

16TH October 2018

Marlborough Electric Power Trust

Chairman's Report Annual Reporting Meeting.

It is always interesting reflecting on a year that has passed, like every year that has gone before each one seems to go quicker than the next.

On this basis I reflect on John Cuddon's retirement from the trust and his length of service. Initially an elected member of the Marlborough Electric Power Board, John was named an inaugural trustee of the Marlborough Electric Power Trust in 1993. John has served the Marlborough Electric Power Trust for twenty five years with the exception of a brief sabbatical. I would like to thank John for his service and his professionalism, his has been a truly remarkable term of service and I can say without hesitation the trust and beneficiaries are that much better for John's commitment.

This past year we welcomed in new trustee Domenic Romano, who with his fine history in banking will be an asset to the trust. I would like to publicly acknowledge my fellow trustees for their input, professionalism and diligence over the year, our job can be difficult as the trust is a very misunderstood entity. There has been encouraging and healthy debate around the board table, and the trust continues to operate as an effective team.

Trustees have continued to enhance their learning with attendances at two Energy Trusts of NZ conferences. We have also used the services of well-known energy trust specialist Peter Castle to upskill in trust law, with particular reference to both the trust amendments bill that is before parliament and general trustee duties. These sessions are invaluable and allow trustees to pose hypothetical questions in relation to the trust deed.

At the last annual reporting meeting we received some feedback in relation to the timing of these meetings. The trustees acknowledge that reports need to be given in a timely manner and that a meeting a week before Christmas is difficult for people to attend. This year we have worked closely with Marlborough Lines Limited and our own auditors to finalise the consolidated financials as quickly as possible, enabling the trustees to bring this meeting forward to November. I would like to acknowledge our Trust secretary Brenda Munro for her dedication to ensuring the financials were audited and completed in a timely manner.

Marlborough Lines continues to operate effectively, and in relation to the Statement of Corporate Intent the company continues to either achieve target or in most cases come close.

I note the achievements of ISO 45001:2018 certification in Health & Safety, NZS 7901 in public safety management ISO 9001:2015 in quality management, ISO 14001:2004 in environmental management systems.

Lost minutes on the network are very impressive, with Marlborough Lines having one of the lowest outage times in the country. This is no small feat given that a significant proportion of the 3,000 kilometres of lines traverse some challenging terrain, a proportion of which is only accessible by boat or helicopter. Marlborough Lines has a quality network because prudent maintenance and regular capital expenditure has been undertaken over a period of years. This is reflected in the network's reliability being rated in the top six across energy distribution businesses in New Zealand.

The trust continues to receive dividends from Marlborough Lines, this dividend is then distributed to the beneficiaries. The last distribution totalled \$4.5 million, equating to approximately \$180.00 per connection. It is hoped that the next distribution will be increase to \$5.0 million. This distribution is in addition to the Marlborough Lines discount totaling \$9.6m inclusive of GST.

From a shareholder's perspective the asset backing per share has increased from \$2.22 per share in 2002 to \$15.26 in 2018, an increase of 587.4%. Over that same period net shareholder wealth has increased from \$62.2 million to \$427.25 million.

Marlborough Lines continues to own 50% of Nelson Electricity and during the year also acquired the balance of the shares Yealand's Wine Group (YWG) giving it 100% ownership of YWG.

Ian Martella