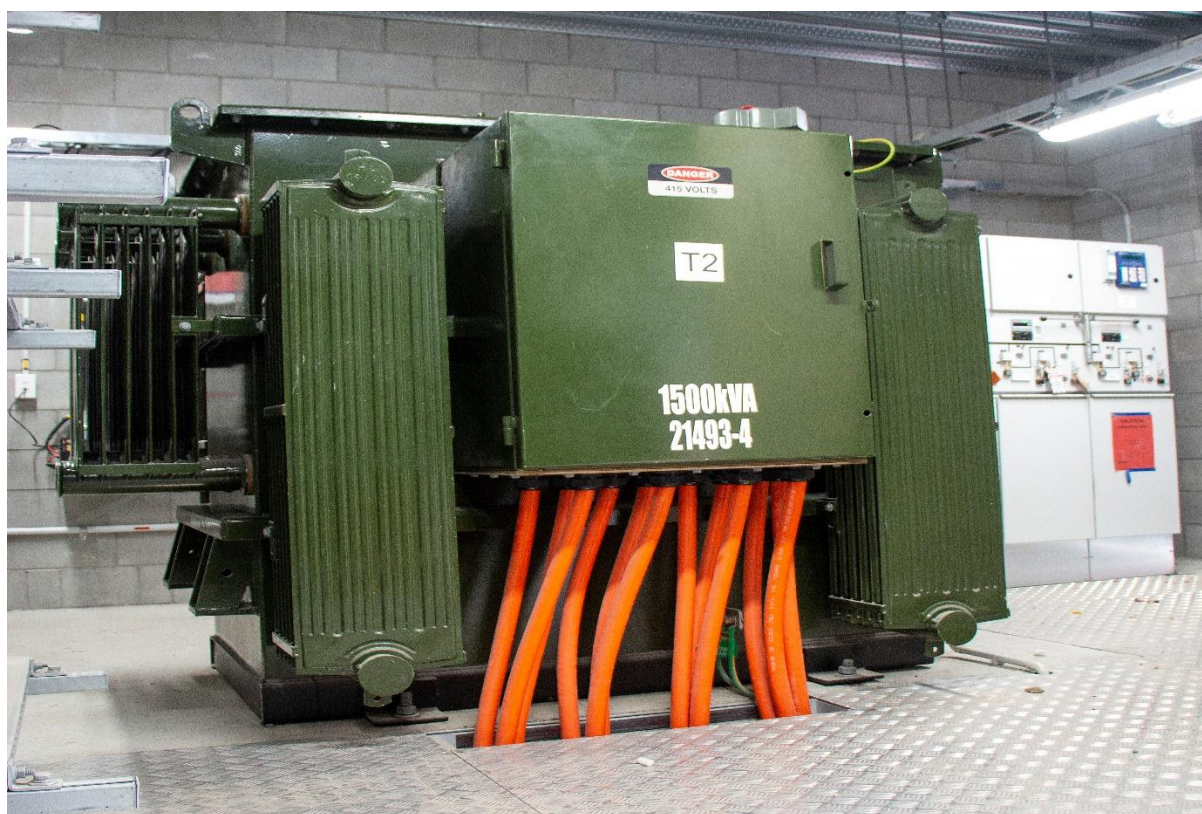




Invercargill City Substation Rebuild

STATEMENT OF INTENT

2025/2028

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INTRODUCTION

Electricity Invercargill Limited (EIL) transports electricity from the national grid to the end-use consumer ensuring the safe, reliable and efficient supply of electricity to homes, farms and businesses.

EIL is wholly owned by Invercargill City Holdings Limited (ICHL). ICHL in turn is wholly owned by the Invercargill City Council (ICC). As an Energy Company as defined by the Energy Companies Act 1992 EIL is specifically excluded from being a Council Controlled (Trading) Organisation as defined in the Local Government Act 2002.

This Statement of Intent (Sol) sets out the EIL's planned activities and financial forecasts for the next three years. The SOI is a public statement of the activities and intentions of EIL incorporating its investments in metering assets. It includes performance measures and targets which will be reported against in the EIL's 2026 Annual Report which have been agreed with its shareholder as a result of the letter of expectation and Sol process.

The planned activities and performance measures take shareholder comments into consideration.

The EIL Board is committed to ensuring the interests of the shareholder ICHL, the customers and consumers of EIL network are met by providing effective governance, oversight and strategic direction over the affairs of the company.

EIL will continue its high focus on customer service, safety, reliability, efficiency and power quality, which is managed and delivered through the Business Plan and Statement of Intent. To maintain a safe, reliable and efficient network and cater for growth, we are planning to invest \$148 million in the network over the next decade to be funded by increased revenue and borrowings

CORPORATE OVERVIEW

2.1 Map of EIL Area

Invercargill Distribution Area



Bluff Distribution Area



OBJECTIVES

3.1 Core Business

The purpose of the company is:

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

The capital and resources of the company will be allocated to those assets and activities which will enable it to achieve the company purpose in a manner best serving the interests of the shareholder as a whole.

As an Energy Company, EIL has the following objectives, as defined in the Energy Companies Act 1992:

1. The principal objective of an Energy Company is to operate as a successful business; and
2. In seeking to attain its principal objective, an Energy Company shall have regard, among other things, to the desirability of ensuring the efficient use of energy.

In operating its business, the Company also has regard to the objectives of a Council Controlled Trading Organisation to:

- a) achieve the objective of its shareholder, both commercial and non-commercial, as specified in the Statement of Intent; and
- b) be a good employer (as per clause 36 of Schedule 7 to the Local Government Act); and
- c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- d) conduct its affairs in accordance with sound business practice.

Health, Safety and Wellbeing is integral to the manner in which EIL operates and conducts its business affairs.

A core part of EIL's strategy will be to provide to its shareholder consistent long-term annual dividend returns appropriate to the sector the Company operates in;

3.2 Responsibilities of the Board

In addition to the obligations of the Energy Companies Act 1992, the EIL is also subject to the requirements of the Companies Act 1993 and is governed by a Board of independent directors appointed by the Company's shareholder, ICHL.

The Board of independent directors operates in accordance with accepted best practice governance.

The role of a director of an Energy Company is defined in Section 37 of the Energy Companies Act 1992. This section states that all decisions relating to the operation of an Energy Company shall be made by or pursuant to the authority of the directorate of EIL in accordance with its Statement of Intent. The Board is responsible for the preparation of the Sol which requires approval from the Company's shareholder.

The Board meets on a regular basis to direct and control the company's activities. Directors are appointed by the shareholder and a Board performance evaluation framework is in place.

The Board accepts that it is responsible for the overall control system operating within the company but recognises that no cost-effective internal control system will permanently preclude all errors or irregularities. The control systems reflect the specific risks associated with the business of the company.

The shareholder reviews and approves the Sol and three-year financial plan.

Six-monthly and annual reports of financial and operating performance are provided to the shareholder. Treasury management is performed by EIL's shareholder ICHL.

PERFORMANCE MEASURES

4.1 Financial

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

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

	2026	2027	2028
Net Operating Profit Before Taxation	5,927,660	7,010,643	7,115,133
Interest	1,806,450	1,913,063	1,913,063
Group Net Operating Profit Before Interest, Taxation and Non-operating Items (Gain on Sale)	7,734,109	8,923,705	9,028,196
Total Assets	138,884,390	141,112,423	143,785,398
EBIT %	5.57%	6.32%	6.28%

NPAT% - PERCENTAGE TAX PAID PROFIT ON EQUITY

	2026	2027	2028
Net Profit After Tax (NPAT)	4,267,915	5,047,663	5,129,861
Equity	74,794,727	76,842,389	78,972,250
NPAT %	5.71%	6.57%	6.50%

PERCENTAGE OF CONSOLIDATED EQUITY TO TOTAL ASSETS

	2026	2027	2028
Equity	74,794,727	76,842,389	78,972,250
Total Assets	138,884,390	141,112,423	143,785,398
% Equity/Total Assets	53.85%	54.45%	54.92%

4.2 Supply Quality

SAIFI - SYSTEM AVERAGE INTERRUPTION FREQUENCY INDEX (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

SAIDI - SYSTEM AVERAGE INTERRUPTION DURATION INDEX (THE AVERAGE TOTAL TIMES 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

Please note that the assessed target SAIDI and SAIFI figures include the likely reduction from storms and major events that are excluded from the raw figures that are presented in schedule 12d of the AMP.

EIL's network reliability has been extremely good due to the underground nature of the Invercargill network. Parts of the underground network are starting to reach end of life and these are incorporated in the forecasts. Distribution automation can counter some of the effect on SAIDI, but it becomes less cost efficient with higher saturation on the network and is less effective at countering the SAIFI impact of deteriorated equipment. The reliability forecast has been adjusted to reflect the average performance of unplanned SAIDI and SAIFI in the past 5 years and is expected to stay at this level. The SAIDI and SAIFI forecast is expected to slowly improve as the testing of the cable, remote control of Ring Main Units and installation of fault locators reduce the number of outages and improve the restoration time in the medium to long term.

THE COMMERCE COMMISSION SUPPLY QUALITY LIMITS ARE:

SAIFI (unplanned)¹	0.6956 times
SAIFI (planned)¹	0.5183 times (5-year)
SAIDI (unplanned)	25.86 minutes
SAIDI (planned)²	114.49 minutes (5-year)

4.3 Health & Safety

PowerNet is contracted to EIL to manage operations. EIL currently employs no staff. EIL agrees with PowerNet performance targets to meet not only its obligations under the Health and Safety at Work Act but also its commitment to its shareholder. Health and Safety Performance targets agreed with PowerNet.

TRIFR - TOTAL RECORDABLE INJURY FREQUENCY RATE CONTRACTOR TARGETS

2026	2027	2028
1.3	1.3	1.3

¹ An annual Planned SAIFI Limit figure is shown for comparison with the forecasts, but Planned SAIFI is assessed at the end of the 5 year DPP3 period. The 5-year Planned SAIFI limit is 0.5183

² An annual Planned SAIDI Limit figure is shown for comparison with the forecasts, but Planned SAIDI is assessed at the end of the 5 year DPP3 period. The 5-year Planned SAIDI limit is 114.49

SHAREHOLDER INFORMATION

5.1 Dividend Payments

EIL will determine its ability to pay dividends by assessing the company's financial position and in accordance with a dividend policy agreed with its shareholder.

Based on current projections the Board expects to be in a position to consider the payment of a dividend of at least \$3 million per annum for the next three years.

EIL will revisit these projections and dividend forecasts annually when preparing its Statement of Intent. In arriving at a dividend recommendation, Directors will consider:

- EIL's financial performance, in particular, the cash flows from operations;
- the ratio of EIL's shareholders funds to total assets (equity ratio);
- EIL's future investment plans and profitability thereof;
- EIL's ability to raise loans and the terms thereof; and
- inflationary forecasts and EIL's cost of borrowings.

Dividends will also be subject to Directors' obligations to act in accordance with their statutory duties and the company's Constitution.

EIL's dividend policy will be reviewed by the Board at least annually and the basis on which dividends are calculated may be subject to change from time to time.

5.2 Compensation Sought from Local Authorities

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

5.3 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 EIL'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, or significant changes in market conditions.

5.4 Debt Management

EIL's electricity network asset investments are subject to regular renewal throughout their lives in line with depreciation. EIL's debt levels are managed taking into account lending covenants, the group's profit, depreciation, capital expenditure and new investment plans. EIL's group holds investments in classes of assets that require replacement of a significant portion of the asset as they approach the end of their economic lives. EIL recognises that where these assets have been acquired via debt funding that a prudent approach is to repay the associated debt as the economic value of the asset diminishes throughout its life.

Debt is used by EIL to align the cost and the benefit of assets over their life.

STATEMENT OF ACCOUNTING POLICIES

6.1 Accounting Policies

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.

NZ IFRS standards are subject to change and therefore the Company's accounting policies are also subject to change during the period of the Statement of Intent.

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.