INVERCARGILL CITY HOLDINGS LIMITED

STATEMENT OF INTENT FOR THE FINANCIAL YEAR ENDING 2027

TABLE OF CONTENTS

	PAGE
PREAMBLE	3
OBJECTIVES	3
NATURE AND SCOPE OF ACTIVITIES	4
PERFORMANCE TARGETS	5
RATIO OF CONSOLIDATED SHAREHOLDERS' FUNDS TO TOTAL ASSETS	8
COMMERCIAL VALUE OF THE SHAREHOLDERS INVESTMENTS	9
REPORTING TO SHAREHOLDER	9
DISTRIBUTION POLICY	10
PROCEDURES FOR ACQUISITION OF OTHER INTERESTS	10
COMPENSATION FROM LOCAL AUTHORITIES	10
OTHER MATTERS AGREED AS BETWEEN THE DIRECTORATE AND ITS SHAREHOLDER	10
GOVERNANCE	10
ACCOUNTING POLICIES	11

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

Electricity Invercargill Limited and Invercargill Airport Limited are identified as investments from which ICHL expects a commercial return. They are also strategic assets for Invercargill City Council.

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 338,000 passengers in the 2025 financial 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

Invercargill Central Limited and HWCP Management Limited are investments from which ICHL expects a strategic or community return. ICHL will 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 agreed 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 $4.6m. ICHL does not expect to recover the equity investment in HWCP but does expect to recover some of the loan. ICHL and ICC have agreed that HWCP will try to sell the remaining land held by it.

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	***2027 ($'000)***	***2028 ($'000)***	***2029 ($'000)***
Group Net Profit/(Loss) after tax	6,153	6,720	7,786
Dividend to Invercargill City Council	9,705	9,836	9,965

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	***2027***	***2028***	***2029***
Return on equity (after tax)	3.75%	3.95%	4.64%

<u>Non-financial performance targets – ICHL Parent</u>

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 and ICL are not CCTOs 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

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

<table>
<tr><th>SAIDI</th><th>2027</th><th>2028</th><th>2029</th></tr>
<tr><td>Planned</td><td>16.00</td><td>16.00</td><td>16.00</td></tr>
<tr><td>Unplanned</td><td>15.40</td><td>15.20</td><td>15.00</td></tr>
</table>

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

<table>
<tr><th>SAIFI</th><th>2027</th><th>2028</th><th>2029</th></tr>
<tr><td>Planned</td><td>0.11</td><td>0.11</td><td>0.11</td></tr>
<tr><td>Unplanned</td><td>0.36</td><td>0.35</td><td>0.35</td></tr>
</table>
</td></tr>
<tr><td>Health and safety</td><td>PowerNet is contracted to EIL to manage operations. EIL as a joint PCBU with PowerNet will monitor the PowerNet Health and Safety Performance targets.</td></tr>
</table>

	Total Recordable Injury Frequency Rate Contractor Targets (TRIFR) 2027: 1.3 2028: 1.3 2029: 1.3

Invercargill Airport Limited

Objective	Performance Target
Ensure the management of the aerodrome meets all safety, regulatory, and operational compliance standards	Meet all regulatory requirements under CAA Part 139 and MPI POFA, with all external audit findings closed within agreed time-frames.
Passenger numbers	2027: 305,000 2028: 319,000 2029: 326,000
Ensure the health, and safety of IAL employees	Zero lost time injuries for IAL staff and IAL's contractors
Infrastructure and Property	Capital projects delivered as per capital projects plan.
Environmental and Sustainability	Measure and report scope 1 and 2 emissions to ICC. Upgrade airport support vehicles to low-emissions alternatives. Establish a landfill waste baseline to inform future reduction targets.
Airport Infrastructure Reliability	No impacts to on time performance to regular passenger transport due to airport owned infrastructure.
Community Partnerships	Hold a community event to invite public to the airport. Increase sponsorship to relevant community events compared to prior year.

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:

	2027	*2028*	*2029*
Shareholder's funds/total assets	75.09%	72.67%	72.08%

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:

- $9,705,000 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
- $9,836,000 in 2027/2028 (agreed long term dividend of $5,836,000 plus $4,000,000 for 10 years from the sale of assets in 2024/25 financial year); and
- $9,965,000 in 2028/2029 (agreed long term dividend of $5,965,000 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 Advisor.

- 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.

- The directors of ICHL appoint directors to the subsidiary boards and monitor the performance of these subsidiary boards and directors.

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.