

Pylon Limited



Langlands Substation

STATEMENT OF INTENT

2023/2026

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1. INTRODUCTION

This Statement of Intent (SOI) for 2023/2026 sets out the overall intentions and objectives for the Company for the year ending 31 March 2024 and the two succeeding financial years.

Pylon Limited (Pylon) is a profit orientated limited liability company that was incorporated in New Zealand on 10 June 2002. The Company is a wholly owned subsidiary of Electricity Invercargill Limited (EIL). The Pylon Group consists of Pylon, its interest in joint venture entities PowerNet Limited (PNL), OtagoNet Joint Venture (OJV), Roaring Forties Energy Limited Partnership (RFLP), Southern Generation Limited Partnership (SGLP) and its interest in associate entity, Lakeland Network Limited (LNL).

The SOI has been prepared in accordance with the Energy Companies Act 1992 and takes into account the likely reporting requirements of EIL's shareholder Invercargill City Holdings Limited (ICHL) as required by the Local Government Act 2002.

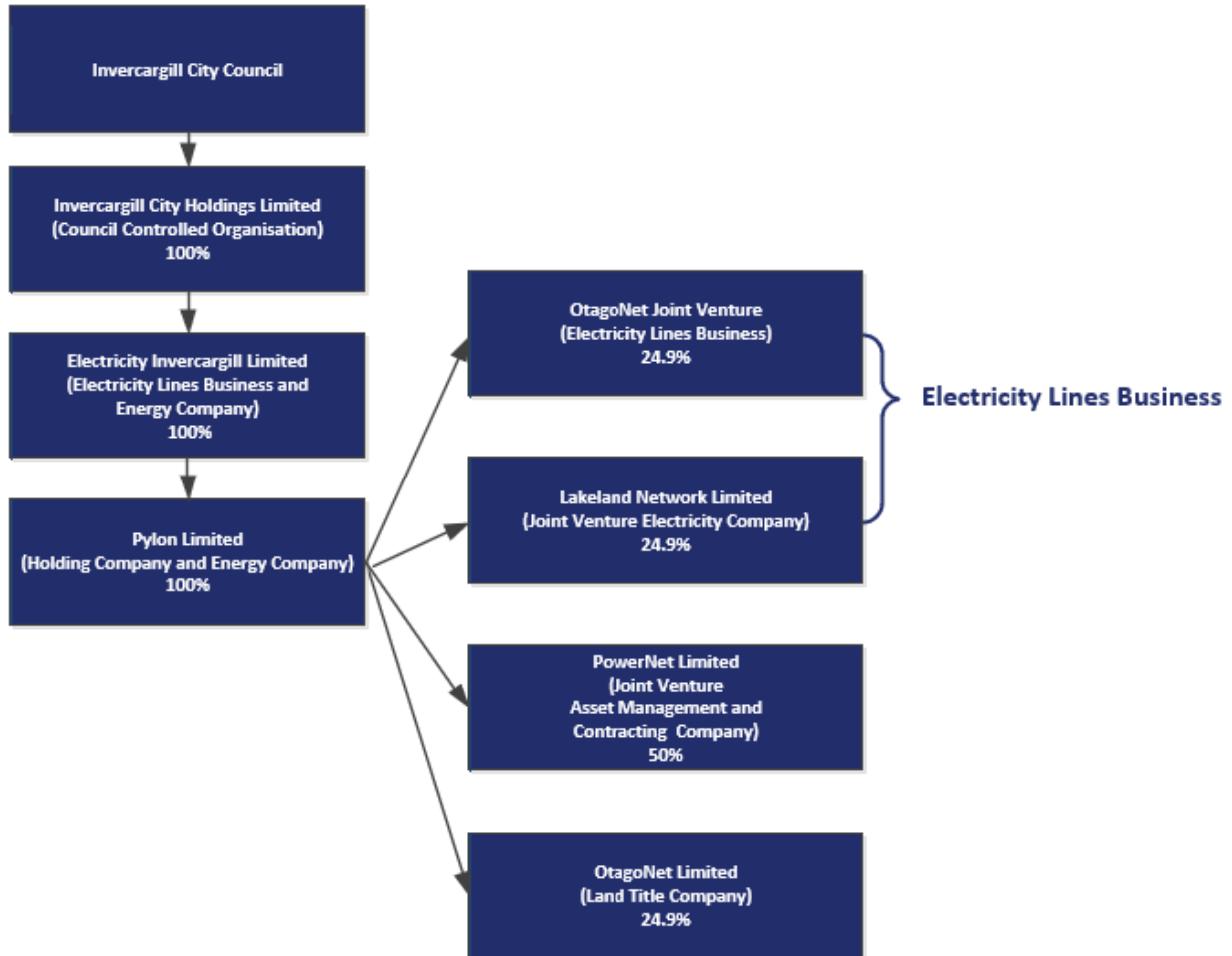
The SOI is a public statement of the activities and intentions of Pylon incorporating its joint ventures and associate entities. It sets out the nature and scope of activities intended to be undertaken, its objectives and key performance indicators by which Pylon's performance can be measured.

The Pylon Group has overall been resilient to the continuing impact of COVID-19. Adopted pandemic measures by the Group has limited the health impact of the virus while the more permissible New Zealand COVID-19 Protection Framework allows increased activities on the wider business and network operations.

Pylon Group electricity distribution and generation activities are considered an essential service and have not been impacted by the pandemic restrictions to date. This SOI incorporates known impact of COVID-19 pandemic on supply chain disruptions and the associated significant effect on material price increases. Activity on the network will be steady on the assumption that the pandemic will not have a significant effect on the availability of skills and easing restrictions resulting from more liberal COVID-19 protection framework. Should this not be the case, the SOI will be subject to change.

2. CORPORATE OVERVIEW

2.1 Company Structure



2.2 Investment Diversification

Pylon together with EIL's joint venture partners, jointly own a number of other electricity sector businesses:

- **PowerNet Limited**
A 50% owned electricity distribution network management and field services provision joint venture company. It has network management agreements in place for EIL, The Power Company Limited (TPCL), OJV and LLN electricity distribution networks. In addition, they provide corporate and board services to their shareholders.
- **OtagoNet Joint Venture**
A 24.9% owned electricity distribution business in rural Otago covering Balclutha, Milton, Ranfurly and Palmerston.
- **Lakeland Network Limited**
A 24.9% owned electricity distribution business in Central Otago covering Frankton and Wanaka.
- **Southern Generation Limited Partnership**
A 25% owned renewable electricity generation business, with wind and hydro generation sites throughout New Zealand. In conjunction with TPCL, EIL equally owns RFLP. SGLP is owned 50% by RFLP and 50% by Pioneer Energy.

3. STRATEGY

3.1 Core Business

The nature and scope of activities undertaken by Pylon are:

- To manage, grow and, if appropriate realise subsidiary, joint venture and associate investments in the infrastructure, electrical and energy sectors.
- To operate a successful business for the benefit of the Company's shareholder in a safe, reliable and effective manner.

3.2 Vision Statement

To be one of the top performing commercial asset management company in New Zealand focusing on electricity distribution businesses and other investments within the electrical and energy sectors.

3.3 Commercial Objectives

Pylon aims to operate as a successful business. We strive through our investments to be an efficient and effective operation within the electricity industry and provide stakeholders with an appropriate balance of:

- competitive pricing
- leading public and workplace safety performance
- above average levels of service
- acceptable social and environmental impacts
- commercial return on investment

4. PERFORMANCE MEASURES

Listed below are the Group forecast returns for the next three years:

EBIT% - PERCENTAGE EARNINGS BEFORE TAX AND INTEREST ON ASSETS EMPLOYED

	2024	2025	2026
Group Net Operating Profit Before Tax (NPBT)	2,737,206	1,964,576	2,749,696
Interest	-	-	-
Group Net Operating Profit Before Interest, Taxation and Non-operating Items (Gain on Sale)	2,737,206	1,964,576	2,749,696
Total Assets	67,615,358	68,323,215	69,741,493
EBIT %	4.05%	2.88%	3.94%

NPAT% - PERCENTAGE TAX PAID PROFIT ON EQUITY

	2024	2025	2026
Net Profit After Tax (NPAT)	12,946,517	1,590,717	2,213,058
Equity	56,984,284	57,666,357	58,902,719
NPAT %	22.72%	2.76%	3.76%

PERCENTAGE OF CONSOLIDATED EQUITY TO TOTAL ASSETS

	2024	2025	2026
Equity	56,984,284	57,666,357	58,902,719
Total Assets	67,615,358	68,323,215	69,741,493
% Equity/Total Assets	84.28%	84.40%	84.46%

5. SHAREHOLDER INFORMATION

5.1 Dividend Payments

The Company intends to provide a dividend of \$11.0 million in 2023/24 funded mainly by the sale of RFLEP, \$0.9 million in 2024/25 and \$1.0 million in 2025/26.

Dividend payments are the excess funds from cash distributions/dividends received from the investment entities after paying the tax obligations.

5.2 Information to be reported

The Company will report on a six-month and annual basis, in the form set down by legislation.

Un-audited annual report and half-yearly accounts will include Statements of Comprehensive Income and Financial Position, together with such other supporting information as may be required to enable an informed assessment of the Company's performance and value of investment during the reporting period, as agreed between the Shareholder and the Directors.

Transactions with related parties primarily consist of asset maintenance and construction, administration and management services.

All related party transactions are eliminated in the preparation of the Annual Financial Statements.

5.3 Acquisition Procedures

Except by a special resolution of shareholders, Pylon may not enter into a major transaction.

A major transaction includes the acquisition of or an agreement to acquire, assets the value of which are more than half of Pylon's assets before acquisition.

5.4 Compensation Sought from Local Authorities

Pylon is not aware of any compensation it seeks from any local authority.

5.5 Board Estimate of the Value of Shareholder's Investment

The Directors estimate the commercial value of the shareholder's investment in the group to be at least the value of shareholder's equity reported in Pylon's financial statements and SOI.

Each year as part of the financial reporting process the Board considers its investments for signs of impairment. Presently there are no signs of impairment however this may be subject to future adverse consequences of any regulatory decision made by the Commerce Commission.

5.6 Statement of Intent

Each year in accordance with the Energy Companies Act 1992 the Board submits a draft Statement of Intent (SOI) for the coming financial year and the two succeeding years. The SOI sets out the nature and scope of the activities to be undertaken by Pylon, its objectives and key performance indicators by which Pylon's performance can be measured.

The final SOI is placed on the internet and advertised as being available to the public, with copies at the Company's registered office

6. STATEMENT OF ACCOUNTING POLICIES

6.1 General Accounting Policies

The Group's accounting policies comply with the legal requirements of the Companies Act 1993 and the Financial Reporting Act 2013, and are consistent with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as applicable for profit oriented entities.

The Group is eligible and has elected to report in accordance with Tier 2 for profit accounting standards, NZ IFRS Reduced Disclosure Regime on the basis it has no public accountability and is not a large for profit public sector entity.

6.2 Specific Accounting Policies

The specific accounting policies, which materially affect the measurement of financial performance and financial position, are fully listed in the Company's annual report.