

**Minutes of the Annual Reporting Meeting of the  
Marlborough Electric Power Trust  
Held at 7.00 pm on the 6th December 2022**  
In the Whitehaven Room, ASB Theatre, Hutcheson St Blenheim

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**Present:** Trustees: Cathie Bell, Ross Inder, Ian Martella, Domenic Romano and Nicki Stretch

**In attendance:** Brenda Munro (Trust Secretary), Alice Stone (Minute Secretary)  
Marlborough Lines Ltd (MLL) representatives: Phil Robinson, Gareth Jones, Jonathan Ross. Alexandra Barton, Ivan Sutherland and Steven Grant  
Yealands Wine Group (YWG) Representatives: Tiffani Graydon and Matt Thomson  
19 other beneficiaries in attendance

Nicki Stretch opened the meeting and detailed the purpose of the meeting and introduced the Trustees, Marlborough Lines and Yealands representatives.

**Apologies:** David Taylor, Tim Cosgrove, Lynette Rayner

**Minutes of the previous meeting 16<sup>th</sup> December 2021**

These minutes were confirmed by the trustees on the 31<sup>st</sup> January 2022 and have been made available on the website.

**Matters arising**

As requested at the 2021 meeting a letter from a beneficiary outlining queries regarding the Dams at Yealands was received by trustees, and a response was sent to all those present at the last reporting meeting (who provided their address). The trustees review confirmed no further trustee action was needed.

**Chair's Report**

Nicki Stretch welcomed new trustee Lynette Rayner and thanked exiting trustee Clive Ballett for his twelve years of valuable service. Nicki spoke to the Chair's report which had been circulated and available on the trust website.

**Resolved:** That the chairs report be accepted.

**Trustee Presentation and Annual Accounts**

Domenic Romano presented overhead slides detailing total equity position, discounts, dividends, distributions and returns on investment and spoke to the Trusts Parent Financial Statements.

### **Marlborough Lines Presentation**

MLL Chief Financial Officer Gareth Jones summarised the year's results for Marlborough Lines including strategic objectives, SAIDI minutes and network performance, financial performance, Energy Marlborough, sponsorship and customer feedback.

Highlights of the year to 30 June 2022 include significant progress with undergrounding work to aid in resilience and capacity of the network and solutions for remote connections. A 'power-crate' (remote area power unit) that could be used to supply some of the outlying connections is ready for trialing.

### Network pricing

The Electricity Authority requires lines companies to be more cost reflective in pricing, as a result the differential in pricing between remote and non-remote consumers is being increased to reduce the cross subsidisation by urban consumers.

### Energy Marlborough

The first solar project at Taylor Pass has been completed with a 42kW array now producing, and work commencing on a 850kW installation (enough to power 175 homes). The company is considering how the energy produced may assist with energy poverty in Marlborough. Also proposed is a 4MW solar farm at Yealands and a further solar farm positioned next to the Ward substation. The renewable energy generation target by 2030 is 50MW of installed capacity.

### **Yealands Wine Presentation**

Chief Executive Tiffany Graydon discussed the 5-year strategic plan that was presented to last year's meeting, which is about selling more branded product, which ultimately delivers more value, more margin, greater profitability and increased returns to the community.

FY22 had three clear objectives within that plan.

- Growth of branded business
- Surety of supply
- Focus on the Balance Sheet, with debt reduction and introduction back into a dividend contribution.

Branded wine sales moved from 34% to 50% of total volume sold, and there is marked improvement in YWG debt position.

FY22 focused on ensuring Yealands assets provided the greatest return possible. More than 20,000 tonnes of grapes were processed for vintage 2022, in addition to some contract wine processing, which maximised asset use.

An irrigation review was undertaken to ensure its fit for purpose both for today and the next 10-15 years, prioritising electrification and automation to ensure surety of supply.

Stage 2, commencing next financial year, will focus on the infrastructure requirements identified.

FY23 and beyond – Yealands is committed to the strategic plan and already seeing promising results. Focus on driving profitability and returns through increasing banded sales and surety of supply.

Nicki thanked Domenic, Gareth and Tiffany for their presentations and congratulated Tiffany and her team for their work on premiumisation and achievements with both wine trophies and MPI recognition for staff wellbeing.

### **Appointment of Auditor**

**Resolved:** 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.

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

### **General Business and Questions**

Trustees received written questions prior to the meeting which were read out at the meeting. Questions were also received from the floor.

**Question:** Would Yealands have recorded a Net Operating Loss before Tax had the third-party wine contracting of 6,000 tonnes and some third-party grape sales not been undertaken?

**Response from Gareth Jones** advised the trading profit would have been above zero and above the budget, so it would not have recorded a net operating loss.

**Question:** With Yealands delivering forecast Trading Returns on Equity of only around 1% in 2023, what level of Trading Return on Equity does MEPT consider appropriate, relative to the risk of investment, and bearing in mind inflation of around 7% p.a. and Government Bonds Coupons at around 5%?

**Response from Domenic Romano** discussed that the current risk-free rate of return is around the 2.67%. In terms of the SCI, we are looking for an increasing return by 2025 of the risk-free rate plus 3%. MEPT is focused on receiving sustainable levels of dividends from MLL which would allow greater distributions for beneficiaries. Short answer, yes, we expect a better return going forward and there is a pathway to these better returns.

**Question:** Regarding Yealands premiumisation how does that align - given a 55% uptake in volume into the winery but the projection for 2023 shows only a 7% improvement in revenue.

Response from Tiffany Graydon advised that product is not always sold in a given year, and that some 2022 vintage was released early to support surety of supply. Inventory levels were also being rebuilt in 2023. She also commented on inflationary issues in every part of the cost process. The premiumisation strategy is one that will deliver.

A beneficiary noted their disappointment that the MLL Annual report was not available in written form this year.

Response from Gareth Jones It was both a cost and an environmental decision not to print reports this year and to go digital only as traditionally very few copies are requested, resulting in large waste. Some printed annual reports were available at the meeting. MLL will ensure enough printed versions are available at the annual meeting.

**Question:** With Bank debt forecast to rise from \$71m at June 2022 year end to \$91m in June 2024, why did Yealands pay a dividend to MLL and repay part of the MLL Loan rather than conserve cash?

Response from Domenic Romano discussed the positive cash flow for YWG in FY22 which allowed repayment of \$10m of debt and generated a profit which it used to fund a dividend.

**Question:** Why has the retrospective resource consent for the Dodson Dam remediation not progressed, in over 4 years?

Response from Matt Thomson discussed that this related to a dam that failed four years ago and is no longer functional. YWG has worked with council and supplied them with the remediation plan which they are very happy with. It is tied up with a subdivision with Peter Yealands that is expected to be finalised this month. It has been a complex process ensuring that the long-term interests of both parties have been looked after.

**Question:** What sort of funds are required to complete the remediation and who is liable?

Response from Matt Thomson advised that costs are attributed to both parties as work is required on both parts of the land.

A beneficiary asked Mr Thomson if beneficiaries were misled last year, as this response differs from last year's meeting.

No, things have changed in the last 12-months and ultimately it is in everyone's best interest to reach an agreement and get this work done.

**Question:** How much are the shared costs?

Response from Matt Thomson advised that YWG is not in a position to share that information.

**Question:** Why does MEPT claim not to have any concerns of reputational damage to Yealands over the Dams matter?

Response from Tiffany Graydon confirmed that Council has been very supportive of the remediation plan and YWG has been in dialogue with them from day one, there is no reputational harm.

**Question:** Has a Strategic Partner (for YWG) been identified and secured?

Response from Domenic Romano advised there is no strategic partner in place yet - as the process has been started but it has not yet concluded.

**Question:** In the media release regarding the search for a strategic partner there was a comment that if none was found MLL would continue to actively support Yealands and the team. Please explain.

Response from Phil Robinson discussed that this is about MLL reorganising to support a broadening of their investments. If a strategic partner isn't found MLL is able to carry on as full owner of Yealands. MLL doesn't need dividend income or to divest in order to undertake the Energy Marlborough projects as financing is in place.

**Question:** Has MEPT re-appointed Phil Robinson as a Director of MLL?

Response from Domenic Romano confirmed that Phil Robinson has been reappointed. Trustees undertake director performance review through a professional firm and the review is very positive about the way the board is functioning, its performance, culture, conduct and the relationship between the Trust and Company.

**Question:** A beneficiary congratulated MLL staff on their focus on energy strategies and the teams work through the August storm event. They then asked a question about the remuneration schedule, and why the board and CEO of MLL earn less than their subsidiary counterparties.

Responses from Nicki Stretch, Steven Grant and Matt Thomson advised that independent professional remuneration reviews are undertaken and remuneration is based on the industry they sit in.

**Question:** What is the grower owned vineyard area that supplies YWG.

Response from Tiffany Graydon advised there is about 600 hectares, supplying 9,000 tonnes of fruit last year.

Nicky thanked everyone for their attendance and attention and especially thanked Tiffany and Gareth for their support and presentations.

There were no further questions and the meeting closed at 8.35 pm

*Confirmed as a true and accurate record*

  
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Nicki Stretch, Chair

1st Feb 2023  
Date