

**Minutes of the Annual Reporting Meeting of the
Marlborough Electric Power Trust
Held at 7.00 pm on the 10th December 2019**
In the Whitehaven Room, ASB Theatre, Hutcheson St Blenheim

Present: Trustees: Clive Ballett, Ross Inder, Ian Martella, Domenic Romano and Nicki Stretch

Apologies Malcolm Aitken

In attendance: Brenda Munro (Trust Secretary), Alice Stone (Minute Secretary)
Marlborough Lines Ltd representatives: Ken Forrest, David Dew, Ivan Sutherland, Alexandra Barton, Steven Grant, Deborah Selby, Phil Robinson and Gareth Jones
Deloitte Limited representatives: Nicole Dring and Michael Wilkes

Beneficiaries: Tim Smit, Andrew Munro, Margaret Sutherland, John Cuddon, Diane Gibb, John Bailey, Rachel Van Beek. Corey Hebbard, Ted Bourke, Geoff Hoare, Jason Dark, Matthew Banes, Paul Gibson, Steve McLauchlan, Scott Wilkinson, David Taylor, Stephen Neal, Richard Bateman, Simon Bishell, Chris Borrie, Deborah Dalliessi, John Grant, David Waters, Greg Stretch, Paul Ham, Robert & Margaret Smith, Peter Van Beek, Maia Hart, Cathie Bell, David Winstanley, Hans Blomm, Scott Bishell and one other (illegible).
Members of the Public: Paula Hulbert

Ian Martella opened the meeting with a moments silence for all those affected by the Whakaari White Island eruption disaster. Ian introduced the trustees and trust secretary and called on David Dew to introduce the company representatives present. Ian then introduced the representatives of Deloitte Ltd, the trusts auditors.

Ian detailed the official purpose of the meeting is to appoint the auditors and set their remuneration and report to the beneficiaries on the financial statements and operation of the trust and company during the preceding financial year.

Appointment of Auditor

***Moved:** That Deloitte Limited be appointed as auditor for the Marlborough Electric Power Trust and hold office until the next public reporting meeting as described in clause 12.6 of the Trust Deed.*

B Munro/C Ballett

Carried

Moved: That the trustees be authorized to set remuneration with the auditors at the time of the audit.

I Martella/ N Stretch

Carried

Chair's Report

Ian Martella spoke to the Chair's report which was circulated within the financial reports. Ian noted the impending retirement of Ken Forrest from his position as Managing Director of Marlborough Lines and detailed his impressive 42-year career with electricity in Marlborough.

Trustee Presentation

A presentation showing group equity growth, MLL discounts and MLL dividends from 1994 to the present time, 2019 equity value by investment and network reliability compared to other networks was given.

Annual Accounts

The Trust Secretary talked to the Parent Statement of Profit and Loss. The receipt of dividends from Marlborough Lines funds operational expenditure for the trust, and the remainder is held for distribution to beneficiaries. 2019 saw the commencement of Resident Withholding tax being deducted from income sources, reducing the available funds to beneficiaries. Major variance in expenditure's noted were 2018's election expenses and 2019's legal expenses.

Marlborough Lines Presentation

The Managing Director Ken Forrest presented on the history of Marlborough Lines, from power board to corporate entity with trust ownership, the divesting of generation and retail and the various investments undertaken to arrive at the organization we have today.

MLL Chair David Dew then spoke of Ken's crucial contribution to the company including that the network is maintained at such a high standard. As a result Marlborough Lines going forward will continue to thrive.

General Business

Questions were then put to the meeting by beneficiaries.

Cathie Bell asked how many customers deemed uneconomical have been moved off grid? No uneconomical customers have been moved off grid and the reasons for this were explained.

David Taylor asked all trustees to confirm that they consider the allegations of the Wellington lawyer to be baseless and without fact – trustees all agreed. He then asked several further questions:

- An explanation of Yealand Wine Group's (YWG) budget vs actual identified items not budgeted including \$3.8m IFRS adjustments and \$3.9m foreign gain adjustments.
- The \$150m lending facility for YWG – trustees confirmed they are satisfied that MLL have no obligations with regard to this debt.
- An explanation for the departure of the YWG CEO – included his health, the remainder are confidential employment matters.
- Why was 100% of YWG not purchased initially – reasons including looking for continuity and consistency although with hindsight a full buyout may have been preferred.

David Winstanley expressed how pleasing it was that MLL have received accolades for the 9th consecutive year on their Annual report and asked for further detail around the higher legal costs this year, are they a result of the case mentioned in the papers and allegations made? – Yes, mainly as a result, plus further significant costs have been incurred by MLL. Appropriate professionals have been employed and have given their opinion on the matters alleged.

David Taylor (and others) asked why trustees request dividend knowing the funds come from increased YWG debt. MLL Chief Financial Officer Gareth Jones explained that he didn't agree with the assertion that the YWG dividend was funded by debt. YWG achieved operating cash flow of \$12m but there has also been significant capital development. This development has included the construction of two significant dams and increased capacity plus further land & planting development. IT was normal business to fund a portion of capital development from debt. David Taylor asked further questions around the YWG budget going forward. David Dew explained that a new strategic plan was being drafted by the new CEO and it was expected that the forecasts will be changed.

Questions were asked around the MPI case (active at the time of the last Annual Reporting meeting) as to what was known by MLL at the time of the offences and why trustees chose not to attend the court hearings. The offences took place prior to MLL ownership and were not known at the time of the purchase. Trustees were satisfied to read the judgement and their attendance at court was not required. David Taylor indicated the case impacted on overseas markets, so did payments need to be made? David Dew replied that no payments were made. The matter was communicated to all major markets and there were no loss of sales resulting from this.

The focus going forward with YWG was to improve margins and efficiency. Cathie Bell asked if this strategy would impact on pay and conditions for staff. The answer was no.

The Annual Report on the wine industry would indicate that YWG should be able to make \$12-14m after tax. How is the board going to make this happen? As the new CEO

is currently preparing the strategic plan, specifics are not yet available. The meeting was reassured that this is a focus.

Trustees fees have increased, why? – The result of a professional fee review taking into account the significant responsibility on trustees.

There were no further questions and the meeting closed at 8.20pm