagement Policy.

ELECTRICITY INVERCARGILL LIMITED (EIL)

EIL owns and operates the electricity network in Invercargill which includes 663km of predominantly underground cables. This is one of the best performing networks in New Zealand in terms of reliability and efficiency and has more than 17,500 connections.

Reflecting its commercial and strategic importance EIL has revised its purpose to be:

- Delivering a capable, reliable and safe electricity distribution network;
- A secure and stable Regulated Asset Base; and
- Delivering optimum sustainable returns to the shareholder.

INVERCARGILL AIRPORT LIMITED (IAL)

IAL provides all airport related services for Invercargill and is the gateway to the city and the wider Southland region, hosting over 375 passengers in the 2023 year.

IAL is 97.47% owned by ICHL and the other 2.53% shareholders are the four local Rūnanga.

ICHL will work with IAL to ensure that its activities ensure the continued development of this essential service.

STRATEGIC INVESTMENTS

ICHL has identified Invercargill Central Limited and HWCP Management Limited as strategic investments. Strategic Investments are those from which ICHL prioritise the strategic or community return. ICHL will also work with those investments to maximize the potential commercial return to Invercargill City Council over time.

INVERCARGILL CENTRAL LIMITED (ICL) JOINT VENTURE

ICHL has become a shareholder in ICL at the request of ICC. ICHL has invested $63.2 million in ICL and holds 47.78% of the shares.

ICL has completed construction of the development and is operational as a shopping centre. In the short to medium term the expectation of a cash return from this investment is low

ICL is a strategic asset and ICHL will continue to monitor the performance of ICL in meeting the objectives of the investment by ICC in ICL

HWCP MANAGEMENT LIMITED (HWCP)

ICHL is a 49.997% shareholder in HWCP. HWCP was the original vehicle for the purchase of land to develop the inner city. ICHL became a shareholder in HWCP at the request of ICC.

At the time of HWCP selling the land purchased to ICL it was greed with Invercargill City Council that ICHL would leave the existing loan to HWCP in place.

ICHL has invested $350,000 in HWCP and has a loan to HWCP of $4.3m. ICHL does not expect to recover the equity investment in HWCP but does expect to recover some of the loan.

FUTURE INVESTMENTS

ICHL continues to consider investments that are consistent with the agreed strategic direction with ICC. In particular it continues to review investments that are consistent with:

- reduced exposure to capital growth strategies;
- retain the existing investments; and
- balancing risk across the portfolio.

PERFORMANCE TARGETS

The following targets relate to the ICHL group unless separately identified.

Financial

The consolidated financial forecasts are based on information provided by the subsidiary companies and ICHL own forecasts. The financial forecasts have been prepared using the best information available at the time of preparation.

Group – Year Ending 30 June	*2026 ($'000)*	*2027 ($'000)*	*2028 ($'000)*
Group Net Profit/(Loss) after tax	7.197	8.313	8.685
Dividend to Invercargill City Council	9.577	9.705	9.865

Invercargill Airport Limited, Invercargill Central Limited and HWCP Management Limited are strategic investments and will not be included in any commercial return requirements for ICHL.

At this stage there is no commercial return target allocated to ICL.

Return on Commercial Investments (ICHL, EIL and IAL)

ICHL is currently reviewing the manner in which its returns are reported to Invercargill City Council. In the interim ICHL will report, for its commercial investments rates of return on equity:

ICHL, EIL and IAL – Year Ending 30 June	*2026*	*2027*	*2028*
Return on equity (after tax)	4.23%	4.93%	5.19%

Non-financial performance targets – ICHL Parent

Corporate Governance

Objective	Performance Target
The ICHL Group will adopt strategies that are compatible with the strategic direction of its shareholder.	ICHL will actively engage with its subsidiaries and its shareholder to ensure strategic alignment with the Council's strategic priorities.
ICHL maintains contact with subsidiary company boards and remains aware of their strategic and business issues.	ICHL receives regular reports detailing financial and performance updates. ICHL meets with subsidiary boards regularly to review current performance and strategic focus areas.
ICHL keeps ICC informed of matters of substance affecting the group on a no surprises basis.	ICHL will make timely and balanced disclosure to ICC of all matters concerning it that a reasonable shareholder would expect to be made aware. This includes quarterly reporting and bi-annual presentations.

Sustainability

Objective	Performance Target
ICHL will promote and support ICHL Group companies' contribution to ICC's climate change initiatives.	ICHL will support progress across the group in moving towards measuring, report and reducing carbon emissions.

Dividends

Objective	Performance Target
ICHL expects a long term sustainable dividend flow to the shareholder, while maintaining an appropriate balance between dividends and reinvestment.	ICHL will require its subsidiaries to provide projections of at least 10 years of capital requirements for at least asset replacement to enable it to monitor the balance between these competing demands. ICHL will work with its subsidiaries to achieve the most efficient use of staff resources, capital assets and working capital through innovative management and sound business practices.

Public Expectations

Objective	Performance Target
ICHL will work with its subsidiaries to ensure that they are mindful of the public scrutiny that comes with being a Council Controlled Organisation.	ICHL will require its subsidiaries to commit to transparency and accountability to the public. This includes fulfilling the planning, reporting and disclosure requirements of the Local Government Act 2002 as it applies to CCOs, and the requirements of the Local Government Official Information and Meetings Act 1987 as it applies to CCOs, and any other company specific legislation. Ensure each subsidiary is fiscally disciplined with expenditure.

ICHL acknowledges that EIL, IAL and ICL are not CCTO's as defined in the *Local Government Act 2002* but will work with the boards of those entities to ensure that the spirit of the above requirements are met.

Non-financial performance targets – ICHL Group

The significant non-financial performance measures for each of our significant subsidiaries as set out in their SOI's are as follows:

Electricity Invercargill Limited

Objective	Performance Target
Network reliability	System Average Interruption Duration Index (SAIDI) The average total time in minutes each customer connected to the network is without supply:

SAIDI	2026	2027	2028
Planned	15.70	15.70	15.70
Unplanned	12.60	12.50	12.30

System Average Interruption Frequency Index (SAIFI)
The average number of times each customer connected to the network is without supply:

SAIFI	2026	2027	2028
Planned	0.11	0.11	0.11
Unplanned	0.32	0.31	0.31

Health and safety	PowerNet is contracted to EIL to manage operations. EIL as a joint PCBU with PowerNet will monitor the PowerNet Health and Safety Performance targets. Total Recordable Injury Frequency Rate Contractor Targets (TRIFR) **2026**: 1.3 | **2027**: 1.3 | **2028**: 1.3

Invercargill Airport Limited

Objective	Performance Target
Health and Safety	Zero lost time injuries for staff No events which are notifiable to Worksafe
Passenger numbers	**2026**: 304,880 | **2027**: 315,158 | **2028**: 324,668
Operations	Retain Aerodrome Operator Certification from the Civil Aviation Authority. No significant investigation findings by MPI, CAA or ES
Infrastructure and Property	No significant disruption to airport operations Successfully complete runway resurfacing project Complete acquisition of airfield power and lighting from Airways Commence redevelopment of airfield lighting and its infrastructure
Environmental and Sustainability	Repurpose all waste millings from runway resurfacing project Partner with local recycling agents to incorporate local crushed glass into runway asphalt for resurfacing project Measure and report Scope 1 and 2 emissions No notifiable environmental incidents on airport-managed property
Customer Experience	Terminal Development – complete security lane and jet lounge expansion Complete airside passenger walkway

Invercargill Central Limited (Joint Venture)

Objective	Performance Target
Operational budget costs	Operating costs within 10% of budget.
Tenancy	90% leased

RATIO OF CONSOLIDATED SHAREHOLDER FUNDS TO TOTAL ASSETS

The forecast ratio of shareholder funds to total assets as at 30 June is:

	2026	*2027*	*2028*
Shareholder's funds/total assets	76.44%	75.63%	74.08%

For the purpose of this ratio shareholder funds are defined as the paid-up capital plus any retained tax paid profits. They include undistributed profits which have been accumulated in accounts known as either "Revenue Reserves" or "Capital Reserves" and shareholder advances.

Total assets are defined as the sum of all current, fixed and investment assets of the group.

COMMERCIAL VALUE OF THE SHAREHOLDER'S INVESTMENT

The commercial value of the Shareholder's investment in the ICHL is considered by the Directors to be not less than the Shareholder's funds as disclosed in the Statement of Financial Position published in the last Annual Report.

REPORTING TO THE SHAREHOLDER

The following information will be available to the shareholder based on an annual balance date of 30 June.

DRAFT STATEMENT OF INTENT

On or before 1 March each year, the Directors will deliver to the shareholder a Draft Statement of Intent that fulfils the requirements of Section 64 of the Local Government Act 2002.

COMPLETED STATEMENT OF INTENT

On or before 30 June each year the Directors shall deliver to the shareholder a completed Statement of Intent which fulfils the requirements of Section 64 of the Local Government Act 2002.

HALF YEARLY REPORT

Within two months after the end of the first half of each financial year, the Directors shall deliver to the shareholder an unaudited report containing the following information as a minimum in respect of the half-year under review:

- A revenue statement disclosing actual revenue and expenditure, with comparative figures from the previous half yearly report.
- A statement of financial position at the end of the half year.
- A statement of cash flows.

- A commentary on the results for the first six months together with a report on the outlook for the second six months with reference to any significant factors that are likely to have an effect on ICHL's performance, including an estimate of the financial result for the year based on that outlook.

ANNUAL REPORT

Within three months after the end of each financial year, the Directors shall deliver to the shareholder an annual report and audited financial statements in respect of that financial year, containing the following information as a minimum:

a. A Director report including a summary of the financial results, a review of operations, a comparison of performance in relation to objectives and any recommendation as to dividend.

b. A revenue statement disclosing actual revenue and expenditure, and comparative figures.

c. A statement of financial position at the end of the year.

d. A statement of cash flows.

e. An Auditor's report on the above statements and on the measurement of performance in relation to objectives.

DISTRIBUTION POLICY

It is anticipated a dividend will be paid by ICHL to the Invercargill City Council of:

- $9,577,000 in 2025/2026 (agreed long term dividend of $5,577,000 plus $4,000,000 for 10 years from the sale of assets in 2024/25 financial year); and
- $9,705,000 in 2026/2027 (agreed long term dividend of $5,705,000 plus $4,000,000 for 10 years from the sale of assets in 2024/25 financial year); and
- $9,865,000 in 2027/2028 (agreed long term dividend of $5,865,000 plus $4,000,000 for 10 years from the sale of assets in 2024/25 financial year).

ICHL and its subsidiaries may make further payments to ICC in the form of subvention payments.

ICHL acts as bank for the group. ICHL will, as far as practical ensure that any debt reduction by subsidiaries is matched by a debt reduction by ICHL. Surplus from the Group operation will be used to repay the ICHL debt.

PROCEDURES FOR ACQUISITION OF OTHER INTERESTS

ICHL will only invest in the shares of another company or organisation in accordance with the Constitution of ICHL following consultation with ICC on a no surprises basis.

COMPENSATION FROM LOCAL AUTHORITIES

The Directors do not envisage any circumstances arising that would give rise to any claim from any Local Authority during the year.

OTHER MATTERS AGREED AS BETWEEN THE DIRECTORATE AND ITS SHAREHOLDER

ICHL has entered into Deeds of Understanding with its subsidiaries imposing upon the companies certain restrictions, requirements and obligations as set out in the Deed.

ICHL has a written agreement with all subsidiaries to fund each company's capital and operating costs, by way of interest bearing loan, subject to the provision of annual budgets and business cases.

GOVERNANCE

- The Directors of ICHL are appointed by Invercargill City Council to oversee the governance of the ICHL and its subsidiaries and will act in accordance with the guidelines set by the Shareholder.
- The Directors acknowledge their fiduciary responsibilities however the day to day management of ICHL is delegated to the management team and the external Treasury Manager.
- The Directors hold regular board meetings at which management reports are received and discussed.
- The Board monitors the performance of the subsidiary companies to ensure performance and capability and to identify any areas for improvement.
- ICHL has a limit imposed on its capacity to borrow of $100m supported by way of the issue of uncalled shares to Invercargill City Council.

ACCOUNTING POLICIES

ICHL's accounting policies are consistent with the accounting policies recognised by the External Reporting Board ('XRB').

The accounting policies which materially affect the measurement and reporting of financial performance and financial position have been applied on a basis consistent with those used in previous years.

The accounting policies are listed in full in in our most recent annual report.