

Chair's Report

The trustees hold all the shares in Marlborough Lines Limited (MLL) on behalf of the beneficiaries, the electricity consumers of Marlborough. Over the years Marlborough Lines Limited has grown its investment portfolio and commercial interests to the extent the "Group" now comprises a 100% ownership of Yealands Wine Group, 50% ownership of Nelson Electricity and 100% ownership of the recently formed company Energy Marlborough Limited.

Trustee Responsibilities

One of our duties as trustees is to review the company's annual Statement of Corporate Intent (SCI). This documents the overall intentions and objectives of MLL along with other information required under the Energy Companies Act 1992. Trustees actively monitor company performance against these objectives. Although outside the year in review, the recent SCI review resulted in a detailed document which takes its lead from MLL's new vision "Energising Marlborough's Future".

Trustees and directors of MLL alike are tasked with ensuring MLL operates as a successful business, and this includes the investments and commercial interests of the Group. Beyond the important financial measures, we also view success as including the reliability of the electricity distribution network, planning for future capabilities, customer satisfaction, a strong health & safety culture, and the positive support of our community's people, environment and economy.

As a 'consumer owned' entity, trustees support Marlborough Lines commitment to our community's growth through education, employment, sponsorship and investments. Last year MLL contributed \$383,000 in sponsorship and donations to our community, and a further \$15,000 in tertiary grants. Yealands Wine Group is also a significant contributor to the community through various sponsorships including supporting local environmental projects through the Yealands Wine Marlborough Sustainability Initiative.

Financial Results and Distribution

The group's wine sales were negatively impacted by logistical and in-market challenges arising from the COVID-19 global pandemic. Further challenges resulted from the light harvest (down 34 percent on the year before) due to inclement weather during flowering. Overall these factors contributed to a 3.3% decrease in wine sales. The opportunity then, to advance the premiumisation strategy of prioritising high-margin branded wines is well timed and gathering international momentum.

The company's investment in YWG did not result in a dividend being received by MLL this year. Over the term of the investment in YWG the increase in value equates to 13.6% per annum primarily due to

the land values. Whilst this is a reasonable return overall, trustees continue to seek a balance of cash dividends along with capital growth.

Financially the Group's net profit after tax was \$5.5 Million and this is down 26% on the previous year's result. During the year MLL paid two discounts to qualifying electricity consumers totalling \$11.6 Million. In addition, MLL paid a dividend of \$1.8 Million to the Marlborough Electric Power Trust.

Following receipt of the dividend, trustees are pleased to advise a distribution of \$50 will be paid to each beneficiary in January 2022.

Keeping informed

Trustees are kept informed of the challenges facing the energy sector through our membership of ETNZ, receipt of regular industry briefings, and regular discussions with MLL. Climate change initiatives mean that MLL is positioning itself to prepare for a low-carbon future as the electrification of industrial processes (including the phase out of coal and gas) will increase demands. The uptake of electrical vehicles, Sounds Air's new electric aircraft (due in 2026,) and Kiwirail's new partially battery-powered ferries will also contribute to the increased demand.

An important requirement for trustees is to undertake their responsibilities in accordance with the Trust Deed and relevant legislation. During the year, trustees' continuing education included discussion on the Trusts Act 2019 which came into force on 30th January 2021. As a result of this, Trustees are currently reviewing the Trust Deed and will shortly commence a public consultation process to review recommended changes.

Legal Proceedings

During the year, trustees were also involved in legal proceedings. A beneficiary brought proceedings against the trustees seeking various directions concerning the provision of information and the trustees' duties. The matter was heard over two days, on 6 and 7 September 2021, before the Hon Justice Cull, who reserved her decision at the end of the hearing. The trustees made submissions to assist the Court in resolving the issues raised, as did Marlborough Lines. As we are currently awaiting judgement, I am unable to comment further on the proceedings at this time.

Finally I would like to thank both my fellow trustees, and our Trust Secretary, for their commitment during the year. I would like to recognise Ian Martella who stepped down as Chair of the Trust earlier this year. During his four years as Chair, Ian led significant, positive changes and continues his active contributions as a trustee.



Nicki Stretch
Chair