Annual Report 2023

Marlborough Lines
100 YEARS
1923 - 2023

▼ Concept design of Marlborough Lines fast charging station at Park Terrace capable of charging nine EVs. The charging station, due to be commissioned in November 2023, will help to meet the growing demand for EV charging in the Blenheim CBD.

Front cover: Marlborough Electric Power Board teams working on the corner of Alabama and Howick Roads. c1962.

Energising Marlborough's Future

The energy landscape is changing. There will be challenges to face, but our team are energised and ready to tackle them.

We take pride in our vision of "Energising Marlborough's future" and in working for our community. We are proud to be Marlborough Lines.

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1 Introduction

► Photo taken looking north shows the original Lower High Street Bridge and in the distance the Alfred Street Bridge. The Marlborough Electric Power Board's first office, bought in 1925, is just over the High Street Bridge, right of the photo.

About Us

Who are we?

We see ourselves as part of a wider team that encompasses:

- Our 26,000+ consumers;
- Our region – businesses, local residents, sponsorships;
- Our trustees and shareholder – the Marlborough Electric Power Trust (MEPT);
- Our people – the Board of Directors, Senior Leadership Team, and our employees; and
- Our investments in Yealands Wine Group Limited (YWG), Nelson Electricity Limited (NEL), Energy Marlborough Limited (EML), and GreenPower New Zealand Limited (GPNZ).

Marlborough Lines Limited (MLL) primarily manages Marlborough's electricity distribution network, which is located at the top of the South Island of New Zealand. The region's electricity is supplied from a single Transpower point and from there radiates out to the wider Marlborough region.

MLL is part of a Group structure that includes our subsidiary YWG, and a 50% share of NEL and GPNZ. We are required by legislation to operate as a successful business, and we continue to achieve this in both financial and operational terms.

The Marlborough region

MLL is based in Blenheim, the largest town in the Marlborough region. Marlborough has a population of approximately 50,000 people. Famous for its moderate climate, the region experiences about 2,400 sunshine hours each year.

Marlborough is New Zealand's largest wine region and produces over 75% of New Zealand's wine. It has more than 29,000 hectares of land currently planted in grapes and further plantings are continuing. As well as wine, Marlborough is known for aquaculture, farming, forestry, and tourism.

About this report

This 2023 Annual Report summarises the operations, activities, financial performance, and position for MLL and the Marlborough Lines Group for the year ended 30 June 2023.

Some of the MLL electricity network reliability information provided in this report relates to the 12 months ended 31 March, as the Commerce Commission uses this period for monitoring industry operational performance.

Consistent with our commitment to environmental sustainability, MLL no longer prints its Annual Report and interested parties can access the electronic (PDF) version on our website **www.marlboroughlines.co.nz**.

Report objectives

We recognise that different information is relevant to the Company's various stakeholders, and therefore have included in this report both financial and non-financial information, a frequently asked questions section, and a description of the electricity industry supply chain.

▲ Waihopai powerhouse constructed as part of Marlborough Electric Power Board's first hydro generation plant. The Waihopai power scheme, with a capacity of 1MW, was commissioned in 1927 and continues to be in operation today.

Structure and Location

1 **Marlborough Sounds**

Our supply network extends into a number of isolated areas (including the Marlborough Sounds) that pose unique challenges for electricity supply.

2 **Blenheim and Marlborough**

Marlborough Lines Limited (the Parent Company) is based in Blenheim in the Marlborough region.

Unlike many other regional networks, Marlborough Lines Limited (MLL) has a single point of supply (in Blenheim) with an extensive sub-transmission system and 16 zone substations.

3 **Seddon**

Yealands Wine Group (YWG) is based at Seaview near the township of Seddon, Awatere Valley.

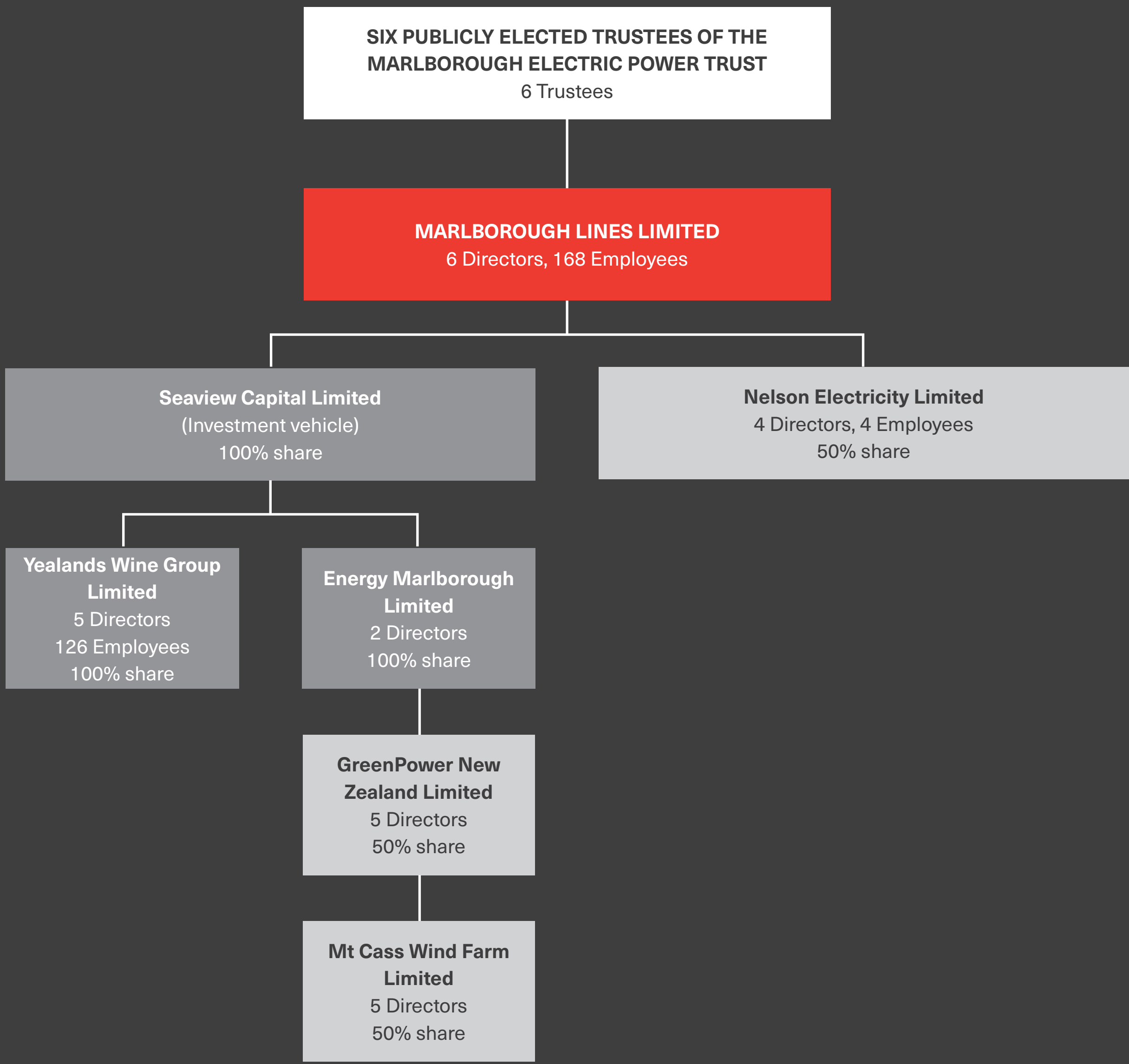
4 **Nelson**

MLL jointly owns Nelson Electricity Limited (NEL) with Network Tasman Limited. Both companies own 50%.

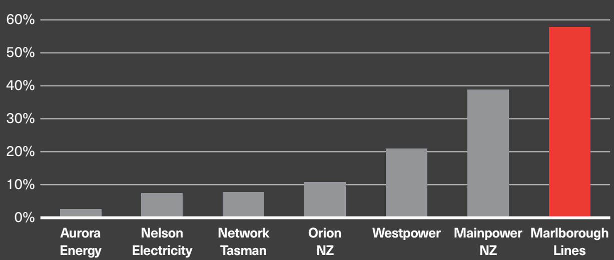
5 **Waipara**

Mt Cass is located 5 kilometres east of Waipara and is the location of the Mt Cass Wind Farm, which is currently in early works development. MLL jointly owns GreenPower New Zealand Limited (GPNZ) with Mainpower New Zealand Limited. GPNZ is the 100% holding company for Mt Cass Wind Farm Limited.

Marlborough Lines Ownership Structure
As at 30 June 2023

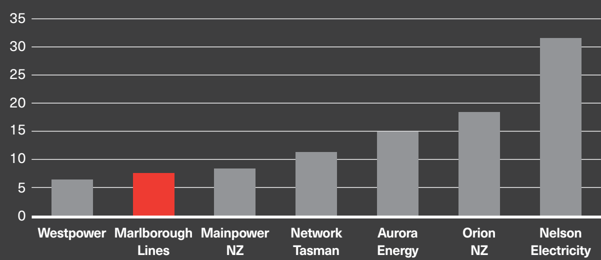


Remote and/or Rugged Terrain (%)



58% of MLL's network is located on remote and / or rugged terrain. Source Company 2023 Information Disclosure Schedules.

Connection Density (ICP/km)



MLL has, on average, 7.6 electricity connections per kilometre of network. Source Company 2023 Information Disclosure Schedules.

Performance Overview

Group Financial Results

Total operating revenue ▲ UP 12.5%

$157.4 million

Revenue above prior year due to an increase in wine sales following a higher vintage 2022. Includes interest income.

Earnings before interest, tax depreciation and amortisation (EBITDA) ▼ DOWN 11.5%

$24.2 million

EBITDA down on prior year, with the prior year including some one-off gains on sale of vineyards.

Net profit after tax (NPAT) ▼ DOWN 57%

$6.3 million

NPAT down on prior year, impacted by higher interest costs. Prior year was assisted by gains on interest rate swaps.

Key Network Metrics

Volume of energy distributed ▼ DOWN 0.2%

408 GWh

Network volume down slightly on prior year. Impacted by lower irrigation volumes related to regional weather.

Average total minutes of lost supply ▲ UP 30%

316 minutes

Average outage minutes 73 minutes higher than last year, with 161 minutes attributable to the August 2022 storm event.

Total active Marlborough network connections ▲ UP 0.6%

26,569 consumers

Marlborough continues to have low and steady growth in connections.

Parent Outcomes

Capital and maintenance expenditure to increase capacity and improve reliability ▲ UP 3.2%

$24.4 million

Capital and maintenance expenditure up on prior year. Significant maintenance expenditure in the Marlborough Sounds following the August 2022 storm event.

Total discounts, inclusive of GST, paid to Marlborough consumers ▲ UP 1.9%

$10.2 million

MLL's discount payment to an average residential consumer was $236.

Total dividend paid to the Marlborough Electric Power Trust ▲ UP 39%

$2.5 million

Dividend paid to the Trust increased to $2.5 million (2022: $1.8 million).

Yealands Outcomes

Total grapes processed ▼ DOWN 1.4%

26,679 tonnes

Includes Yealands owned and grower harvest yield, supplemented with contract wine making to maximise winery capacity of 27,000 tonnes.

Revenue ▲ UP 11.4%

$103.6 million

Revenue up this year following the improved vintage 2022 harvest. Revenue includes wine sales and contract wine making income.

Dividends paid ▲ UP 4.0%

$1.30 million

Yealands Wine Group paid a dividend to Marlborough Lines, along with reducing inter-company debt by $1 million, during the year.

2 Review of Operations

► Getting power to the Sounds was a significant undertaking, often with no tracks or vehicle access. Helicopters were used to deliver poles from a punt. 1971.

Chair's Report

Marlborough Lines Limited (MLL)'s vision is to "Energise Marlborough's Future". It is pleasing to reflect on the year and the progress that has been made towards the strategic objectives under this vision. Notable achievements include:

- The completion of MLL's first medium-scale (850kW) solar generation plant and significant progress towards three other proposed solar "farms";
- Trial of a stand-alone power system in place of a network connection;
- Securing a strategic site to develop a dedicated Electric Vehicle fast charging station (nine vehicle bays) in central Blenheim; and
- Acquiring a 50% shareholding in the Mt Cass Wind Farm, with the renewable wind generation project in early works development.

This progress comes as MLL celebrates its 100-year anniversary of becoming the power supply authority for the Marlborough region.

Celebrating 100 years

This annual report includes a number of historical photos that celebrate the history of MLL (and its predecessor entities) as it reaches its 100-year milestone. In summing up the year in review, it is also worth touching on where MLL has come from, and also where it is heading.

In October 1923, the Marlborough Electric Power Board (MEPB) was established, with the purpose of bringing electricity to Marlborough. The MEPB is the predecessor entity of MLL, which changed from a power board to a company in 1993, following legislation which corporatised all of New Zealand's Electric Power Boards.

Electricity was first distributed in Marlborough four years after the establishment of MEPB when the 1MW Waihopai River hydro power station was commissioned in 1927. MEPB owned and operated this hydro station and then later the Branch River 11MW hydro power station (commissioned in 1983), up until 1998, when MLL was required to sell its generation assets under the so call "Bradford" electricity legislation reforms.

The Electricity Industry Act 2010 now provides the current requirements for MLL with respect to ownership of electricity generation facilities. MLL is now able to invest in electricity generation and has begun to do so. What is interesting is how technology has changed. The first "small" trial site for MLL's first solar development, using one hectare of spare land at MLL's Taylor Pass depot, is expected to generate around 5GWh of electricity per annum, which is approximately half of the entire output of the Waihopai hydro power station.

MLL's investments in renewable generation will diversify its investment portfolio, with cash generated through these investments to be distributed to MLL's beneficial owners – the electricity users connected to MLL's network. Investment in renewable generation also has wider benefits as it reduces the requirement for the Marlborough region to import electricity from the national transmission grid and is also a positive step to ensure that New Zealand's electricity supply is enough to meet the future demand as New Zealand's transport fleet and industrial processes move away from fossil fuels.

Investment in Mt Cass Wind Farm

In May 2023, MLL acquired a 50% shareholding in GreenPower New Zealand Limited, the holding entity of Mt Cass Wind Farm. Mt Cass Wind Farm has been in development for a number of years by MainPower New Zealand Limited (MainPower) who offered MLL the opportunity to invest in this project with the objective of completing early works and bringing the project to final investment decision. MainPower is MLL's neighbouring electricity distribution business that borders the MLL region to the south and has a similar trust ownership structure to MLL.

The investment into this wind farm project aligns with MLL's strategy of investing in renewable generation assets and delivering value to MLL's shareholders. The Mt Cass Wind Farm, once constructed, will be the largest wind farm in the South Island, with a maximum generation output of 95MW. The wind farm will produce enough electricity to power around 40,000 residential homes.

Strategic Partner for Yealands Wine Group

In October 2022, MLL announced that it was seeking a strategic partner in Yealands Wine Group Limited (YWG) consistent with MLL's strategy of accelerating growth and pursuing renewable energy and electrification opportunities. MLL engaged leading independent New Zealand investment bank Cameron Partners to explore strategic partnerships. The process is ongoing at the time of writing.

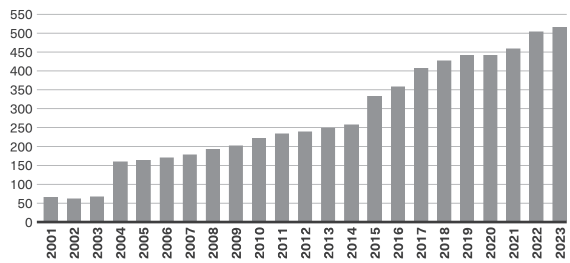
During the year, YWG has focussed on delivering its business plan. Following the lower financial performance in the 2022 financial year (FY22), attributable in part to the light harvest from Vintage 2021, YWG has increased revenues to $103.6 million in FY23 and its operating EBITDA has increased from $11.9m to $18.0m. Grape harvests from Vintage 2022 and Vintage 2023 were on or above long-term average and have returned inventory levels to desired levels. YWG has also gained international recognition for the quality of its wines, receiving multiple awards, with the stand-out this year being YWG's Chief Winemaker, Natalie Christensen, taking out the White Winemaker of the Year 2023 at the International Wine Challenge – the first for a New Zealand winemaker in 15 years.

2023, however, has not been without its challenges for YWG, particularly continued cost inflation impacting shipping, dry goods and bottling costs and higher interest rates, which have affected bottom line performance. YWG reported a Net Profit After Tax of $2.7m and paid a $1.3m dividend to MLL. YWG's focus for the upcoming year is to maintain the momentum behind the YWG brands and increase branded sales and margins.

Impact on the shareholder

Dividends from both YWG and Nelson Electricity Limited (NEL) have enabled MLL to pay a $2.5 million dividend to Marlborough Electric Power Trust (MEPT). This will mean, in turn, that there will likely be a $75 distribution paid from MEPT to its beneficiaries in January 2024. The graph below highlights the growth in value that has occurred over the last nine years following MLL's successful divestment of OtagoNet in 2014 and reinvestment of those funds in YWG. This increase in value will generate returns for MLL's consumers in the years to come.

Equity Attributable to the Shareholder ($m)



The Group's equity value has increased from $65 million in 2001 to $517 million in 2023, through a combination of revaluations, realised gains on sale of investments and retained earnings.

A team effort

The MLL Board has again this year appreciated the strong support from the MEPT and I have personally valued my regular meeting with the Trust Chair, Nicki Stretch.

I would like to thank Ivan Sutherland for his contributions to the MLL Board. Ivan retired from his Directorship on 30 June 2023. Ivan has provided a number of years' service to MLL as Director across two terms, his first between 2000 and 2003 and then his second between 2015 and 2023.

Also I would like to acknowledge Matt Thomson, Tiffani Graydon and the team at YWG, along with Phil Goodall and the team at NEL for their efforts in working towards each company's objectives. Matt resigned from his role as Chair and Director on the YWG Board in August 2023, after providing YWG with his significant wine industry knowledge as a Director since 2016.

Finally, to Tim Cosgrove and the entire team at MLL, I would like to extend my gratitude to you, who work tirelessly to ensure our consumers receive stable supply and great service, with a focus on affordability. Thanks for your continuing efforts focusing on better outcomes for Marlborough.

Phil Robinson
CHAIR

Chief Executive Officer's Report

Continuing the Journey

MLL continues to advance initiatives to deliver on its Mission to "Deliver sustainable regional growth and equity through people, technology and environmental leadership"

Key focus areas this year have been:

- Removing barriers to electrification through strategic network growth;
- Focusing on network resilience projects and improved disaster response;
- Providing opportunities for advancement and professional development of the Team;
- Transforming internal capability to deliver on future needs of the region;
- Providing equal opportunity to Marlborough youth through work experience and tertiary scholarships;
- Completing the Taylor Pass Solar Farm and laying the foundation for Energy Marlborough Limited's (EML) renewable generation strategy; and
- Continuing the journey to more cost reflective pricing and balancing service levels to better reflect the cost to serve.

Sustainable regional growth - electrification

MLL is working closely with key stakeholders to better understand future energy needs and to strengthen regional partnerships.

The wine sector is increasing production capacity and embracing decarbonisation in the region. To enable this growth, and the associated increased electricity demand, requires MLL to deliver several network enhancement projects.

The conversion of farmland to vineyards up the Wairau Valley requires a major expansion project that will extend MLL's 33kV network beyond Wairau Valley Township. This project will enable the electrification of existing diesel fuelled irrigation, and has the potential to displace several million litres of diesel per year.

The electrification of thermal load continues in the region and with the medium-term supply risk with biomass there remains some uncertainty whether parties will take that risk or more logically transition straight to electricity.

Marlborough continues to experience growth in electric vehicle numbers, and in particular electric vehicles transiting the region. To provide stimulus to the central business area MLL has commenced construction of a large-scale electric vehicle charging station on Park Terrace near the centre of Blenheim. This location allows for ease of access to numerous retail and hospitality businesses.

Equity: the quality of being fair and impartial

To better reflect the actual cost of maintaining line services to remote areas, MLL has continued with the transition to a cost reflective pricing model. The objective is to minimise cross subsidy from the lower cost high density urban areas, ensuring pricing in remote areas such as the Marlborough Sounds reflects the cost to service those areas. This has become even more relevant following the recent flood events and enduring road access issues.

The equity equation encompasses the provision of equal opportunity and access to employment and education. The inclusion of an affordability criteria for selection of MLL's tertiary scholarships has broken down financial barriers for Marlborough students to attend university. Some of whom would otherwise not have been able to attend.

MLL's job placement scheme with the Marlborough Youth Trust is into its second year and has delivered positive outcomes, including a permanent role at MLL, and an electrical apprenticeship with a local electrician.

People

Professional development and training remain a key focus. Provision of leadership training for those staff identified for management and team leader roles are delivering positive outcomes, and I would like to thank MainPower for accommodating MLL staff on their Accelerated Leadership Development Programme.

The investment in MLL's relationships with other EDBs has added significant value over the past year. MLL's close collaboration with MainPower provides a platform to leverage resources and experience with both teams continuing the journey to achieve interoperability across a range of disciplines.

Following a review of third party contracting of traffic management and civil works these functions were brought inhouse. The establishment of these teams has delivered significant cost reductions and improved operational flexibility. MLL is reviewing other services with a view for further insourcing.

Technology

MLL continues to embrace technology to deliver better outcomes for consumers.

This past year MLL has initiated a project to implement an Advanced Distribution Management System (ADMS) to replace its aging control room network monitoring and control systems (SCADA). This will improve network monitoring, automation, control and management.

To ensure the ADMS can deliver to its full potential MLL is undertaking a multi-year project to upgrade aging electrical protection, control and communications equipment. These upgrades will result in improved monitoring and control of MLL's electricity distribution system, enabling MLL to detect and take appropriate actions as issues occur on the network.

As part of the transition to a smart network, and its future role in Demand Side Management, MLL has trialled low voltage monitoring technologies within its network to improve understanding of the impact of electric vehicle and solar PV technologies.

Environmental leadership

Lessons from recent weather events have improved MLL's response to major events, and understanding of the impact of climate change on the network. To ensure Marlborough has a robust and resilient network, rising sea levels and flood risk feature in MLL's day-to-day operations and also its future planning and strategic development.

Increasingly MLL's business decisions are focused on minimising environmental impacts and carbon emissions through material selection and operational efficiencies. MLL continues to reduce reliance on diesel generators and balancing the trade-off between outage times and environmental impacts.

MLL's subsidiary EML continues to advance its renewable energy strategy having commissioned its 850kW solar photovoltaic generation station at MLL's Taylor Pass depot. This pilot project has developed internal capability and de-risked future larger scale projects that will further reduce the emission intensity of New Zealand's electricity generation portfolio.

Thanks

Once again, I would like to thank MLL's consumers. Although MLL doesn't have a direct customer relationship, as that is held by the energy retailers, MLL's objective is to look through that arrangement and ensure it is providing the best level of service it can. Central to MLL's ability to achieve this is feedback received through consumer surveys. The high level of participation this year provided valuable feedback on the business, sponsorships, and investments.

Finally, I would like to thank the great Team we have at MLL. This year has had its challenges and at all levels in the business the Team has remained engaged and accepted the challenge and worked together to deliver positive outcomes for all stakeholders.

Tim Cosgrove
CHIEF EXECUTIVE OFFICER

Chief Financial Officer's Report

The financial results of the Group represent a return to more normal operations, after the prior year included a number of one-off gains. Marlborough Lines Limited (MLL), as the parent company, performed in line with expectations, apart from some one-off costs relating to the process to find a strategic partner for Yealands Wine Group Limited (YWG). YWG recorded an 11.4% increase in revenue, as a result of rebuilding wine inventory. However increases to international costs, shipping and interest rates put pressure on bottom line profitability. An uplift in the value of YWG's vineyards was also recorded, as the market for these assets remained strong.

Financial performance

The reported Net Profit After Tax (NPAT) of MLL for the year was $4.8 million. This result is down 19% on prior year NPAT of $5.9 million and down on budgeted NPAT for the year of $6.1 million. The main driver of the lower NPAT result was one-off costs incurred in relation to the process to find a strategic partner for YWG. This process was ongoing at year end. Excluding these one-off costs, the electricity business performed in accordance with budget.

The Group's reported NPAT, which includes the results of MLL's subsidiary companies, is $6.3 million, a 57% decrease on last year's Group NPAT of $14.5 million. Last year's Group NPAT result included several adjustments within YWG's results that were not repeated this year, including a $7.7 million fair value adjustment to inventory and a $6.5 million uplift in unrealised gains on interest rate swaps. The table on the opposite page provides a reconciliation of the underlying earnings of YWG at the Earnings Before Interest Tax Depreciation and Amortisation (EBITDA) level.

YWG's EBITDA result per its management accounts of $18.0 million is reflective of an improved year compared to FY22, with the prior year impacted by low wine stock and cost inflation. FY23 showed an improvement in the level of revenue, which at $103.6 million was up $10.6 million on the prior year. YWG had a strong Vintage 2023, with yields above 5-year averages from both owned vineyards and contract growers. YWG was also able to maximise winery capacity by undertaking contract wine making for a number of Marlborough wine companies.

YEALANDS WINE GROUP EBITDA RECONCILIATION	**Financial statement note reference**	**FY23 $m**	**FY22 $m**
EBITDA per management accounts		18.0	11.9
Depreciation reclassified to Cost of Sales	5, 7	(8.1)	(8.6)
Movement in harvest fair value adjustment		2.0	7.7
(Impairment)/revaluation to vineyards	5	(1.9)	0.9
EBITDA per NZ IFRS		**10.0**	**11.9**

The Group's reported NPAT result was negatively impacted by higher interest rates during the year that were incurred on YWG's unhedged portion of term debt.

In addition to the results reported at the NPAT level, the Group recognised in other comprehensive income net unrealised revaluation gains of $13.6 million on vineyards assets. Total comprehensive income for the year was $19.8 million, a decrease of 57% on last year's total comprehensive income of $46.2 million, with the prior year including $31.6 million of revaluation gains on both YWG's vineyard and winery assets and also MLL's land and building assets.

Balance sheet

Total assets on the Group balance sheet were $716 million as at 30 June 2023, up from $672 million at the end of the prior financial year. This increase resulted from unrealised revaluation gains on YWG's vineyard and winery assets, along with increased investment in property, plant and equipment and an elevated wine inventory balance at YWG following the above average Vintage 2023 harvest.

For the first time, the Group balance sheet includes a newly commissioned solar farm (with the $2.0 million investment included within property, plant and equipment) and also $1.9 million invested in the early works of the Mt Cass Wind Farm (included within investments in associates and joint ventures).

The Group's external term borrowings as at 30 June 2023 stood at $89.1 million, up from $71.6 million in the prior year. The difference is primarily attributable to YWG drawing down $17 million of external debt during the year to invest in its vineyards, including a substantial vineyard replant programme.

Equity attributable to the Marlborough Electric Power Trust (MEPT), as 100% owner of MLL, increased 3.5% from $499 million to $517 million during the year. As outlined above, this increase arose largely from an increase in the value of YWG's assets.

Cash flow, capital expenditure and dividends

Group net cash flows from operating activities of $4.7 million were down 84% on the prior year's result of $29.6 million. This reduction was primarily driven by a build-up of working capital at YWG, which is expected to unwind over the course of the following financial year.

Capital expenditure within the MLL parent company was $11.7 million, consistent with the prior year. Many capital projects have been completed during the year. Notable projects include a new State Highway 6 Wairau River crossing and a rebuild of parts of the 33kV feeder through to Seddon and Ward.

This year, MLL paid dividends to the MEPT of $2.5 million (2022: $1.8 million), consistent with the budgeted dividend level for the year.

Gareth Jones
CHIEF FINANCIAL OFFICER

Consumer Q&A

1 Who owns Marlborough Lines?

Marlborough Lines Limited (MLL) is owned by the Marlborough Electric Power Trust (MEPT) which comprises six consumer-elected Trustees. These Trustees hold the shares in MLL for the sole benefit of its current and future electricity consumers.

2 What is the relationship of the Trustees with Marlborough Lines?

The Trustees act as the owner of MLL and undertake the following core shareholder duties:

- Approve the annual Statement of Corporate Intent (SCI);
- Monitor the performance of MLL against the SCI;
- Appoint directors to the Board of MLL;
- Receive and distribute dividends for payment to eligible consumers;
- Review and approve any “major transactions” undertaken by MLL;
- Arrange Trustee elections; and
- Maintain and enhance the value of MEPT’s investments.

3 Why does Marlborough Lines need to make a profit?

The Energy Companies Act 1992 requires MLL to operate as a “successful business”. MLL needs to make a profit: first to provide funds for capital expenditure – new power lines, equipment and vehicles – and second to provide dividends to the MEPT, which in turn makes a distribution to eligible electricity consumers.

4 What proportion of my electricity bill goes to Marlborough Lines?

After applying the MLL network discount payment to eligible average domestic consumers, MLL’s distribution network charges are 29% of the total annual electricity charges (as at May 2023).

5 My connection is in a remote part of Marlborough, why are my distribution prices higher?

Remote areas of MLL’s network are very difficult to access, have rugged topography and high growth rate vegetation (plantation forestry and/or native bush). There are significant lengths of overhead assets, which incur relatively high operational expenditure to restore faults, clear vegetation and undertake routine maintenance activities. There are relatively few consumers connected in these areas, but significant amounts of assets dedicated to supplying them. All of this results in very high costs to supply these connections. To reduce the level of cross subsidisation from non-remote consumers, MLL has introduced higher prices for remote connections relative to their non-remote equivalents.

6 Why does Marlborough Lines hold other investments?

MLL has a history of successful investments outside of the core network business. After selling its previous investments in the electricity networks OtagoNet and Horizon Energy at significant gains, MLL looked for other investment opportunities which could provide returns to MEPT and growth in capital value. In 2015 MLL acquired an 80% share in Yealands Wine Group (YWG), followed by the purchase of the remaining shares over the following two years. MLL also holds a 50% share in Nelson Electricity Limited, another electricity distribution business. MLL has recently invested in renewable generation projects to diversify its investment portfolio and generate electricity locally using Marlborough’s sunshine.

7 What is the benefit to MLL's electricity consumers from these investments?

MLL has received over $25 million of dividends from these investments since 2015. These dividends are on-paid to the MEPT, which holds the funds for a period before making a tax-free distribution to eligible electricity consumers. The value of the assets MLL has invested in have also appreciated since acquisition.

8 Does Marlborough Lines provide sponsorship to the Marlborough community?

MLL proudly supports a wide range of youth, regional and environmental events and initiatives through sponsorships. In the Our Community section (see page 36) we summarise our support to the community this year which totalled some $401k (last year $365k).

9 Do consumers in Marlborough pay higher line charges than in other parts of New Zealand?

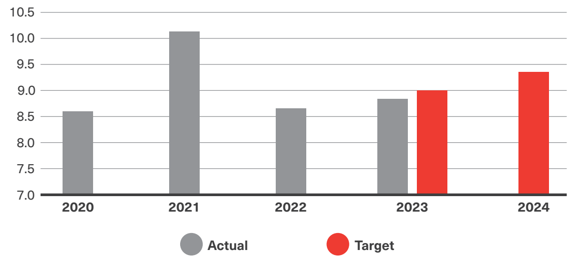
Despite Marlborough being a rugged geographical region with a small population and a low average number of electricity consumers per kilometre of line, MLL's charges compare favourably with other similar rural-based networks on an after-discount basis.

10 Where can I find more information?

Our website contains a wealth of information of interest to our consumers and other stakeholders. Included on our website is information about the Company, its history, management and annual reports as well as electrical safety, energy efficiency, network pricing, fault information and network status.

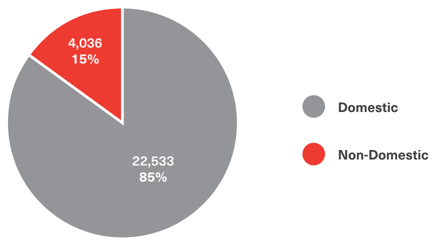
See www.marlboroughlines.co.nz

Discounts Paid to Marlborough Lines Consumers ($m)



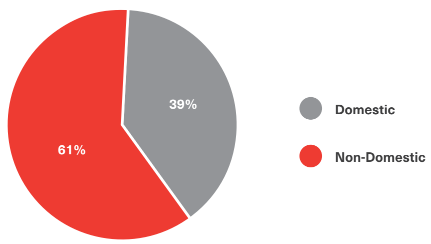
Total discounts of $8.9 million (excluding GST) were paid to consumers.

Number of Network Connections (ICPs)



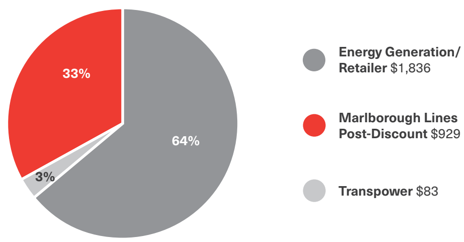
85% of MLL's network connections are domestic consumers.

Electricity Consumption by Category



Despite making up only 15% of MLL's network connections, non-domestic consumers use 61% of the region's electricity.

Allocation of the Average Annual Electricity Account for a Typical Domestic Consumer



MLL's charges on a post-discount basis comprise 33% of the total electricity account for a typical domestic consumer.

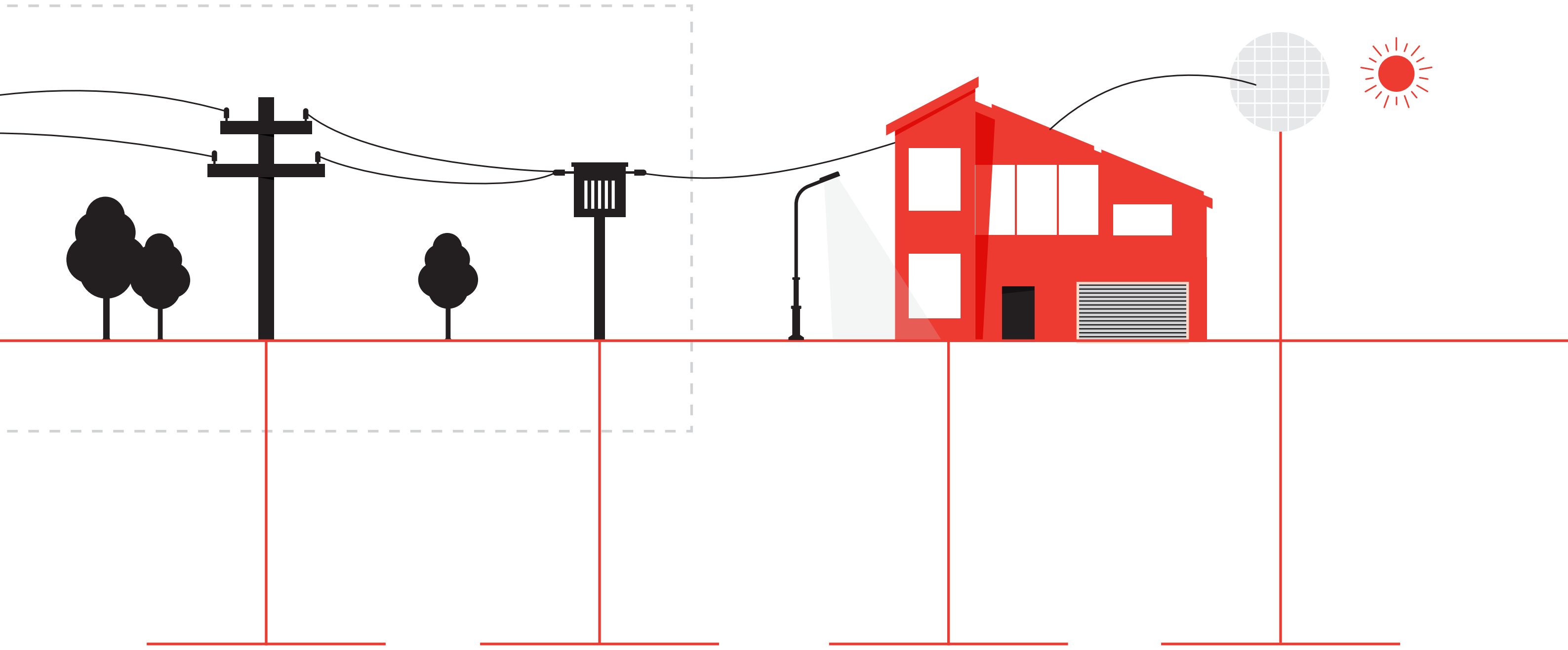
The Electricity System

Generation stations

The South Island's electricity is mostly generated by hydro-electric power stations. The North Island has hydro, thermal, wind and geothermal plants. Transpower's Direct Current link transmits electricity between the North and South Islands.

Transmission grid

Transpower owns and operates the National Grid. This consists of transmission lines and the equipment used to connect the major generators with distribution networks (like MLL) via Grid Injection and Grid Exit Points respectively.



Distribution network

MLL owns and operates the distribution network within Marlborough. MLL has a network of lines and cables in excess of 3,500km, including an extensive 33kV network with 16 zone substations. MLL also operates a business unit for the construction and maintenance of lines.

Distribution transformers

MLL has more than 4,000 distribution transformers which convert 11kV electricity into 400/230V. The distribution lines deliver the electricity to the point of supply at the consumer's installation.

Electricity consumer

The final part of the 400/230V lines from the street to the house is generally owned by the property owner, with the occupant of the property the electricity consumer.

Distributed generation

Increasingly consumers are installing distributed generation such as photovoltaic panels which can export excess electricity back into the network. Connections of distributed generation (generation connecting directly to distribution networks) is also increasing.

Our Assets

Reliability

The financial year to 30 June 2023 was a challenging year with another major weather event in August 2022 having an even greater impact than the July 2021 storm, in the prior year. This single weather event contributed over 60% of the unplanned SAIDI total for the year.

While most of the faults on the network following the event were restored within four days, some outages lasted over a week due to access issues. Roading infrastructure issues from the July 2021 weather event were further exacerbated by this August 2022 event. Helicopters, barges, and boats all played a significant role in MLL's outage response.

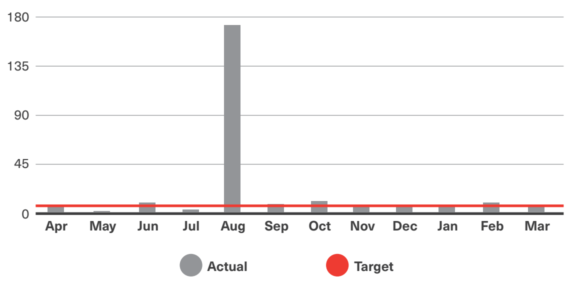
In the months following the event, further work was required across the affected areas. This consisted of relocating network assets at risk due to their proximity to slips, unstable ground, and eroding riverbanks. Unresolved land instability, particularly in the Marlborough Sounds, requires MLL to keep a close eye on assets in the vicinity of these known issues.

As was the case in July 2021 and many previous major faults and storms, the MLL generators at the Kenepuru heads were used extensively in the August 2022 event and saved over 150 SAIDI minutes. With the generators running for several days and the main Kenepuru road closed, fuel was delivered by barge, providing more challenges, and further stretching available resource.

Excluding the storm, network reliability during the year was sound with past and ongoing initiatives continuing to prevent or limit the effect of unplanned outages. This includes the installation of remotely operable devices, condition-driven line rebuilds, and the tree maintenance programme, which includes selective removal of fall distance trees, when agreement with tree owners is reached.

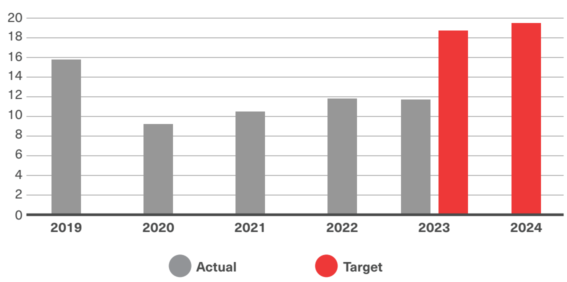
The worst performing feeders were the Marlborough Sounds, Waikawa, and French Pass feeders, which was unsurprising given the August 2022 storm. These feeders are consistently the biggest contributors to MLL's unplanned SAIDI figures. Biggest causes of unplanned outages were landslides/subsidence, floods, material failure, vehicle damage and vegetation outside of the Growth Limit Zone.

Unplanned Outages (Minutes lost per month per average customer)



Unplanned outages during the year averaged 257 minutes, impacted by the August 2022 storm and flooding event.

Capital Expenditure ($m)

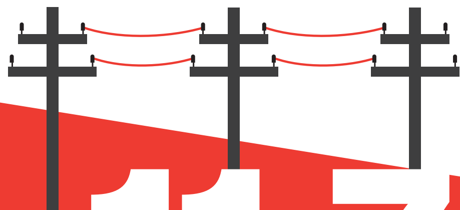


Capital expenditure of $11.7 million was 38% below target of $18.7 million. The delivery of the capital programme was impacted by fault response prioritisation and delays to some major projects.

257

minutes

Unplanned SAIDI up 44% on prior year. The current year includes the impact from the August 2022 weather event.



$11.7

million

Capital expenditure down 1% on prior year.

Planned reportable SAIDI for the year was 59 minutes, under the target of 65 minutes. Extended access constraints ultimately impacted the ability to get people and equipment into many areas of the network, limiting the amount of planned work completed.

In 2024, MLL has increased its planned SAIDI target which is reflective of the ongoing work programme to replace assets and improve reliability, often in areas where no alternative supply is available.

Projects

The remaining two projects in the programme to mesh MLL's 33kV network, which has been underway since 2020, commenced in the first half of 2023 after extended periods of detailed design and planning.

Woodbourne zone substation is being upgraded with new 33kV switchgear installed in a new purpose-built building, which when commissioned in mid 2024, will allow the outdoor switchyard to be removed. The 33kV circuits entering and exiting the substation are being rearranged to allow the station to operate in a mesh.

The second of the two projects involves the rebuild of the 33kV line between Tapp (Renwick) zone substation and Woodbourne zone substation with new poles and heavier conductor, along with a special communications cable to allow for high-speed operation of protection systems. This rebuild is being completed in stages, mainly to manage access constraints across a number of different properties, but completion of this is also expected in mid 2024.

MLL has continued to replace assets based on data collected from our condition assessors. These projects are prioritised using the condition data and other factors such as safety, reliability, and the relative position of the asset in the Network with respect to the number of connected consumers.

One replacement project of note is the rebuild of the 33kV line in the Marfells Beach Road and Redwood Pass areas. This project has been completed in stages and in the case of the Redwood Pass line, this last section was rebuilt during 2023 and the rebuild of the entire line is now complete.

Another project of note is the 11kV line crossing the Wairau River outside of Renwick, which was upgraded with three new 24 metre steel monopoles on individually designed concrete pile foundations. The foundations and steelwork on the old structures had been assessed as being in poor condition. The structures and their foundations have been designed to withstand the severe flooding which is expected to occur with increasing frequency.

Maintenance

The damage to the roading network in the Marlborough Sounds has impacted MLL's ability to access its network with limitations on heavy vehicles in some areas. This affects general maintenance, project work and fault response.

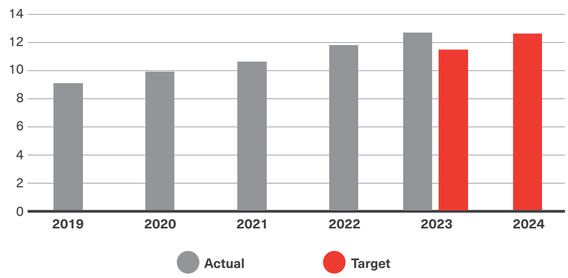
Along with the hundreds of slips that occurred, trees again caused problems, with out of zone or fall distance trees in particular damaging lines and poles. These trees are outside of any of the zones prescribed within the Electricity (Hazards from Trees) Regulations 2003 and MLL has minimal control over any such tree.

Following Cyclone Gabrielle this year, MBIE are refocusing on their review of these Regulations as there is widespread agreement across the industry that they are not fit for purpose. MLL has made a submission to MBIE and has highlighted the need for increased powers around fall distance trees.

The team of MLL condition assessors have in the past year inspected 4,800 poles and structures as part of the rolling five-year inspection plan to cover all poles on the MLL network. The data collected is used to develop asset replacement projects, and the smaller defects identified are prioritised and either dealt with straight away or "grouped" to minimise the number of shutdowns and to carry out the work more efficiently.

As a result of the condition assessments several poles were replaced on D'Urville Island. These poles had been "red tagged" meaning they are at end of life and a restriction is placed on climbing them. Replacement of poles in these locations is always challenging, often requiring the use of helicopters and pole foundations to be hand dug.

Maintenance Expenditure ($m)



Maintenance expenditure of $12.7 million was 11% above target of $11.5 million, with higher fault response costs.

59
minutes

Planned SAIDI down 9.8% on prior year. Impacted by quantity and type of works completed.

$12.7
million

Maintenance expenditure up 7.6% on prior year.

Technology and Innovation

Change is occurring in both the electricity industry and in the ways that consumers use energy. Much of this change is occurring at the distribution level as consumers install more efficient appliances but also look for opportunities to optimise their energy usage and costs.

The connection of distributed energy resources (DER), such as EVs, small scale distributed generation, and batteries, to MLL's network will provide both challenges and opportunities for MLL to manage.

Increased uptake of Electric Vehicles (EVs)

The number of EVs in Marlborough continues to increase. Fast chargers that place large intermittent loads on MLL's network are being installed to support the growing EV market.

Residential EV charging is increasing, however, the current lower levels of penetration, and frequency and type of charging is not yet resulting in significant changes in MLL's voltage network. MLL is encouraging EVs to be connected to the controllable load channels, with lower prices and is piloting technologies, such as low voltage monitoring, to better understand the impacts on the network as EV uptake increases.

Low Voltage monitoring technologies

As noted above, to improve our understanding of the impact of EV, PV and battery technologies, MLL is trialling transformer monitoring technologies on the network. MLL is also investigating options and trial projects to acquire consumers' smart meter data from the meter owners and use advanced analytics to provide visibility and insights at the consumer level. It is anticipated that this will provide network investment efficiency gains, safety improvements, and improve MLL's understanding of the impact of new DER.

Residential solar and battery installations

Residential consumers continue to install solar (PV) arrays on their homes at a steady rate, generally <10kW in capacity. Some consumers are installing battery energy storage systems. In 2023, MLL updated its connection requirements to require solar and battery installers to use technologies that will support a large amount of solar generation and energy storage technologies while maintaining power quality.

Increased medium to large scale (>10kW) embedded generation network connections

MLL (through its subsidiary, Energy Marlborough Limited) commissioned an 850kW solar plant in April 2023, and plans to develop further solar plants in the Seddon and Ward areas that will utilise most of the capacity for large scale embedded generation in the eastern network. The eastern network would change from an energy importer to an energy exporter during certain days of the year (particularly fine weather in summertime). This requires careful design of power quality control systems to ensure voltage levels are managed appropriately. A small number of generation developers and/or large consumers are also exploring or intending to develop large scale solar plant. MLL works with each developer to design solutions that efficiently maintain network reliability, safety, and power quality.

9.1 MW

Installed solar, hydro and wind generation capacity on our network (medium to large scale >10kW)

4.0 MW

Installed solar capacity on our network (small scale <10kW)

Meshed Core Network

The core 33kV network is being moved from a radial (star) system to a meshed (looped) system to improve supply reliability (resilience), capacity and quality. The reconfigured network requires replacement of aging electrical protection, control and communications equipment. MLL is nearing the end of a multi-year project to upgrade these to the latest technology which will result in improved visibility and control of MLL's sub-transmission network. The new technology enables faster identification of power system issues which in turn provides faster resolution of these issues.

Aerial Technologies

Due to challenges in accessing remote parts of the network following storms in recent years, MLL's use of helicopters to maintain services in remote areas has increased. MLL's expertise and use of drones for equipment inspections continues to develop and is providing operational efficiencies which will increase as the technology and relevant regulations mature. MLL is also considering the use of aerial LIDAR (Light Detection and Ranging systems) to gather data for creating digital models of powerline equipment and their surrounding environment. This is intended to identify problems that may cause damage to the network, such as close vegetation.

Major transport services moving to electricity

KiwiRail has commissioned construction of two diesel electric ferries that will approximately double the Picton area's peak load if they are charged from the MLL network. Air transport services are looking to introduce electric planes. Large load requirements like these can prove challenging, with significant network planning and design required.

Business consumers decarbonise their operations

These include consumers using process heat from non-renewable fuel types, and agricultural customers using diesel for irrigation purposes. Consumers are changing to cleaner technologies, such as electricity. Due to the remote location of some of these consumer installations, it is challenging to supply electricity from the existing network.

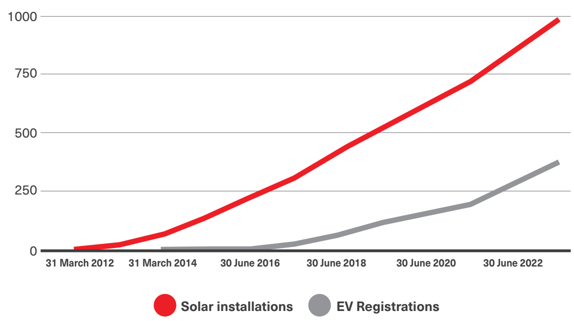
DER management systems

MLL is working with electricity industry participants, to consider the likely impacts from the changes in customer technologies and options for its management. MLL will embrace and adopt new technologies when it believes there will be benefit to the network, and/or consumers. Due to the "Internet of Things" many electrical appliances such as EV chargers, air conditioners, washing machines, dryers, batteries, hot water systems etc. can now be controlled remotely by consumer apps, and third parties who aggregate the control of these devices to vary the power system's load for commercial purposes. MLL has historically used (and continues to use) hot water ripple control to reduce network load and reduce investment in network capacity. The management of DER will be crucial to maintaining acceptable power quality, reliability, and network investment efficiency.

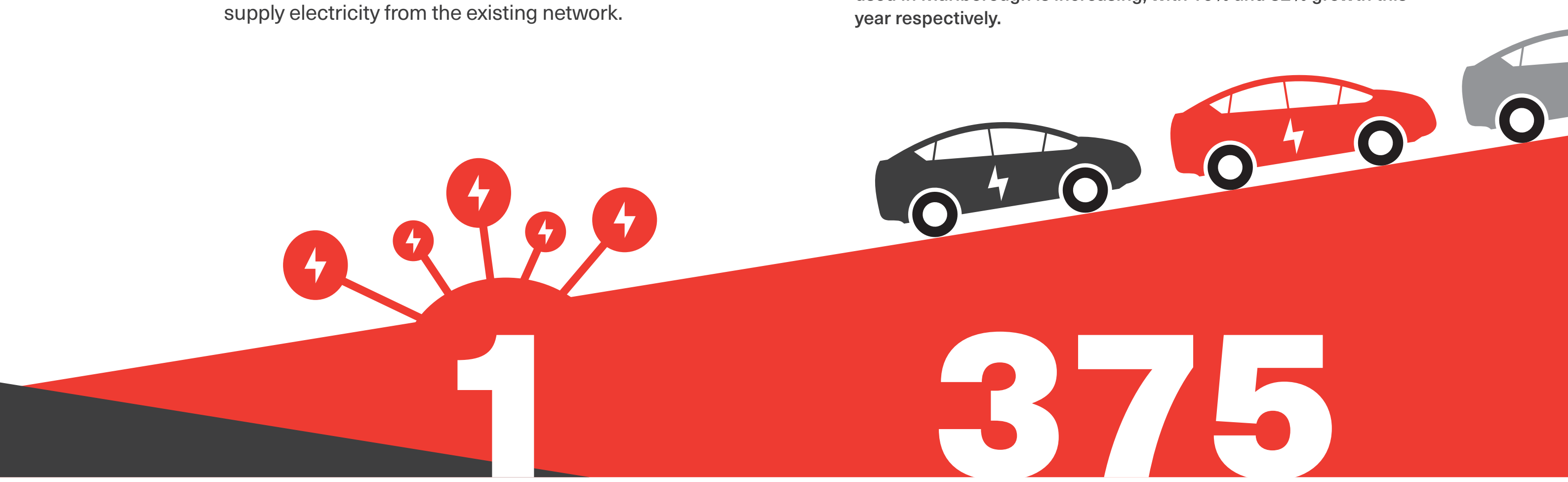
Advanced Distribution Management System (ADMS)

MLL is planning to replace its aging SCADA (Control Room network monitoring and control systems) over the next few years. An ADMS will be put in its place to improve network monitoring, automation, control and management. The ADMS system will have options to add additional advanced systems for the management of new customer technologies such as those discussed above. These will be added when efficient and sensible to do so.

Cumulative Number of Marlborough PVs and EVs



The number of PV solar installations on MLL's network and EVs used in Marlborough is increasing, with 16% and 32% growth this year respectively.



1 solution

Number of non-network solutions deployed. Refer to the Statement of Service Performance on p113 for further information.

375 EVs

Number of EVs registered in Marlborough.

Our Investments

Marlborough Lines Limited (MLL) holds an investment portfolio that includes 100% of Yealands Wine Group (YWG), 100% of Energy Marlborough Limited (EML), 50% of Nelson Electricity Limited (NEL), 50% of GreenPower New Zealand Limited (GPNZ) and cash on hand.

Yealands Wine Group Limited

YWG is a company based in Seaview, Marlborough with 1,085 hectares of owned planted vineyard and a winery with consented processing capacity of 27,000 tonnes. It is one of New Zealand's largest wine exporters, with global distribution, including strong market presence in Europe and the USA.

In 2023, YWG continued to progress its long-term strategy of premiumisation with a continued focus on supporting the vineyard with innovative sustainability and biodiversity initiatives. With more wine in the tanks at the start of the financial year, YWG was able to increase sales and also made improvements in its sales price per case. However, some of these pricing increases were taken up by increases to costs, as global cost inflation remained high.

▲ An autumn view of Yealands vineyards surrounding the Seaview Winery.

Sauvignon Blanc success on the global stage

YWG started the year with both the Yealands Reserve Sauvignon Blanc 2022 and the Yealands Estate Single Vineyard Sauvignon Blanc 2022 winning Gold Medals at the New World Wine Awards 2022. It ended the year with YWG Chief Winemaker, Natalie Christensen, being awarded the White Winemaker of the Year 2023 at the International Wine Challenge – the first for a New Zealand winemaker in 15 years. There have been many awards and trophies in between. These awards are testament to the consistent delivery of quality wines by the entire YWG team.

Vintage 2023 (V23)

V23 was an above average harvest for the Marlborough region with YWG also achieving above average grape yield averages. In total, YWG and grower vineyards produced a total of 22,500 tonnes of grapes, up 7.2% on the V22 total. A number of factors influenced this increase, including the first fruit coming off the Taylor Pass (Maher) vineyard and an increase in production from existing vineyards, particularly the Seaview vineyard Sauvignon Blanc. YWG made the most of its winery capacity, undertaking contract wine making for a number of wine companies, with the total volume of grapes processed being the winery's second largest intake.

Financial sustainability

The above average harvests in both V22 and V23 have enabled YWG to restore its wine inventory to normal levels, after the low V21 yield. YWG has $69.3m of wine inventory as at 30 June 2023, which sets it up for achieving its FY24 sales targets.

YWG has also continued to invest in optimising vineyard irrigation and ensuring the varietal mix matches future market demand. During FY23 YWG began its planned vineyard replant programme, which will see some varietals replaced with higher yielding Sauvignon Blanc.

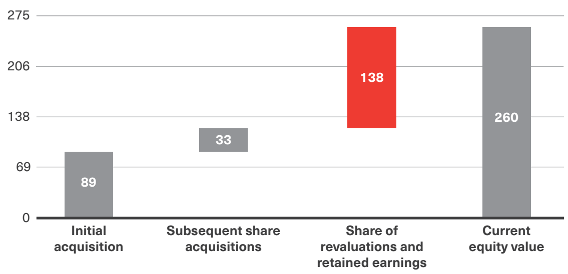
YWG paid a $1.3 million dividend through to its shareholder, MLL, in June 2023 and repaid a further $1.0m on its inter-company loan to MLL.

▲ The Gold Medal award winning Yealands Reserve Sauvignon Blanc 2022.

Beyond 2023

YWG will continue to implement its strategic plan, focusing on premiumisation, increasing production and being a leader in sustainable winemaking. The second crop of grapes will be harvested from the newly developed Maher vineyard in FY24, allowing for an increase in grape volumes and reducing the cost of wine per litre. Investment will continue, with a focus on irrigation and the planned vineyard replant programme.

Yealands Increase in Book Value Over Eight Years ($m)



MLL has invested $122 million to acquire the equity of YWG, which has a book value of $260 million as at 30 June 2023.

Nelson Electricity Limited

NEL delivers electricity to the city of Nelson and has been owned and operated jointly by MLL and Network Tasman since 1996. Each company owns 50% of the issued shares and appoints two directors to the Board.

Another safe, reliable year

As a privately owned electricity distribution business, NEL's earnings are regulated by the Commerce Commission. NEL achieved a Net Profit After Tax of $1.3 million for the year, ahead of budget. From these profits, it paid a dividend of $1.1 million, of which MLL receives half, in proportion with its 50% shareholding. Network reliability, though below NEL's industry leading standards, was still strong at 62 SAIDI minutes for the year, related to two unplanned faults and four planned outages. There were no lost time health and safety incidents on the network during the year.

Upcoming prospects

A new 33kV/11kV zone substation was constructed in 2014, with four dedicated 33kV supplies, placing NEL in a good position going forward, with only routine expenditure projected. NEL will continue to operate as an efficient lines business with industry leading reliability.

Energy Marlborough Limited

EML was incorporated in 2021 and has issued $9 million of shares through to 30 June 2023. $2.0 million of these funds have been used to develop its first solar farm located at MLL's Taylor Pass depot, which has the capacity to power around 175 homes each year. The solar farm was commissioned in April 2023.

The Taylor Pass project is the first of a number of planned renewable energy generation projects, with consent granted for a larger solar farm near the YWG winery at Seaview. EML is also planning further solar farms at both Dillons Point and Ward.

A portion of the equity invested in EML is to be utilised to fund its investment in the Mt Cass Wind Farm, via its 50% shareholding in GPNZ. This investment is to fund early works at Mt Cass Wind Farm to allow it to progress to Financial Investment Decision stage.

Cash holdings

As at 30 June 2023, MLL held $6.1 million of funds in cash or on term deposit with two major New Zealand trading banks. Interest rates have been rising over the course of the year with a return on MLL's funds averaging 4.3%.

1.94 percent

Post-tax cash return on investments (2022: 1.54%). Positively impacted by increases to interest income.

$1.85 million

Dividends received from NEL ($0.55 million) and Yealands ($1.30 million).

Investments income summary

Total cash flows generated by MLL from all investments, including management fees and interest received for the year (but excluding capital gains), was $3.2 million. This compares to $2.6 million for the prior year, with the major difference being the increase to interest income received.

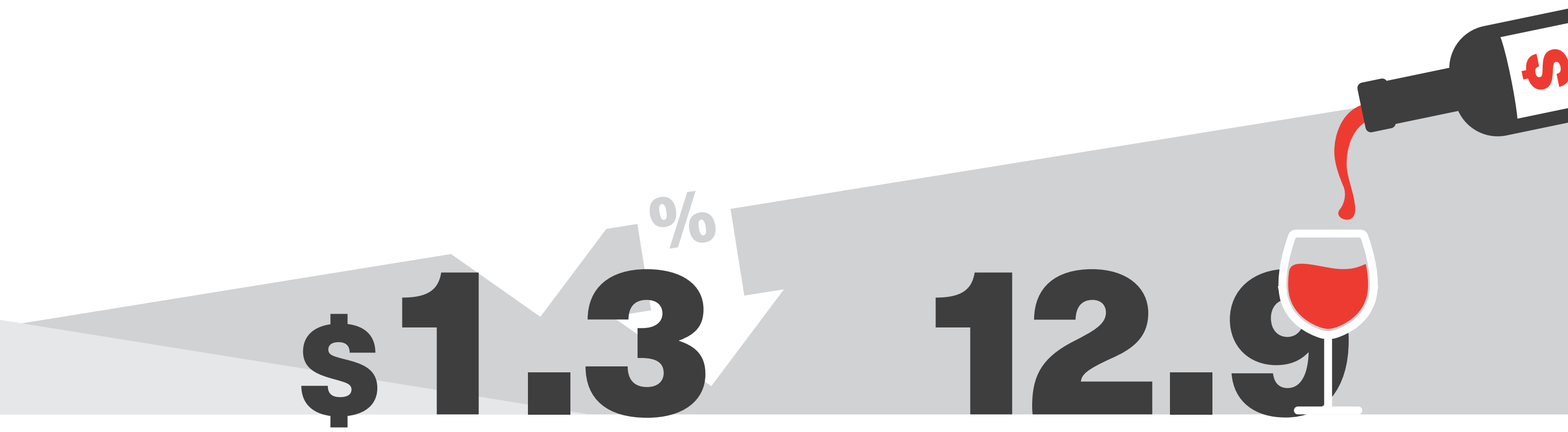
Since the initial investment in YWG in July 2015, there have also been substantial unrealised capital gains, in addition to the cash return. This uplift has not been included in the table below, but should be factored in when considering the overall level of return on MLL's investments.

A summary of cash flows generated from investments is shown in the table below.

Accounting for our investments

As MLL has control over YWG, it is treated as a fully consolidated subsidiary in the MLL financial statements. MLL has significant influence over, but not control of, NEL and GPNZ and therefore both NEL and GPNZ are treated as associates and joint ventures. Further information on the accounting treatment can found in Note 9 of the financial statements.

	2023	2022	2021	2020	2019
SUMMARY OF CASH FLOWS FROM INVESTMENTS					
Cash Flows from Investments ($m)	3.2	2.6	1.5	1.8	7.2
HOLDING VALUE ($M)					
Nelson Electricity	16.3	16.2	15.6	15.5	15.5
Yealands Wine Group	130.0	131.0	132.0	137.0	122.0
Energy Marlborough Limited	6.2	-	-	-	-
Cash and term deposits	6.1	13.4	11.0	5.8	19.3
Total value of investments	**158.6**	**160.6**	**158.6**	**158.2**	**156.8**
Cash Flows Generated from Investments	2.02%	1.60%	0.95%	1.13%	4.62%
ROI (post-tax)	1.89%	1.54%	0.92%	1.05%	4.48%



million

Interest received up 90% on prior year, driven by increases to market interest rates.

percent

Rate of return per annum on equity invested in YWG since acquisition

The 850kW solar farm, located at the MLL Taylor Pass depot, was commissioned in April 2023.

Yealands Wine Group Limited

Average amount invested

$130 million

Amount returned

$1.9 million

Returns through

- Dividends
- Interest income
- Shareholder funds growth

Land under vineyard

1,085 hectares

Grapes processed

26,679 tonnes

Wine sold

$95.6 million

Nelson Electricity Limited

Average amount invested

$16.2 million

Amount returned

$0.6 million

Returns through

- Dividends
- Shareholder funds growth

Electricity distributed

141 GWh

Network connections

9,297

Revenue

$9.2 million

Energy Marlborough Limited

Average amount invested

$3.4 million

Amount returned

$0.0 million

Returns through

- ✕ Dividends
- ✕ Shareholder funds growth

Electricity generated

184 MWh

Owned capacity

0.895 MW

Revenue

$0.1 million

Bank Holdings

Average amount invested

$15.3 million

Amount returned

$0.6 million

Returns through

- ✓ Interest income

Average interest rate

4.3%

Our People

We continue to make progress towards our strategic objective to provide a workplace where our people are valued, engaged, and inspired to deliver positive personal and Company outcomes for the benefit of all consumers.

Highlights for the year include:

- Growth, turnover, and internal changes have resulted in 20 employees moving into different or more senior roles.
- Three trainee Line Mechanics achieved their NZ Certificate in Electricity Supply (Line Mechanic Distribution) Level 4, enabling them to work as fully qualified Line Mechanics.
- MLL recruited 31 new employees, of which 13 were for newly created or additional roles including: Network Project Manager, STMS, Utility & Plant Operator, GIS Data Analyst, ICT Systems Administrator, Network Connections Assessor, and Stores Assistant.
- Included in the numbers above were seven trainees across all the disciplines - Cable Jointers, Line Mechanics, Electricians and Arborists.
- MLL continue to offer the option of a nine-day fortnight and currently have 45 employees working under this flexible arrangement.
- MLL has 14 staff working less than 40 hours per week under individual flexible arrangements.

Trainee programme

Recruiting fully qualified staff continues to be challenging, so a pipeline of trainees is crucial to maintaining optimum staffing levels. MLL currently has seven trainee Line Mechanics, two trainee Cable Jointers, three apprentice Electricians and three trainee Arborists working towards their qualifications. MLL will continue to recruit trainees each year for these roles to ensure we have the resources to meet current and future work demands.

Developing our people

Succession planning is crucial due to the aging population and the competitive recruitment environment. MLL has a significant number of employees (22) due to retire in the next five years, across various roles in the business. As a result, we are developing our people to enable them to take advantage of future internal opportunities.

- Four employees are working towards their NZ Diploma in Engineering (NDE).
- One employee is attending University of Canterbury full-time, progressing towards a Bachelor of Commerce.

Staff-related initiatives

During the year MLL conducted a survey across all employees asking which of our benefits they valued the most and inviting suggestions of new benefits. As a result, MLL added three benefits to its already generous remuneration package, as part of our Employee Value Proposition and as a key attraction and retention tool.

With MLL's aging workforce in mind, MLL also had a group of employees participate in a new Retirement Programme run by Presbyterian Support. This will be something MLL continues to offer to employees as they approach retirement as all participants found it of real value.

298

total

Total group staff, including MLL, Yealands and Nelson Electricity

0

incidents

Number of serious harm incidents.

MLL's Health and Wellbeing benefit continues to be well utilised, and MLL also now runs a monthly competition for employees to send in a photo of themselves "out there doing it" to go into the draw for a Prezzy Card.

Youth education and employment

Youth education and employment is a key focus and during the year:

- MLL supported the Graeme Dingle Future of Work Conference which for the first time incorporated the Marlborough Boys' and Marlborough Girls' College Career events.
- MLL continued its programme with the Marlborough Youth Trust (MYT) to give young Marlburians a step-up and gain work experience through a six-month programme working at MLL. In 2023 MLL took on its fourth MYT candidate for a six-month contract.
- MLL employed two school leavers into trainee Line Mechanic roles.

Health and Safety

The health, safety and wellbeing of MLL's staff and the public is always our priority. We continually work to improve how we do things so we can achieve better outcomes for everyone.

During the year we participated in a pilot programme in collaboration with the WorkSafe New Zealand Innovation Team to discover how "Trust and Transparency" influences work outcomes, culture, and relationships in the business. The premise is that learning about what makes working together successful, and understanding what is making working together difficult, can lead to safer work outcomes. The initiative involved all levels of the business – the Board, middle management and field teams, and the learning team method was used to gather data and identify key challenges and solutions, which were then trialled.

While most of the solutions were operational improvements, we tested an innovative approach to building trust and transparency through providing forums for employees to have direct access to our CEO and Senior Leadership Team to ask burning questions to better understand the "why" behind organisational decisions and changes. Learnings from those sessions will be used to adjust and improve the approach going forward.

We boosted our HSEQ team capability during the year with the addition of a Technical Safety & Quality Coach to support field employees and a Training & Process Advisor to assist with the continual improvement of our integrated management system for health, safety, environment, and quality management. The team is committed to continuous improvement and supporting our employees to achieve successful outcomes in their work.

Public safety

Our biggest public safety risk continues to be vehicles crashing into power poles. While we cannot influence how the public drive, in each instance we assess whether the location of the pole contributed to the incident and identify if there is anything we can do to reduce the risk.

We have an extensive asset condition assessment and maintenance programme in place to ensure that our network assets are safe and do not pose any risk to the public or public property.

Our website provides information for the public on how to keep safe around our network and functionality to initiate a range of our safety services online. We run public safety advertisements on digital platforms and include safety messages in bi-monthly newspaper adverts.

A goal for the next financial year is to implement regular contractor forums to raise awareness around working safely near our network assets, and obligations in relation to the New Zealand Electrical Code of Practice 34 – Electrical Safe Distances.

years

Average length of service of MLL employees.

trainees

The number of trainees employed by MLL during the year.

Our Community

We're here for our community, 100%, no matter what. From our team of 168 working every day to keep our network safe, reliable, and ready to meet Marlborough's future energy needs to our support of local initiatives and events that boost regional growth and make Marlborough a better place to live. We are proud to serve our Marlborough community.

Throughout the year MLL continued to support regional growth through sponsorships that align with our mission to **Grow Marlborough Together**. MLL's sponsorship budget comprises up to 1% of its annual revenue, and this year amounted to $401k, which was distributed amongst 28 worthy initiatives and events (see “Our Sponsorships” on p37).

MLL has several long-standing sponsorships in place that we are delighted to continue supporting including: Marlborough Lines Stadium 2000, the Science and Technology Fair, Marlborough Colleges Tertiary Study Awards, and the Marlborough Sounds Restoration Trust Wilding Pine Eradication Programme.

MLL runs six monthly sponsorship funding rounds where we receive and evaluate applications from community organisations, projects, and events against specified criteria. This year MLL added several new sponsorships through this process including: Picton Dawn Chorus, Marlborough Environmental Awards, Lights Over Marlborough fireworks event, and the Alphabetic literacy tutoring programme.

MLL also increased its sponsorship for the Havelock Mussel Festival and the Omaka Classic Fighters Airshow.

Supporting Marlborough Girls' to reach for the Stars

Stars is a mentoring programme run by the Graeme Dingle Foundation at Marlborough Girls' College and supported by Marlborough Lines and Outward Bound.

The programme pairs all Year Nines with senior students trained by Graeme Dingle Foundation staff in mentorship. Students get together weekly to follow a programme that addresses life skills such as goal setting, time management, good communication skills and building positive relationships.

Stars provides integral support for younger students with the often-tricky transition into secondary school and adolescence while enhancing the resilience and mental health and wellbeing of students.

All students taking part in the programme, together with their whanau teachers head away to Outward Bound on an adventure camp, where students can bond while building resilience and working together as a team.

Stars was rolled out at Marlborough Girls' College in 2020 as a pilot for the region. MLL's sponsorship means students can attend the camp free of charge, making it accessible and equitable for everyone.

#1 sponsor

For the Marlborough Lines Stadium 2000 since 2006.

$401 thousand

Sponsorship and donations (2022: $365k).

Helping young Marlburians enter the workforce

MLL supports young people entering the workforce in partnership with the Marlborough Youth Trust's Youth Employability Programme (YEP). MLL offers two programme graduates a six-month paid work placement, one commencing in February and one in August. The intent of the work placement is to give the YEP graduates real life work experience and set them up for their first permanent job.

Supporting youth to make their own way in life is a wonderful way to give back to the Marlborough community.

Since coming on board with the programme in 2021 we have had three young people complete a six-month contract where they have learnt valuable skills and behaviours to set them up for success in their future work endeavours.

One programme participant has also become a permanent and valued member of the MLL team.

Our consumers support our sponsorship strategy

MLL's annual consumer survey showed that 88% of our consumers are satisfied or very satisfied with MLL's overall performance (2022: 87%).

There was strong support for MLL's sponsorship of community activities, with over 80% of respondents in favour (2022: 81%). Sponsorships targeted at social good activities (education and charitable organisations) and the environment were the most supported.

Our sponsorships

Youth education and employment

- Karearea: Falcons in Marlborough Schools Programme
- Marlborough Colleges Tertiary Study Awards
- Marlborough Girls' College Stars Programme Camp
- Marlborough Heritage Education Programme
- Marlborough Lines Graduate Development Programme for Electrical Engineers
- Marlborough Lines Summer Internships
- Marlborough Lines Young Eagles
- Marlborough Riding for the Disabled
- Marlborough Schools Science and Technology Celebration
- Marlborough Youth Trust CACTUS Programme
- Marlborough Youth Trust Youth Employability Programme
- Maori Tertiary Study Scholarship
- School Start First Impressions Marlborough
- University of Canterbury Electric Power Engineering Centre

Regional projects and events

- Blenheim & Picton Christmas Parades
- Garden Marlborough
- Havelock Mussel Festival
- Life Flight Community Partner
- Marlborough Business Excellence Awards
- Marlborough Foodbank
- Marlborough Lines Stadium 2000
- Marlborough Wine and Food Festival
- Omaka Classic Fighters Airshow
- Omaka Observatory
- Picton Maritime Festival
- Marlborough Relay for Life

Environment

- Marlborough Sounds Restoration Trust Wilding Pine Control Programme
- Pine Valley Wetland Restoration Project

$50 thousand

Tertiary grants awarded to ten students (2022: $40k).

88 percent

Proportion of consumers surveyed that rated their satisfaction with Marlborough Lines' overall performance as either satisfied or very satisfied.

Our Environment

Marlborough Lines Limited (MLL) will play an important role in Marlborough's efforts to further electrify transport and industry, while decarbonising existing non-renewable fuel use.

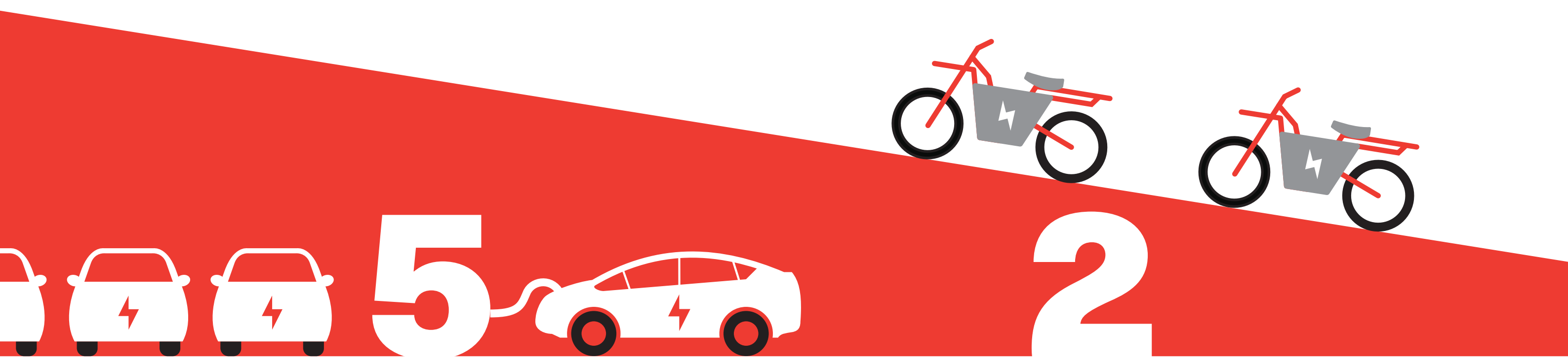
As discussed in the Technology and Innovation section, more consumers are purchasing hybrid and/or fully electric vehicles, connecting distributed generation (e.g., rooftop solar, including in some cases battery energy storage systems) to their homes and MLL's network, and larger consumers are looking to reduce their usage of non-renewable fuel supplies (e.g., process heat demand supplied by burning diesel and/or coal). Fast charging EV stations are also becoming more commonplace.

MLL's network needs to be developed and managed in a way that supports consumers changing requirements for electricity usage. This means having sufficient capacity available for new connections (and increases in demand from existing connections), along with maintaining a high level of supply reliability.

MLL proactively engages with large consumers to better understand their current and future network connection requirements and this information is used in our network development, including our forecast network capital expenditure. Meeting these needs, including maintaining a high reliability level, is challenging on a network such as MLL's, where there is only one grid connection point (GXP) to Transpower's transmission network, at Springlands in Blenheim. From the GXP, MLL's network radiates out long distances to very remote and lowly populated areas. Our most remote connections are over 125km of line length away from the GXP in the outer Marlborough Sounds, and upper Awatere Valleys, and southern East Coast.

One area where significant capital expenditure is proposed is in the Wairau Valley west of Wairau Valley township. The ongoing development of vineyards further and further up the valley has challenged the MLL networks' ability to deliver electricity at acceptable voltage levels. To allow further connections to support pumps and other vineyard related infrastructure, developing further network capacity is required through upgrading the main supply to the Wairau Valley, including construction of a new 33kV/11kV zone substation. This development will allow the moving away from existing, or avoidance of new, diesel fuelled pumps which are not only expensive to run, but also produce greenhouse gas emissions.

MLL also looks to support other environmental initiatives in the Marlborough region as part of its sponsorship programme. Two such initiatives that we have chosen to support this year include the Pine Valley Wetland Restoration Project and the Kārearea Falcons in Marlborough Schools Programme.



electric vehicles

Used as pool vehicles.

electric motor bikes

In fleet for quickly accessing
remote sites, rather than using quad bike.

Pine Valley Wetland Restoration Project

In 2022, MLL entered a ten-year partnership with the Pine Valley Outdoor Centre Trust, as foundation sponsor of the Pine Valley Wetland Restoration Project.

The restoration of the wetland area, located where the North Bank and Pine Valley Roads intersect, will provide a boost for the local eco-system, create a beautiful place to visit and provide an opportunity for children and young people to participate "hands on" with a conservation project.

A key objective for the year was to carry out the weed control necessary to begin planting at the lower end of the site, which was a major undertaking. Large areas of willow were removed, and the site has been transformed in appearance. There are still areas of blackberry and old man's beard that make planting difficult and need to be addressed.

First plantings took place in February 2023 and by the end of the season planting had exceeded the original area planned and survival rates have been consistently high – estimated over 90%. Deer fencing has been erected around the boundary to provide maximum safety for anyone on site (e.g., from neighbouring stock) and the plants.

During the year the Department of Conservation carried out surveys of the vegetation, birds, and aquatic life of the site. This has provided a sound baseline from which to monitor changes over time.

While still in the early stages of the project, the foundation for future communication and involvement with the community was well and truly laid during the year through newsletters, magazine write-ups and social media. Some 365 children engaged with the programme in Term 1 2023, and a further 12 groups booked for later in the year.

A trapping network has been established around the perimeter of the site and will be fully activated by spring.

We are excited to see progress over the next year and commend the Pine Valley Outdoor Trust for their commitment to the success of the project, which current and future generations of Marlburian's can enjoy.

Kārearea Falcons in Marlborough Schools Programme

In 2023, MLL entered into its second three-year agreement with the Marlborough Falcon Conservation Trust to continue sponsoring the Kārearea Falcons in Marlborough Schools Programme.

This programme introduces 700 Marlborough children to New Zealand's yearly conservation and preservation principles. The education and advocacy programme aims to increase awareness and appreciation of the kārearea falcon while realising the importance of protecting all our native species.

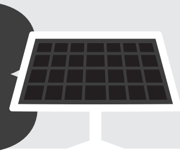
Students will learn critical kārearea falcon facts and their importance within Maori culture, the dangers kārearea falcon face in the wild and how the students can help increase the kārearea falcon population.

MLL's sponsorship of this programme is supplemented by MLL installing additional insulation on distribution transformers in Marlborough to help protect this endangered bird from the hazard posed by MLL's network assets.

13

transformers

Distribution transformers with additional insulation installed this year to protect karearea. There are now 341 on MLL's network with bird protection installed.



3

projects

Solar farm projects in planning, to generate electricity in Marlborough and reduce line losses.

3

Management and Governance

► After the Marlborough Electric Power Board was constituted under gazette on 25 October 1923 the first Board was elected in November of that year.

Board of Directors

Jonathan Ross

Director

LLB Hons, BCL, BA

Jonathan Ross was appointed to the Board in September 2014. For 23 years he was a partner of Bell Gully in Wellington and Auckland, specialising in corporate, securities and finance law and transactions. He is a member of both the Management Board and the Panel of Experts of P.R.I.M.E. Finance in The Hague and was a Director of Reserve Bank of New Zealand until 30 June 2022.

Phil Robinson

Chairman

NZCQS, MInstD

Phil was appointed as Chair in March 2021, and prior to that served as a Director on the Marlborough Lines Board since September 2015. He is a Director of Robinson Construction Limited and has been involved in business interests that include several construction and development related companies. Phil is a Director of various other companies.

Donna Bridgman

Director

BE, FEngNZ, CMEngNZ, Int(PE)NZ, PMP, MBCI, MInstD

Donna has been a member of the Board since February 2023. With a career spanning engineering services, digital infrastructure and executive management, Donna brings experience in the electrical, high-technology and business continuity sectors, gained through positions in New Zealand, Australia, Asia, Europe and the United Kingdom.

Donna holds a Bachelor's degree in Electrical Engineering. She is an Engineering Fellow, a practicing Chartered Engineer, an International Professional Engineer (IntPE), a certified Project Management Professional (PMP), a Business Continuity Practitioner (MBCI) and a Member of the Institute of Directors (NZ).

She is a Director of Corde Limited, Board Member of Swimming New Zealand and Advisory Member to Engineering New Zealand.

Alexandra Barton

Director

BCom, LLB, CA

Alex was appointed to the Board in December 2019. She resides in Blenheim and is a director of accounting firm BDO Marlborough Tasman Limited. Alex has worked in the UK, Australia and New Zealand both in corporate and advisory roles within investor relations, strategy and financial communication. Alex is also a director of Marlborough District Council Holdings Limited and Marlborough Airport Limited.

Steven Grant

Director

BCom, LLB Hons

Steven was appointed to the Board in February 2017. After commencing his career as a lawyer at Bell Gully, Steven moved into investment banking, working at Macquarie Bank in London and then in Auckland. More recently, he worked for PricewaterhouseCoopers and Northington Partners, specialising in business sales, acquisitions, mergers, and capital raising transactions. He is also a Director of the Automobile Association Limited, Care Group Limited and Genesis Capital Limited.

Rob Jamieson

Director

ME, MBA, CMInstD

Rob has been a member of the Board since February 2023 and has worked in the New Zealand Electricity industry for over 35 years, including as Chief Executive of Orion NZ Limited and Chair of Connetics Limited. He has also been a long-term member of the board of the Electricity Network's Association. Rob has master's degrees in electrical engineering and business administration. He is also a chartered member of the NZ Institute of Directors.

Rob is Chair of Electricity Invercargill Limited, a Director of Lakeland Network Limited, and is a member of the OtagoNet Joint Venture governing committee.

Ivan Sutherland

Director

VFM, ANZIV, MNZM

Ivan was appointed to the Board in September 2015. He was one of the early pioneers of the Marlborough wine industry, developing his own vineyards and subsequently the wine label Dog Point. Ivan has an extensive sporting background with NZ Rowing and is still heavily involved administratively. He was previously a Director of Marlborough Lines from 2000-2003 and Chairman of OtagoNet from 2002-2003. Ivan retired from the Board of Marlborough Lines on 30 June 2023.

Senior Leadership Team

Scott Wilkinson

Commercial Manager

BSc Hons, MBA, MESt

Scott is responsible for network pricing, maintaining the Company's relationships with the electricity retailers, network connections and customer services. Scott's background is primarily in consulting engineering, infrastructure projects and asset management, including two years working at the World Bank.

Rebeca Clifton

HSEQ Manager

GradDipBusStuds, NZDipWHSM, ProfNZISM

Rebeca is responsible for leading the strategy to continually improve workplace health, safety and wellbeing and the integrated management system for health, safety, environment, and quality. Rebeca has a keen interest in the practical application of safety differently principles to achieve better work outcomes.

Gareth Jones

Chief Financial Officer

BCom, CA

Gareth is responsible for the Group's finance and ICT systems. Gareth is a Chartered Accountant, with previous experience working at KPMG in both audit and corporate finance areas. Gareth has significant experience in the electricity distribution sector having held several senior finance roles at Powerco Limited for the five years prior to joining Marlborough Lines.

Warner Nichol

GM Network Operations

DipEng (Electrical)

Warner is responsible for the operational management of the network and the management of network assets, including maintenance and project delivery. With over 35 years of experience in the electricity industry in New Zealand, Australia and the United Kingdom, Warner has held roles in both contracting and power company businesses, including several years operating his own consultancy specialising in the delivery of large projects for the electricity industry.

Rebecca Wheeler

Human Resources Manager

BBus (HR & IR)

Rebecca is responsible for the full HR portfolio, developing and delivering the people plan to support the achievement of MLL's strategic objectives. Rebecca has over 20 years' experience as an HR business partner, supporting medium and large teams in the FMCG industry in Australia and New Zealand.

Tim Cosgrove

Chief Executive Officer

ME(Mgt), BE (Hons) (Mech), BCom, CEng, CMInstD

Tim is responsible for the leadership, strategic direction and delivery of all stakeholder, financial and operational objectives. Tim has held roles within the Todd Corporation as General Manager Todd Generation and headed Operations and Development for Nova Energy. Prior to his time with Todd Corporation, Tim was a Lieutenant Commander in the Royal New Zealand Navy.

Ray Brown

GM Engineering & Development

BE (hons) CPEng, IntPE(NZ), FEngNZ, CMEngNZ

Ray's team is responsible for planning MLL's network, preparation of the Asset Management Plan, developing capital projects that support the company's aspirations, and providing engineering services. Ray has 35 years' of engineering and development experience in electricity generation, transmission and distribution businesses largely in New Zealand.

Dan Quinn

GM Field Services

Dan is responsible for the day-to-day running of the operational part of the business including procurement, project delivery and the installation and maintenance teams. Dan has 20 years of experience working in the electrical industry and has a broad range of experience as a people leader. His experience has predominantly been in High Voltage both in the UK and in New Zealand. Working in Wellington for 10 years with most of that time being spent working with or for Transpower and managing a large commercial electrical company.

Corporate Governance Statement

Governance structure at Marlborough Lines

Following the introduction of the Energy Companies Act 1992, Marlborough Lines Limited (MLL) was corporatised as the successor entity to the Marlborough Electric Power Board.

The ownership of the shares in MLL were vested to the trustees of the Marlborough Electric Power Trust (the Trust). The six publicly-elected trustees individually hold the shares on behalf of the Trust and its beneficiaries. The trustees are referred to within this document as the shareholders. Trustee profiles are available on the Trust's website.

The Trust Deed, which governs the conduct and activities of the Trust, also requires the shareholders to support MLL in its fundamental obligation to be a successful business. This is a requirement of section 36 of the Energy Companies Act. The Trust Deed is available on the Trust's website.

The shareholders, through a collective resolution of the Trust, are responsible for the selection and appointment of the directors. The directors perform the key corporate governance role of MLL.

The board of directors (the Board) is responsible for setting the strategies and objectives of MLL in accordance with key policies endorsed by the MLL's shareholders in MLL's annual Statement of Corporate Intent (SCI).

Directors' and management commitment

The directors of MLL acknowledge the need for high standards of corporate governance and ethical behaviour by all directors and employees of MLL, its subsidiaries and associates.

Directors and management are committed to effective governance. Governance includes a set of systems and processes, supported by people with appropriate competencies and behaviour. This provides shareholders and other stakeholders with the assurance that MLL delivers on its commitments.

The directors recognise that good governance is not merely a matter of achieving legislative compliance but also of ensuring that appropriate standards and behaviour are set and achieved. This includes the establishment and maintenance of a culture at Board level and throughout MLL which requires directors and employees to deal fairly with others, and with transparency, and to protect the interests of all stakeholders.

The Board seeks to ensure that issues within MLL are dealt with in a manner which, if subject to scrutiny, will reinforce or enhance the reputation of the company and those involved.

In order to formalise their commitment to good governance, the directors have prepared a Corporate Governance Manual including a Code of Conduct. The Board seeks to ensure that MLL is properly governed within a broader framework of corporate social responsibility and regulatory oversight.

The Board has compared itself against the Financial Markets Authority (FMA) corporate governance principles and guidelines. The following sections outline how MLL has applied the eight corporate governance principles.

FMA Principle 1:

Ethical Standards

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for delivering these standards throughout the organisation.

The Board adopted a Code of Conduct that outlines the ethical and professional standards by which MLL's directors and employees are expected to conduct their professional lives. It outlines responsibilities to various stakeholders and provides guidance, for example, on how to deal with conflicts of interest and the receipt of gifts. MLL also has a suite of policies that support the Code of Conduct, including a Fraud Policy, a Travel and Expenses Policy and a Receipt of Gifts Policy. These are available to all employees.

FMA Principle 2:

Board Composition and Performance

To ensure an effective board, there should be a balance of skills, knowledge, experience, independence and perspectives.

The shareholders, through a collective resolution, are responsible for the selection and appointment of the directors.

The MLL Constitution provides for a maximum of eight directors. The Board presently comprises six non-executive directors. Each year, MLL's Constitution requires one-third of the Directors to retire by rotation. In practice, this means that two directors retire each year. The shareholders may reappoint retiring directors or make new appointments following advertising for applications for appointment.

At the Annual General Meeting (AGM) in November 2022, following the resignation of Deborah Selby in July 2022, Phil Robinson was reappointed to the Board. The Trust also appointed two additional directors, Donna Bridgman and Rob Jamieson, to the Board, effective from 1 February 2023.

This year at the AGM, following the resignation of Ivan Sutherland in June 2023, Alex Barton will retire by rotation. Alex Barton is available for reappointment to the Board.

All new directors undertake an induction process at the time of their appointment to the Board to become familiar with matters relating to MLL's business strategy and outlook, its relationship with its shareholders, current issues before the Board and MLL's operations generally.

The Board has a formal Board Charter that outlines the Board's role and responsibilities, including formal delegations to management and dealing with conflicts of interest.

The performance of the Board and its committees is evaluated annually in accordance with the Board's Performance Evaluation Policy. This evaluation considers the effectiveness of the Board in working as a unit, and the extent to which additional skills might be needed from time to time to achieve its strategic goals.

The Board meets at intervals of approximately six weeks. Additional meetings are convened when required.

During the year to 30 June 2023, there were eleven Board meetings, four Audit and Risk Committee meetings and two Investment Committee meetings. The meetings were attended by directors as follows:

DIRECTOR	BOARD		AUDIT AND RISK COMMITTEE		INVESTMENT COMMITTEE	
	Meetings Held[1]	Attended	Meetings Held[1]	Attended	Meetings Held[1, 2]	Attended
A Barton	11	11	4	4	2	2
D Bridgman	7	6	2	2	-	-
S Grant	11	10	4	3	2	2
R Jamieson	7	5	-	-	-	-
P Robinson	11	11	-	-	-	-
J Ross	11	11	4	4	2	2
I Sutherland	11	11	-	-	-	-

1 Meetings Held is the number of meetings held during that individual director's tenure on the Board/Committee.

2 The number of Investment Committee meetings only includes formal pre-programmed meetings. Numerous additional meetings were held during the year.

FMA Principle 3:

Board Committees

The board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

The Board has established an Audit and Risk Committee and an Investment Committee, which operate under formal Committee Charters. The Charters outline the Committee's authority, duties and responsibilities, composition and procedures.

The objective of the Audit and Risk Committee is to assist the Board in fulfilling its oversight responsibilities in relation to internal control systems, the financial and regulatory reporting process, the audit process, risk management and MLL's process for monitoring compliance with laws and regulations. The Committee as at 30 June 2023 is made up of Alex Barton, Donna Bridgman, Steven Grant and Jonathan Ross. Jonathan Ross has been Chair of the Audit and Risk Committee since 1 July 2019.

The objective of the Investment Committee is to assist the Board in identifying and assessing possible investment and divestment opportunities. The Committee as at 30 June 2023 is made up of Alexandra Barton, Steven Grant and Jonathan Ross. Steven Grant has been Chair of the Investment Committee since its establishment in April 2021.

The Committee proceedings are reported back to the Board and minutes are provided. Any director may attend Committee meetings.

The Board may from time to time establish other committees to assist it by focusing on specific responsibilities in greater detail than is possible or practical for the Board as a whole. These committees would report to the Board and make any necessary recommendations.

FMA Principle 4:

Reporting and disclosure

The board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

The Board demands integrity in financial and non-financial reporting. The Board requires that sufficient meaningful information is provided to its stakeholders (in addition to that required by law) to ensure that they are well informed.

Each year, MLL produces an SCI that outlines the company's objectives and also the information requirements of its shareholders. The SCI is agreed in consultation with the Trustees of the Marlborough Electric Power Trust.

Key reports provided by MLL to its stakeholders include:

- Quarterly reports provided to the Marlborough Electric Power Trust;
- Publicly-disclosed Asset Management Plan;
- Publicly-disclosed Electricity Distribution Business Information Disclosure Schedules;
- Publicly-disclosed Financial Statements and Statement of Service Performance; and
- Other information included in the Annual Report.

The Electricity Distribution Business Information Disclosure Schedules, Financial Statements and Statement of Service Performance are subject to external audit. Unqualified audit opinions have been obtained for the most recent year.

In addition to the role of the Audit and Risk Committee, the Board meets to consider appropriate matters. The Board recognises that it has overall responsibility to safeguard the integrity of the MLL's financial and regulatory reporting.

As a public benefit entity with a strong community role, the Board reports on a number of non-financial metrics and results. The Annual Report reports on MLL's employee's, health and safety performance, electricity network performance, the support it provides the community, and its environmental impact. The Statement of Service Performance reports on MLL's performance against network reliability, health and safety, and customer and environmental performance targets.

FMA Principle 5:

Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

MLL's Constitution provides that the shareholders set the directors' remuneration. This is undertaken following an independent external evaluation of remuneration levels and workloads.

The Board sets the remuneration of the Chief Executive Officer, following the receipt of independent external advice.

Remuneration of the directors of MLL is outlined in the table below:

Director	Board fees	Audit and Risk Committee fees	Investment Committee fees[1]	Total remuneration
A Barton	54,047	4,932	20,000	78,979
S Grant	54,047	5,000	*Chair* 86,000	145,047
P Robinson	*Chair* 108,094		10,000	118,094
J Ross	54,047	*Chair* 10,000	43,000	107,047
D Selby	*Ceased 4 July 2022* 587	*Ceased 4 July 2022* 54		641
I Sutherland	54,047		15,000	69,047
D Bridgman	*Appointed 1 Feb 2023* 22,547	*Appointed 1 April 2023* 1,250		23,797
R Jamieson	*Appointed 1 Feb 2023* 22,547			22,547
Total	**369,965**	**21,236**	**174,000**	**565,201**

1 Investment Committee Fees include additional payments to directors for special projects over and above ordinary duties.

MLL has a number of wholly-owned subsidiaries including Seaview Capital Limited (SCL) and Energy Marlborough Limited (EML). No additional directors' fees were paid by SCL or EML.

No directors hold any shares in any of the Group companies.

The directors of Yealands Wine Group Limited (YWG) are appointed by the Board of MLL. As at 30 June 2023, two MLL directors were also on YWG Board. The directors' fees paid to the directors of YWG are determined by the Board of MLL following the receipt of independent external advice. The directors fees for Tim Cosgrove are paid to MLL.

The directors of YWG and their remuneration is outlined in the table below:

Director	Board fees	Audit and Risk Committee fees	Health and Safety Committee fees	Total remuneration
B Coates	55,000	6,000		61,000
T Cosgrove	*Appointed 16 June 2023* 2,292			2,292
S Grant	55,000	6,000		61,000
M Hamilton	*Deputy Chair* 65,000		*Chair* 10,000	75,000
D Selby	55,000	*Chair* 10,000		65,000
M Thomson	*Chair* 110,000		6,000	116,000
Total	**342,292**	**22,000**	**16,000**	**380,292**

FMA Principle 6:

Risk Management

Directors should have a sound understanding of the key risks faced by the business, and should regularly verify there are appropriate processes to identify and manage these.

The Board has overall responsibility for MLL's systems of financial and operational control. The Board ensures that recommendations made by the external auditors, and other external advisers, are carefully considered and that appropriate action is taken to ensure that MLL has an adequate control environment to manage the risks identified.

MLL has a Risk Management Policy and framework incorporating the ISO 31000:2018 risk management processes.

Risks are identified through a variety of methods including on-site checklists, visual hazard inspection, reporting of accidents and near misses and formal risk reviews. MLL monitors and reviews these risks on a regular basis. Monthly reports to the Board provide information on incidents and near misses to keep the Board informed of MLL's health and safety performance.

The Board, so far as reasonably practicable, is committed to ensuring that MLL's employees, contractors and the public are kept safe.

MLL holds the following accreditations for its health and safety management systems:

- Health and Safety Management System conforming to ISO 45001:2018; and
- Safety Management Systems for Public Safety conforming to NZS 7901:2014.

MLL also holds the following accreditations to assist with the management of certain other risks:

- Quality Management System conforming to ISO 9001:2015; and
- Environmental Management System conforming to ISO 14001:2015.

FMA Principle 7:

Auditors

The board should ensure the quality and independence of the external audit process.

MLL's auditors, Deloitte Limited, are appointed by the Controller and Auditor-General, pursuant to Section 45 of the Energy Companies Act 1992. The term of the lead audit partner is governed by the Controller and Auditor-General requirements. The lead audit partner is required to rotate every six years.

The Audit and Risk Committee meets periodically during the year with the auditor to discuss the audit plan as well as findings from audit procedures. The Board has extended an open invitation to the auditor to discuss any issue at any time.

In addition to undertaking the statutory audit function on behalf of the Controller and Auditor-General, Deloitte Limited also undertakes the audit of MLL's financial and performance disclosure information provided to the Commerce Commission in accordance with the Commerce Act. This function is also undertaken on behalf of the Controller and Auditor-General.

FMA Principle 8:

Shareholder relations and stakeholder interests

The board should respect the rights of shareholders, and foster constructive relationships with shareholders and stakeholders. Shareholders should be encouraged to engage with the entity.

The Energy Companies Act provides that the directors will provide a draft SCI within the first working month of the year and that the shareholders will respond with their views during the following month. The directors are responsible for monitoring management's operation of MLL in accordance with the targets and policies outlined in the SCI. The SCI is available on MLL's website.

MLL's shareholders play an integral part in the company's corporate governance. To give effect to this oversight role, the Board keeps the shareholders informed through the provision of relevant information, including:

- Quarterly financial reports;
- Opportunities for questions at periodic meetings between the trustees and the Board;
- Special meetings and visits to operational sites;
- Briefings as required by representatives of the Board; and
- The Annual Report.

The Trustees, as shareholders, raise matters for discussion at annual and special meetings of MLL. They have ultimate control of MLL through the appointment process for directors.

MLL makes additional information available to the shareholders and other stakeholders through the publication of topical newsletters which are sent to every connected customer, the completion of the Information Disclosures accounts and Asset Management Plan as required by the Commerce Commission and the provision of an extensive selection of information, statistics and reports on MLL's website.

Further information

Further information on corporate governance at MLL can be found in the Corporate Governance Manual available on the company's website.

Further information on the directors' qualifications, experience and length of service are available towards the front of this Annual Report. The directors' disclosures of interests are available in the general disclosures section.

General Disclosures

For the year ended 30 June 2023

Introduction

The directors of Marlborough Lines Limited (MLL) submit the following report to shareholders. The report has been prepared to include all information required to be disclosed under the Companies Act 1993.

1. Principal Activities of MLL

MLL is an electricity network owner and operator. MLL also operates related electrical contracting services. MLL owns Yealands Wine Group (YWG), a major wine producer and exporter, with extensive vineyards and a winery located in Marlborough. MLL also holds an investment in the Nelson-based electricity network company, Nelson Electricity Limited (NEL), along with an investment in newly incorporated company Energy Marlborough Limited (EML).

2. Review of Financial Performance

SUMMARY FINANCIAL RESULTS	Group 2023 $000	Group 2022 $000
Net profit after tax	6,284	14,531
Other comprehensive income net of tax	13,512	31,631
Net surplus attributable to the shareholders	**19,796**	**46,162**

All results are stated in current accounting terms and are derived in accordance with the New Zealand equivalents of the International Financial Reporting Standards.

The financial performance of MLL and its consolidated group for financial reporting are further explained in the Chief Financial Officer's report.

3. Dividends

MLL made the following dividend payments for the year ended 30 June 2023.

DIVIDENDS FOR THE YEAR ENDED 30 JUNE 2023	Declaration date	Amount
Final dividend	28 June 2023	$2,500,000
Total dividend		**$2,500,000**
Ordinary shares issued		28,000,000
Dividend per share		$0.089
Value of Share Capital (Parent net assets at current valuation)		$374,402,000

Full imputation credits were attached to all dividend payments.

4. Auditors

In accordance with Section 45 of the Energy Companies Act 1992, the Office of the Auditor-General is responsible for the audit of MLL. In accordance with Section 29 of the Public Finance Act 1977, the Office of the Auditor-General has contracted the audit of MLL to Nicole Dring of Deloitte Limited.

FEES PAID TO AUDITORS (FOR GROUP)	Audit Fees	Other Fees
Deloitte – for Marlborough Lines Limited Group	$118,435	$37,620
Deloitte – for Yealands Wine Group Limited Group	$162,200	$0
Disbursements including OAG fees	$76,006	$0
Total amount paid to Auditors	**$356,641**	**$37,620**

5. Directors' interests

DIRECTORS' INTERESTS

Director	Group entities	External entities
Marlborough Lines Limited directors		
A Barton	Marlborough Lines Limited Seaview Capital Limited	Barton Food Limited BDO New Zealand Limited BDO Marlborough Tasman Limited BDO New Zealand Nominee Limited Fairhall Fundraising Incorporated MDC Holdings Limited Marlborough Airport Limited Ngāti Apa ki te Rā Tō Trust Village to Village Charitable Trust
D Bridgman	Marlborough Lines Limited	Corde Limited Swimming New Zealand
S Grant	Marlborough Lines Limited Seaview Capital Limited Yealands Estate Limited Yealands Estate Wines Limited Yealands Wine Group Limited	Astute Consulting & Management Limited Care Group Limited Genesis Capital Limited Genesis GP Limited Import Distribution Limited The New Zealand Automobile Association Limited (and subsidiaries)
R Jamieson	Marlborough Lines Limited	Electricity Invercargill Limited Lakeland Network Limited OtagoNet Limited OtagoNet Properties Limited Pylon Limited
P Robinson	Marlborough Lines Limited GreenPower New Zealand Limited Mt Cass Wind Farm Limited Nelson Electricity Limited Seaview Capital Limited	Black Stump Investments Limited Construction Coatings Limited Group Hire Limited Nikau Drive Limited Outer Limits Limited Precast Systems Limited Redwood Development Limited Robinson and Company Limited Robinson Construction Limited Robinson Developments Limited Scaffold Marlborough Limited Vector One Nine Limited Waterfront Construction Limited
J Ross	Marlborough Lines Limited Seaview Capital Limited	P.R.I.M.E. Finance Stichting The Rhodes Scholarships in New Zealand Limited
I Sutherland	Marlborough Lines Limited Seaview Capital Limited	Ashmore Vineyards Limited Axel 2000 Limited Beviamo Limited Dog Point Estate Limited Dog Point Vineyards Limited Dog Point Winery Limited Greywacke Vineyards Limited MWCS Investments Limited Omaka Settlement Vineyards Limited Waikaitu Limited Whatamonga Farm Limited Whatamongo Forests Limited Yarrum Vineyards Limited

DIRECTORS' INTERESTS

Director	Group entities	External entities
Additional subsidiary directors		
B Coates	Yealands Estate Limited Yealands Estate Wines Limited Yealands Wine Group Limited	Comvita Limited Northern Rescue Helicopter Limited Toitu Tahua, Centre for Sustainable Finance White Cloud Dairy Innovation Limited
T Cosgrove	Energy Marlborough Limited GreenPower New Zealand Limited Mt Cass Wind Farm Limited Nelson Electricity Limited Yealands Estate Limited Yealands Estate Wines Limited Yealands Wine Group Limited	Evolution Business Performance Limited T&L Limited Treasury Advisory Services Limited Treasury Management Services Limited Treasury Services Group Limited
M Hamilton	Yealands Estate Limited Yealands Estate Wines Limited Yealands Wine Group Limited	Brothers Beer Holdings Limited BTCC Holdings Limited Ceres Organics Limited Epicurean Dairy Holdings Limited (and subsidiaries) Freshpork New Zealand Limited (and subsidiaries) Hamilton Concepts Limited Living Drinks Holdings Limited Pluscarden Spiers Trust Limited Rugby Imports Limited
G Jones	Energy Marlborough Limited	
D Selby	Yealands Estate Limited Yealands Estate Wines Limited Yealands Wine Group Limited	Electra Limited (Chief Financial Officer)
M Thomson	Yealands Estate Limited Yealands Estate Wines Limited Yealands Wine Group Limited	Blank Canvas Wines Limited Foxrock Holdings Limited Kiwi-Oeno Imports Limited Kiwi-Oeno Limited Kiwi-Oeno Winemaking Consultancy Limited Ko Brewing Company Limited Terrapieno s.r.l. Italy Tinpot Hut Wines Limited Vineo Limited

Note: All interests are as a director or trustee of the entity, unless otherwise stated.

Payments are from time to time made to entities in which directors have an interest. These are documented in the related party note of the financial statements and have been undertaken on an arms-length commercial basis.

MLL has arranged policies of directors' Liability Insurance together with Deeds of Indemnity which provide cover against costs and expenses involved in defending legal actions and resulting payments arising from a liability to persons, incurred in their position as a director.

There were no notices from directors of MLL requesting to use company information received in their capacity as directors, which would not otherwise have been available to them.

Information on directors' remuneration is included in the Corporate Governance Statement. No director of MLL has received, or become entitled to receive, a benefit other than that listed in the remuneration section of the Corporate Governance Statement.

6. Employee Remuneration

Details of the number of employees in each remuneration range for the MLL consolidated group are below.

REMUNERATION RANGE	PARENT – NUMBER OF EMPLOYEES		SUBSIDIARIES – NUMBER OF EMPLOYEES	
	2023	2022	2023	2022
$100,000 – $110,000	12	13	8	4
$110,000 – $120,000	21	14	5	4
$120,000 – $130,000	6	5	2	5
$130,000 – $140,000	3	4	2	4
$140,000 – $150,000	4	1	2	2
$150,000 – $160,000	2	3	4	1
$160,000 – $170,000	2	3	2	1
$170,000 – $180,000	3	1	1	3
$180,000 – $190,000	–	–	3	1
$190,000 – $200,000	–	–	–	1
$200,000 – $210,000	1	–	–	1
$210,000 – $220,000	–	–	3	2
$220,000 – $230,000	1	–	–	–
$230,000 – $240,000	–	–	1	–
$240,000 – $250,000	1	1	1	–
$250,000 – $260,000	–	1	–	2
$260,000 – $270,000	2	–	1	1
$280,000 – $290,000	–	1	1	–
$290,000 – $300,000	–	1	–	1
$300,000 – $310,000	1	–	1	–
$310,000 – $320,000	–	–	1	2
$320,000 – $330,000	–	–	–	1
$370,000 – $380,000	–	–	1	–
$380,000 – $390,000	–	–	1	–
$390,000 - $400,000	–	–	1	–
$450,000 – $460,000	–	1	–	–
$480,000 - $490,000	1	–	–	–
$590,000 – $600,000	–	–	–	1
$730,000 - $740,000	–	–	1	–

In addition, medical insurance is provided to all employees. Death and disability insurance is provided to all Marlborough Lines employees. Company motor vehicles are provided to senior managers.

7. Donations

During the year, MLL made tertiary education grants totalling $50,000. These grants are in addition to the support the Group provides to many organisations throughout the year by way of sponsorship and donation.

8. Certification

For and on behalf of the Board of Marlborough Lines Limited.

P I Robinson
CHAIRMAN
27 September 2023

C J Ross
DIRECTOR
27 September 2023

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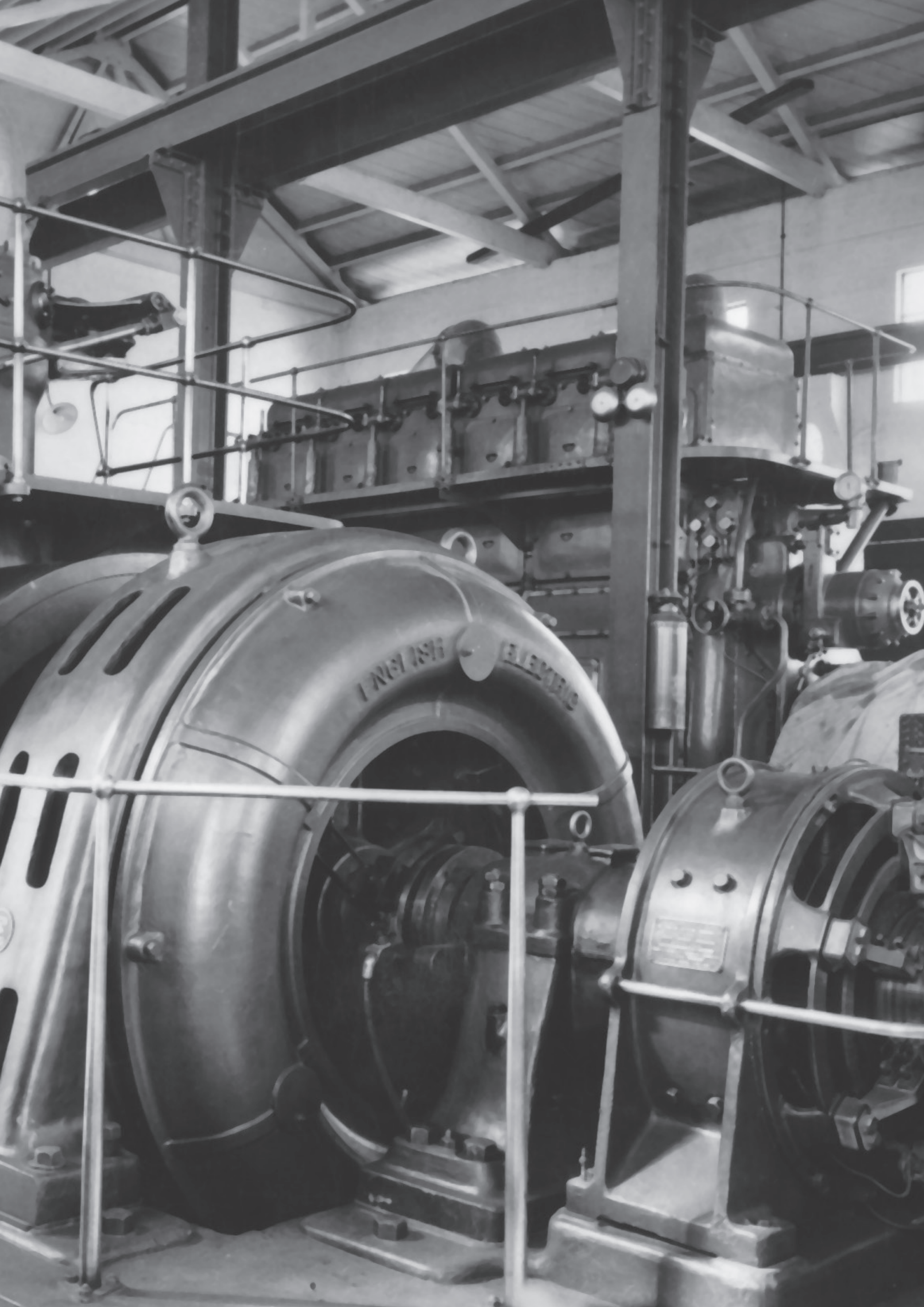
Reporting

► The 430kW, 60 tonne, diesel engine (Davey Paxman) installed at Murphys Road Diesel Station to provide additional generating capacity for Marlborough to counter possible supply restrictions from Waihopai dam. The Paxman is the only engine of its kind in the world that is still operable.


ENGLISH ELECTRIC

Contents

Results in Brief

$ million unless otherwise stated	2024 Target	2023 Actual	2023 Target	2022 Actual	2021 Actual	2020 Actual
GROUP						
Total revenue	168.2	157.4	141.8	139.9	144.8	147.8
EBITDA	29.8	24.2	24.7	27.4	16.7	19.5
EBIT	19.4	13.0	14.1	17.3	6.8	9.5
Pre-tax, pre-discount surplus	22.3	18.1	19.7	29.1	17.2	10.9
Net profit after tax	8.7	6.3	7.3	14.5	5.5	7.4
Total value of group assets	730.6	715.9	669.4	672.1	627.4	652.9
Share capital	29.0	29.0	29.0	29.0	29.0	29.0
Shareholder's equity	522.4	516.7	508.3	503.5	459.1	442.2
Net asset backing per share	18.66	18.45	18.15	17.98	16.40	15.79
Pre-discount return on shareholder's funds	3.76%	3.03%	3.38%	5.29%	3.22%	2.46%
Net interest bearing debt	90.9	89.1	85.6	71.6	80.6	115.5
Interest cover (EBIT/interest)	2.95	2.31	3.79	6.24	1.67	1.70
PARENT						
EBITDA	19.4	15.5	18.2	16.5	16.6	15.3
EBIT	9.0	5.7	7.7	7.0	7.2	5.9
Customer discount (paid and accrued)	9.4	8.9	9.0	8.8	8.8	8.6
Net profit after tax	7.1	4.8	6.1	5.9	5.8	5.2
Pre-discount return on shareholder's funds	3.68%	3.00%	3.44%	3.34%	3.35%	3.18%

Climate Risks and Opportunities

Marlborough Lines Limited (MLL) has taken environmental management seriously for more than two decades, first achieving certification to ISO 14001:2004 Environmental Management System standard in 2002 and completing its first greenhouse gas (GHG) emissions assessment in 2008. MLL has completed a GHG emissions assessment every three years since, with 2023 being its sixth assessment.

Climate-related Disclosures

In October 2021, legislation came into force that mandated climate-related reporting for some organisations. In December 2022, the External Reporting Board (XRB) issued New Zealand climate standards with the objective of providing a consistent framework for entities to consider climate-related risks and opportunities that are presented for activities over the short, medium and long term.

Aotearoa New Zealand Climate Standard 1 (NZ CS 1) requires reporting of information in the four areas outlined below (Governance, Strategy, Risk Management, and Metrics and Targets). MLL is not subject to this legislation and reports on climate risk voluntarily. MLL believes that the information that is produced is valuable to its stakeholders and will ultimately help drive better processes that will support MLL in achieving its sustainability objectives. The information below is a summary of MLL's considerations, with a more fulsome report on climate risk provided to MLL's Audit and Risk Committee on an annual basis.

Governance

MLL's board of directors is responsible for MLL's governance and the Board has an Audit and Risk Committee that assists with the oversight and control of risk and assurance, including climate-related risk. MLL's Senior Leadership Team (SLT) is responsible for leading MLL's risk management and strategy development and the day-to-day delivery and development of strategic objectives.

Strategy

The risks and opportunities that MLL has identified which relate to climate change can be categorised as:

1. **Physical damage to MLL's network or caused by MLL's network.** The Ministry for the Environment predicts that climate change will result in drier conditions in Marlborough along with an increase in moderate and extreme rainfall events and extreme winds. MLL has recently experienced the impacts from two extreme flood events (July 2021 and August 2022). These events caused damage to MLL's network and significantly restricted road access to parts of MLL's network, increasing the cost incurred by MLL to restore supply and increased ongoing maintenance of its network. Drier conditions also increase fire risk. Future sea level rise may also impact MLL's network in low lying coastal areas.
2. **Impact to MLL's investments.** This may be through physical damage (e.g., weather impacts on vineyard harvests) or changing consumer trends (e.g., move to more sustainable brands).
3. **Increase to electricity volumes and peak loads as a result of decarbonisation of the industrial and transportation sectors.** This is both an opportunity for MLL (e.g., increased electricity volumes and demand for renewable energy) and a risk to the network if demand exceeds available network capacity.

MLL's strategy is outlined in its Statement of Corporate Intent, which is published on MLL's website. Within that document are three key objectives that respond to the above climate risks and opportunities:

Assets: Optimise our assets to provide a flexible, dynamic, and resilient network to accommodate future technologies and promote regional growth;

Technology and Innovation: Empower our consumers and region by deploying technology and commercial innovation to accelerate and provide for future load growth; and

Environment: Minimise our environmental impact through operational efficiencies, reducing net carbon emissions, and supporting regional environmental initiatives.

MLL recognises that climate change and decarbonisation will likely result in increased costs incurred as it responds by building a more resilient network with greater capacity and flexibility. MLL expects that these costs will be met by greater use of MLL's network, and MLL will be able to socialise these costs across those benefitting from the use of its network.

MLL has also invested in renewable energy generation with the commissioning of its first solar farm in April 2023. This investment earns a commercial return and also provides another regional source of electricity generation and displaces non-renewable generation that may be produced in other parts of New Zealand and transported large distances via the electricity transmission and distribution networks.

Risk management

MLL's approach to risk management is based around the ISO 31000:2018 Risk Management standard requiring a continuous cycle of analysis, monitoring and review.

MLL's process for identifying climate related risks and opportunities is incorporated into the wider risk management process, as climate risk encompasses only some of the many risks that the company faces. The likelihood and consequence of each risk is assessed, along with the controls available to mitigate that risk. The residual risk is tested against the Board's risk appetite to ensure that it is mitigated to an acceptable level. Some of the climate related risks included in MLL's risk and opportunity analysis include: increased electrification of vehicles and industrial processes; emerging technologies; regulatory changes and extreme weather events.

Risk assessments are reported to the Audit and Risk Committee, with a priority on those with the highest residual/controlled risk. The rating of each risk is measured against MLL's consequence and likelihood matrix that is uses to assess all company risks.

Many of the controls that MLL is looking to mitigate the impacts of the climate related risks have already been discussed elsewhere in this Annual Report and include:

- Building network resilience (see Our Assets);
- Investing in renewable generation (see Technology and Innovation);
- Obtaining better low voltage data (see Technology and Innovation);
- Altering pricing plans to encourage off peak EV charging (see Technology and Innovation).

Metrics and Targets

MLL has linked its key sustainability metrics and targets with three selected United Nations Sustainable Development Goals, being:

Below these headline objectives, MLL has a series of metrics and targets that are relevant at an operational level, with the key headline targets disclosed in MLL's Statement of Corporate Intent for the 2023 financial year are:

1. MLL net GHG emissions being a net sequestration (removal) of 750 tonnes in FY23. MLL is a net sequester due to its ownership of a 44 hectare forest block in the Wakamarina Valley.
2. Energy Marlborough Limited (an MLL subsidiary) owning 1MW of renewable electricity generation by 30 June 2023.
3. MLL environmental sponsorship of $75,000 in FY23. For more information on MLL's environmental sponsorships, see Our Environment section.

The actual results against these targets are reported on within MLL Statement of Service Performance, with the exception of GHG emissions which are outlined below.

MLL's main focus to combat climate change is to enable the decarbonisation within Marlborough by having an electrical distribution network available to connect to, at an appropriate price.

GHG emissions

MLL undertakes its GHG emissions assessment with reference to the Ministry for the Environment's GHG voluntary reporting guidance. However, MLL does not include transmission and distribution line losses in its assessment of GHG emissions as it does not believe it has a significant ability to control the physics that result in the line losses on its network, or the electricity generation mix that account for the emission factor that is applied.

MLL's net GHG emissions, once the carbon sequestration from MLL's eucalyptus forest and the avoided GHG from MLL renewable electricity generation is deducted (and transmission and distribution (T&D) losses are excluded) is a net carbon sequestration (removal) of 545 tonnes. This is a smaller sequestration since MLL's last assessment in 2020, with major contributors to the negative movement being an increase in diesel consumption and helicopter use following the August 2022 storm event which required MLL's diesel generators to be running for multiple days in order to maintain electricity supply in the Marlborough Sounds. Helicopters were required to perform line patrols after the storm and also assist with fault response given multiple slips, restricting road access. The other factor impacting MLL's GHG level is MLL's eucalyptus forest is now sequestering less carbon as the forest has moved past its high growth phase, with the carbon stock per hectare increasing at a reduced rate.

MLL's GHG emissions assessment only includes those emissions within its operational control, being the MLL entity and EML. Emissions from GPNZ, NEL and YWG are not included.

GHG emissions assessment

TONNES	2023	2020
Scope 1 (Fuel and fugitive emissions)	552	486
Scope 2 (Electricity – end use)	70	85
Scope 3 (Third party emissions from air travel, waste, contractors)	425	461
Forest and renewable generation offsets	(1,592)	(1,765)
Net emissions (excluding T&D losses)	(545)	(733)

MLL is committed to an action plan to reduce GHG emissions over time, with key actions including:

1. Use of Electric Vehicles in its Corporate and Field Services fleet as appropriate;
2. Reducing its use of mobile diesel generators during planned outages on the network, noting that this comes at a cost of consumers having no power during shutdown periods;
3. Building renewable generation within the Marlborough region, which will offset non-renewable generation elsewhere in the country and have a small impact on the amount of T&D losses on MLL's network; and
4. Building an EV charging hub in central Blenheim to encourage the uptake of EV's nationwide (use is expected to be primarily inter-regional travellers).

MLL now owns four Hyundai Kona EV's as part of its vehicle fleet. MLL also owns 2 electric motor bikes and two Mitsubishi Outlander PHEV.

Financial Statements

Directors' Report

The Directors are pleased to present the consolidated financial statements of the Marlborough Lines Limited Group (the "Group") for the year ended 30 June 2023.

The Directors are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which materially reflect the financial position of the Marlborough Lines Limited Group and the results of its operations and cash flows for the year ended 30 June 2023.

The Directors consider that the consolidated financial statements of the Group have been prepared using accounting policies appropriate to the Group's circumstances, consistently applied, and supported by reasonable and prudent judgements and estimates and that all applicable New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) have been followed.

The Directors are responsible for ensuring that proper accounting records have been kept, which enable, with reasonable accuracy, the determination of the financial position of the Group and which enable them to ensure that the financial statements comply with the Financial Reporting Act 2013.

The Directors are responsible for the maintenance of a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting. The Directors consider that adequate steps have been taken to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This report is dated 27 September 2023 and is signed in accordance with a resolution of the Directors made pursuant to section 211(1)(k) of the Companies Act 1993.

For and on behalf of the Board of Marlborough Lines Limited.

P I Robinson
CHAIRMAN
27 September 2023

C J Ross
DIRECTOR
27 September 2023

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Notes	Group 2023 $000	Group 2022 $000
CONTINUING OPERATIONS			
Revenue	3	156,529	139,727
Operating expenses	4	(130,326)	(114,661)
Operating surplus		**26,203**	**25,066**
Share of equity accounted investments net surplus	9.4	80	138
(Loss) / gain recognised on sale of assets		(230)	1,237
(Impairment) / reversal of impairment of vineyard assets	5	(1,857)	910
EBITDA		**24,196**	**27,351**
Depreciation and amortisation	5, 6, 7	(11,166)	(10,067)
Finance income	15	888	210
Finance expenses – (losses) / gains	15	(4,279)	3,614
Realised / unrealised foreign exchange losses	15	(397)	(814)
Profit before tax expense		**9,242**	**20,294**
Tax expense	22.1	(2,958)	(5,763)
Net profit for the year		**6,284**	**14,531**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Net change in foreign currency translation reserve		(130)	303
Asset revaluation	5	13,706	34,051
Tax effect of asset revaluation	22.2	(64)	(3,143)
Other		-	420
Other comprehensive income net of tax		**13,512**	**31,631**
Total comprehensive income for the year		**19,796**	**46,162**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Group Share Capital $000	Group Revaluation Reserves $000	Group FCTR $000	Group Retained Earnings $000	Attributable to Owners of the Parent $000	Non Controlling Interest $000	Group Total Equity $000
Balance at 1 July 2021	29,026	112,229	(280)	318,131	459,106	32	459,138
Correction of prior period error	-	-	-	(4,056)	(4,056)	-	(4,056)
Restated balance at 1 July 2021	**29,026**	**112,229**	**(280)**	**314,075**	**455,050**	**32**	**455,082**
TOTAL COMPREHENSIVE INCOME							
Net profit	–	–	–	14,531	14,531	–	14,531
OTHER COMPREHENSIVE INCOME NET OF TAX							
Net change in foreign currency translation reserve	–	–	303	–	303	–	303
Net change in asset revaluation reserve	–	30,908	–	–	30,908	–	30,908
Other	–	420	–	–	420	–	420
Total comprehensive income	**–**	**31,328**	**303**	**14,531**	**46,162**	**–**	**46,162**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY							
Dividends paid to equity holders	–	–	–	(1,800)	(1,800)	–	(1,800)
Share capital repayment	–	–	–	-	-	(27)	(27)
Balance at 30 June 2022 (Restated)	**29,026**	**143,557**	**23**	**326,806**	**499,412**	**5**	**499,417**
Balance at 1 July 2022	**29,026**	**143,557**	**23**	**326,806**	**499,412**	**5**	**499,417**
TOTAL COMPREHENSIVE INCOME							
Net profit	–	–	–	6,284	6,284	–	6,284
OTHER COMPREHENSIVE INCOME NET OF TAX							
Net change in foreign currency translation reserve	–	–	(130)	–	(130)	–	(130)
Net change in asset revaluation reserve	–	13,642	–	–	13,642	–	13,642
Total comprehensive income	**–**	**13,642**	**(130)**	**6,284**	**19,796**	**–**	**19,796**
TRANSACTIONS WITH OWNERS RECORDED DIRECTLY IN EQUITY							
Dividends paid to equity holders	–	–	–	(2,500)	(2,500)	–	(2,500)
Balance at 30 June 2023	**29,026**	**157,199**	**(107)**	**330,590**	**516,708**	**5**	**516,713**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2023

	Notes	Group 30 June 2023 $000	Group (Restated) 30 June 2022 $000
NON-CURRENT ASSETS			
Plant, property and equipment	5	557,201	540,843
Intangible assets	6	2,618	2,637
Right-of-use assets	7	5,936	4,335
Investments in associates and joint ventures	9.3	18,222	16,155
Other investments		171	-
Derivatives	20.7	2,240	781
Total non-current assets		**586,388**	**564,751**
CURRENT ASSETS			
Cash and cash equivalents		5,931	2,212
Short-term investments		4,000	12,094
Trade and other receivables	10	36,240	27,145
Income tax receivable		633	207
Inventories and biological work in progress	11	82,405	64,916
Derivatives	20.7	304	814
Total current assets		**129,513**	**107,388**
Total assets		**715,901**	**672,139**
NON-CURRENT LIABILITIES			
Lease liability	7	4,714	3,544
Other borrowings		-	55
Retirement benefit obligations		384	493
Derivatives	20.7	848	1,292
Deferred tax liability	22.2	61,985	60,797
Borrowings	14	71,200	69,600
Total non-current liabilities		**139,131**	**135,781**
CURRENT LIABILITIES			
Trade and other payables	12	32,946	28,767
Income tax payable		540	189
Lease liability	7	1,353	850
Other borrowings		1,809	944
Employee entitlements	13	4,113	3,363
Derivatives	20.7	1,446	828
Borrowings	14	17,850	2,000
Total current liabilities		**60,057**	**36,941**
EQUITY			
Share capital	16	29,026	29,026
Revaluation reserves and foreign currency translation reserve	17	157,092	143,580
Retained earnings		330,590	326,806
Equity attributable to owners of the Company		**516,708**	**499,412**
Non-controlling interests	18	5	5
Total equity		**516,713**	**499,417**
Total equity and liabilities		**715,901**	**672,139**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	Group 2023 $000	Group 2022 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		156,732	143,719
Receipts from associates		124	124
Interest received		651	210
Dividends received from associates		550	550
Payments to consumers, suppliers and employees		(146,496)	(110,337)
Interest paid		(5,091)	(2,987)
Income tax paid		(1,801)	(1,689)
Net cash generated from operating activities	**25**	**4,669**	**29,590**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant, property and equipment		443	1,473
Purchase of plant, property and equipment		(20,960)	(18,330)
Purchase of intangible assets		(127)	(155)
Investment in associates and joint ventures		(1,987)	-
Net cash used in investing activities		**(22,631)**	**(17,012)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Lease liability principal repayments		(1,111)	(730)
Lease liability interest repayments		(252)	(107)
Proceeds from borrowings		89,850	49,500
Repayment of borrowings		(72,400)	(59,000)
Dividends paid		(2,500)	(1,800)
Net cash generated from financing activities		**13,587**	**(12,137)**
Net increase / (decrease) in cash and cash equivalents		(4,375)	441
Cash and cash equivalents at the beginning of the period		14,306	13,865
Cash and cash equivalents at the end of the period		**9,931**	**14,306**

The accompanying notes form an integral part of these financial statements.

Statement of Accounting Policies

For the year ended 30 June 2023

Reporting Entity

Marlborough Lines Limited (the "Company") is a profit-oriented company incorporated in New Zealand. The Company operates primarily in the field of electricity distribution and also undertakes ancillary contracting services in relation to the Marlborough regional electricity network.

The "Group" for financial reporting purposes comprises:

- Marlborough Lines Limited (Parent Company)
- Energy Marlborough Limited (100% owned subsidiary)
- GreenPower New Zealand Limited (50% owned joint venture company) and its subsidiary
- Nelson Electricity Limited (50% owned associate company)
- Seaview Capital Limited (100% owned holding company)
- Yealands Wine Group Limited (100% owned subsidiary) and its subsidiaries

The Group's primary activities relate to electricity distribution and generation in the upper South Island of New Zealand and the production of wine which is sold both nationally and internationally.

Statement of Compliance

The Group reports in accordance with Tier 1 for-profit accounting standards under XRB A1: Accounting Standard Framework. The Company is a Tier 1 entity applying full New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS) on the basis that it is a large, for-profit public sector entity with total expenses greater than $30 million. These consolidated financial statements have also been prepared in accordance with the requirements of the Companies Act 1993, the Financial Reporting Act 2013 and the Energy Companies Act 1992.

Basis of Preparation

The consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). The functional currency for the Group is the New Zealand Dollar rounded to the nearest thousand. This is also the presentation currency. Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Consolidated Statement of Financial Position are stated net of GST except for receivables and payables which include GST.

The consolidated financial statements have been prepared on the basis of historical cost except for the revaluation of certain items of plant, property and equipment, agricultural produce and financial instruments. Separate accounting policies are outlined in the notes to the financial statements regarding the valuation of these types of assets. Cost is based on the fair value of the consideration given in exchange for the asset.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value and value in use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are derived from inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 inputs are derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company: has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

Notes to the Financial Statements

Key Judgements and Estimates

This section provides information on the subjective assessments made by Group management that affect the reported results.

1. Key Judgements and Estimates

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at 30 June 2023, that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities, are disclosed below. In summary, they are:

Fair value of electricity reticulation network	Note 5	Plant, Property and Equipment
Fair value of land, buildings, vineyard improvements and bearer plants	Note 5	Plant, Property and Equipment
Application of NZ IFRS 16 Leases	Note 7	Leases
Valuation of inventory	Note 11	Inventories and Biological Work in Progress
Impairment	Note 1.3	Critical Accounting Estimate – Impairment

1.1 Critical Accounting Estimate – Fair Value of Electricity Reticulation Network

The valuation of plant, property and equipment, particularly in relation to the electricity distribution network, has a material impact on the consolidated financial statements due to the sensitivities of the valuation methodology.

Electricity reticulation network assets belonging to the Company had their fair value assessed as at 30 June 2020 by independent valuer PricewaterhouseCoopers. The valuation carried out is consistent with NZ IFRS 13: Fair Value Measurement, and, in the absence of specific market evidence of relevance to the Company's network assets, the valuation was undertaken by way of a discounted cash flow methodology in order to establish fair value. PricewaterhouseCoopers considered the impact of COVID-19 as part of the forecast cash flows, including revenues. This did not change the valuation outcome.

In order to derive the valuation, a forecasting model was developed which incorporated the regulatory input methodologies. The model forecasts cash flows for a 10-year period, and derives a terminal value for the cash flows beyond the 10-year forecast. The resulting valuation has been expressed as a range based on the discount rate used to discount the forecast cash flows. Sensitivity analysis was conducted on the key input assumptions to test their impact on value.

Model Input	Key Assumption	Sensitivity modelled	Impact on Value
Revenue growth	Combined volume and price growth of 1.1%	5% movement in revenue	5.1% movement
Operating expenditure	Consistent with Asset Management Plan	5% movement in opex	0.2% movement
Discount rate	4.7% to 5.7%	0.5% movement in rate	4.2% movement
RAB multiple	1.0 times	0.05 increase	3.8% movement

The carrying value of reticulation system assets was found to be within the valuation range and no adjustment was made for 2020.

In the current year, management reviewed the key assumptions used in the 30 June 2020 valuation and found no reason to change the assessment of fair value.

1.2 Critical Accounting Estimate – Fair Value of Land, Buildings, Vineyard Improvements and Bearer Plants

Land and buildings (not including reticulation system assets), vineyard improvements and bearer plants are revalued to fair value periodically by independent property valuers. Subsequent additions are recorded at cost. The assessments of value are based on market conditions and market evidence available at the date of valuation and are carried out in accordance with NZ IFRS 13: Fair Value Measurement.

The properties owned by Yealands Wine Group Limited were subject to a valuation as at 30 June 2023 by external, independent property valuer Colliers International, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation basis was a market-based direct sales comparison for the vineyards and a capitalised income approach for the winery.

Key assumptions include the assessed value of the Seaview Vineyard land and improvements ($177,900 per planted hectare excluding dam value) and the Seaview Winery which was valued on a capitalised income basis at $27.3 million.

The fair value of the land, buildings, vineyard improvements and bearer plants owned by Yealands Wine Group Limited was assessed at $248.5 million, resulting in a $11.8 million uplift as at 30 June 2023. A valuation increase of $13.7 million was recognised through other comprehensive income (OCI) and recognised through the asset revaluation reserve and an impairment loss of vineyard developments of $1.9 million was recognised through the profit and loss. In the prior year, a valuation of land, buildings, vineyard improvements and bearer plants owned by Yealands Wine Group Limited was also completed, which resulted in a $29.5 million uplift on the carrying value.

The land and building assets (not including the reticulation system assets) owned by Marlborough Lines Limited were subject to valuation as at 30 June 2022 by external, independent property valuer Alexander Hayward, having the appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The valuation basis was a market-based direct comparison. A net valuation increase of $4.3 million was recognised through other comprehensive income and recognised through the asset revaluation reserve.

Management have considered, and agree with, the appropriateness of the carrying value of these assets in the current year, including consideration of market comparable sales.

1.3 Critical Accounting Estimate – Impairment

The Company's Directors are of the view that there is no impairment in value existing in relation to the carrying values at balance date following the addition of new purchases at cost, annual depreciation charges and disposals in the usual course of business.

1.4 Critical Accounting Estimate – Held-for-sale

The Company's Directors are of the view that the current sales process of Yealands Wine Group Limited, as discussed further in Note 29, does not meet the held-for-sale criteria as specified in NZ IFRS 5: Non-current Asset Held for Sale and Discontinued Operations.

Performance

This Performance section provides information on how the Group earned its revenue and provides a breakdown of operating expenditure. Parent Company information has been provided as a note below to inform readers of how it has performed as an individual entity.

2. Parent Company Information

Statement of Comprehensive Income

For the year ended 30 June 2023

	Parent 2023 $000	Parent 2022 $000
CONTINUING OPERATIONS		
Revenue	53,134	47,523
Operating expenses	(37,648)	(30,974)
Operating surplus	**15,486**	**16,549**
EBITDA	**15,486**	**16,549**
Depreciation and amortisation	(9,752)	(9,557)
Finance income	1,255	660
Finance costs	(165)	(165)
Profit before tax expense	**6,824**	**7,487**
Income tax expense	(2,016)	(1,543)
Net profit for the period	**4,808**	**5,944**
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss		
Asset revaluation	-	5,443
Tax effect of asset revaluation	-	(1,179)
Total comprehensive income for the period	**4,808**	**10,208**

Parent Company Statement of Financial Position Information

As at 30 June 2023

	Parent 30 June 2023 $000	Parent 30 June 2022 $000
Plant, property and equipment	256,812	252,973
Investments in subsidiaries and associates	142,621	134,121
Other assets	29,883	37,139
Total assets	**429,316**	**424,233**
Deferred tax liability	42,744	42,654
Other liabilities	12,170	9,480
Total liabilities	**54,914**	**52,134**
Share capital	29,026	29,026
Retained earnings and reserves	345,376	343,073
Total equity	**374,402**	**372,099**
Total equity and liabilities	**429,316**	**424,233**

3. Revenue

	Group 2023 $000	Group 2022 $000
Electricity network revenue	47,766	45,959
Electricity network discounts	(8,901)	(8,806)
Net electricity network revenue	38,865	37,153
Wine sales	103,612	92,998
External contracting revenue	6,509	4,478
Electricity generation revenue	11	-
Vested assets	3,003	1,712
Dividends from equity accounted associates and joint ventures	550	550
Other income	3,979	2,836
Operating revenue	**156,529**	**139,727**

Accounting Policy – Revenue Recognition

Revenue comprises the fair value of consideration received for the sale of goods and services, excluding GST, rebates and discounts and after eliminating sales within the Group.

Revenue is recognised as follows:

- Electricity network revenue is recognised at the fair value of services provided. This revenue stream relates to the provision of electricity distribution services. Revenue is recognised over time based on an output method as the service of electricity delivery is matched to the pattern of consumption. Electricity network discounts are allocated proportionately against electricity network revenue in accordance with the performance obligations of the posted discounts.
- Wine sales are recognised when control is passed to the buyer. Control is considered to be passed to the buyer at the time of delivery of the goods to the customer or at the Free on Board (FOB) port / delivery point or as otherwise contractually determined. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.
- External contracting revenue is recognised when control of the assets is transferred to the buyer. This is typically once the electrical assets are livened.
- Electricity generation revenue is recognised over time based on an output method. This is once the electricity generation amounts have been metered at the point of export.
- Certain network extensions are gifted to the Company in return for the Company assuming maintenance responsibility, and are classified as vested assets. In such cases the Company capitalises the value of the asset at its fair value, being its current replacement cost and treats the difference between the actual cost to the Company and the fair value as income.
- Dividend revenue is recognised when the shareholder's right to receive payment is established.
- Revenue from the provision of contract wine processing services, included in Other Income, is recognised in the Consolidated Statement of Comprehensive Income over time as the wine making services are completed.

4. Expenditure

	Notes	Group 2023 $000	Group 2022 $000
PROFIT BEFORE TAX EXPENSE HAS BEEN ARRIVED AT AFTER CHARGING:			
Remuneration of Auditors – audit of the financial statements		280	224
Remuneration of Auditors – other assurance services		38	34
Directors' fees	24	945	829
Bad debts written off		7	35
Employee benefits – retirement gratuities		104	112
Employee benefits – employer superannuation contributions		875	770
Educational grants		50	40
Loss on disposal of plant, property and equipment		801	758
Lease expenses	7	230	228
External contracting expenses		5,378	3,823
Transmission costs		6,612	6,947
Wine cost of sales		71,499	70,608
NZ IFRS inventory fair value adjustment		(1,956)	(7,665)
Wine distribution and selling expenses		14,332	12,188
Other operating and administrative expenses		31,131	25,730
Total operating expenses		**130,326**	**114,661**

Long Term Assets

This Long Term Assets section provides information on the assets that create Group revenue and also the amounts spent on those assets.

5. Plant, Property and Equipment

Group	Electricity Reticulation Network at Fair Value $000	Land at Fair Value $000	Buildings at Fair Value $000	Vineyard Improvements at Fair Value $000	Bearer Plants at Fair Value $000	Vehicles Plant and Equipment at Cost $000	Electricity Generation at Cost $000	Capital Work in Progress $000	Total $000
COST OR VALUATION									
Balance at 1 July 2021	410,914	80,028	54,193	64,642	5,904	100,020	–	40,433	756,134
Additions	–	–	–	–	–	1,266	–	18,579	19,845
Transfers	7,224	11,765	812	717	–	4,223	–	(24,741)	–
Reclassification	16,358	(3,890)	(12,468)	–	–	–	–	–	–
Revaluation through OCI	–	22,826	(2,356)	1,911	(434)	–	–	2,453	24,400
Revaluation through P&L	–	–	(22)	–	–	–	–	932	910
Disposals / adjustments	(2,071)	–	–	–	–	(5,835)	–	(87)	(7,993)
Balance at 30 June 2022	**432,425**	**110,729**	**40,159**	**67,270**	**5,470**	**99,674**	**–**	**37,569**	**793,296**
Additions	–	788	524	–	–	2,145	–	20,790	24,247
Transfers	15,125	623	119	12,637	1,743	1,792	1,991	(34,030)	–
Revaluation through OCI	–	13,480	2,958	(3,349)	1,344	–	–	(1,620)	12,813
Revaluation through P&L	–	–	–	–	–	–	–	(1,857)	(1,857)
Disposals / adjustments	(2,620)	–	–	(3)	–	(2,590)	–	(5)	(5,218)
Balance at 30 June 2023	**444,930**	**125,620**	**43,760**	**76,555**	**8,557**	**101,021**	**1,991**	**20,847**	**823,281**
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
Balance at 1 July 20201	197,882	–	10,081	1,120	91	42,238	–	–	251,412
Depreciation expense	7,835	–	765	1,953	177	6,825	–	–	17,555
Reclassification	2,666		(2,666)	–	–	–	–	–	–
Disposals / adjustments	(1,402)	–	–	–	–	(5,461)	–	–	(6,863)
Revaluation – write back	–	–	(7,528)	(2,007)	(116)	–	–	–	(9,651)
Balance at 30 June 2022	**206,981**	**–**	**652**	**1,066**	**152**	**43,602**	**–**	**–**	**252,453**
Depreciation expense	8,167	–	515	1,929	186	7,004	8	–	17,809
Disposals / adjustments	(1,730)	–	–	–	–	(1,559)	–	–	(3,289)
Revaluation – write back	–	–	(476)	(353)	(64)	–	–	–	(893)
Balance at 30 June 2023	**213,418**	**–**	**691**	**2,642**	**274**	**49,047**	**8**	**–**	**266,080**
NET BOOK VALUE									
Balance at 30 June 2022	225,444	110,729	39,507	66,204	5,318	56,072	–	37,569	540,843
Balance at 30 June 2023	**231,512**	**125,620**	**43,069**	**73,913**	**8,283**	**51,974**	**1,983**	**20,847**	**557,201**

Group	Electricity Reticulation Network at Fair Value $000	Land at Fair Value $000	Buildings at Fair Value $000	Vineyard Improvements at Fair Value $000	Bearer Plants at Fair Value $000	Vehicles Plant and Equipment at Cost $000	Electricity Generation at Cost $000	Capital Work in Progress $000	Total $000
FAIR VALUE ADJUSTMENT 30 JUNE 2022									
Revaluation through OCI	–	22,826	(2,356)	1,911	(434)	–	–	2,453	24,400
Revaluation through P&L	–	–	(22)	–	–	–	–	932	910
Revaluation – depreciation write back	–	–	7,528	2,007	116	–	–	–	9,651
Revaluation gain/(loss)	**–**	**22,826**	**5,150**	**3,918**	**(318)**	**–**	**–**	**3,385**	**34,961**
FAIR VALUE ADJUSTMENT 30 JUNE 2023									
Revaluation through OCI	–	13,480	2,958	(3,349)	1,344	–	–	(1,620)	12,813
Revaluation through P&L	–	–	–	–	–	–	–	(1,857)	(1,857)
Revaluation – depreciation write back	–	–	476	353	64	–	–	–	893
Revaluation gain/(loss)	**–**	**13,480**	**3,434**	**(2,996)**	**1,408**	**–**	**–**	**(3,477)**	**11,849**

	At Cost	At Fair Value	Total
CAPITAL WORK IN PROGRESS – BASIS OF MEASUREMENT			
Balance at 30 June 2022	9,773	27,796	37,569
Balance at 30 June 2023	**5,134**	**15,713**	**20,847**

Land and buildings (not including reticulation system assets), vineyard improvements and bearer plants were revalued to fair value as described in Note 1.2.

As at 30 June 2023, some assets of the Group were subject to a registered general security agreement to secure bank loans (see Note 14).

Explanatory Note – Capitalisation of Depreciation

Depreciation relating to the vineyards and winery of Yealands Wine Group Limited of $8.1 million (2022: $7.9 million) has been incurred in producing and processing wine during the period. This depreciation has been split between vintage and non-vintage depreciation and $4.2 million (2022: $4.7 million) of vintage depreciation has been capitalised into the cost of inventory. Non-vintage depreciation is expensed to wine cost of sales as it relates to the processing and dispatch of wine from previous vintages.

Explanatory Note – Vineyard sale

During the 2020 financial year, Yealands Estate Limited sold four vineyard properties located in the Awatere and Wairau Valleys. The total sale price for these four vineyard properties was $33.759 million plus GST, if any. The Group recognised a $3.2 million gain on sale of these properties in the year to 30 June 2021 and a further $1.2 million was recognised in the year to 30 June 2022, following the completion of certain sale conditions.

Explanatory Note – Land and buildings reclassification

In the prior year, land and building assets that are related to electrical zone substations and radio communications sites owned by Marlborough Lines Limited were reclassified from the land category and the building category and transferred to the electrical reticulation network category to better reflect their association with the electricity network cash generating unit.

Accounting Policy – Basis of Measurement

Marlborough Lines Limited's electricity reticulation network is measured at fair value. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers based on the discounted cash flow methodology.

Land, buildings, vineyard improvements and bearer plants are measured at fair value, including those vineyards that are classified as work in progress through to the point of full production. Fair value is determined on the basis of a periodic independent valuation prepared by external valuers based on the comparable sales method.

The fair values are reviewed at the end of each reporting period to ensure that the carrying value of land and buildings and the electricity distribution network are not materially different from their fair values.

The Group's plant and equipment assets (including vehicles) are recorded at cost less depreciation and impairment.

Accounting Policy – Changes to Valuation

Any revaluation increase arising on the revaluation of property, plant and equipment is credited to the asset revaluation reserve (through other comprehensive income), except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense in profit and loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of property, plant and equipment is charged as an expense in profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus remaining in the asset revaluation reserve, net of any related deferred taxes, is transferred directly to retained earnings.

Accounting Policy – Depreciation

Depreciation is provided on plant, property and equipment, including freehold buildings but excluding land.

Depreciation is calculated on assets so as to write off the cost or other revalued amount of each asset over its expected useful life to its estimated residual value.

The following depreciation methods and estimated useful lives are used in the calculation of depreciation:

Category	Method	Useful Life
Buildings	Straight line over	7 to 100 years
Electricity reticulation network	Straight line over	15 to 70 years
Plant, equipment and motor vehicles	Straight line over	2 to 33 years
Vineyard improvements	Straight line over	3 to 33 years
Bearer plants	Straight line over	33 years

The cost of assets constructed by the Group includes all materials used in construction, direct labour, any capitalised interest and an allowance for overheads.

Accounting Policy – Impairment

The Group reviews the carrying value of its tangible assets at balance date to determine whether there is any indication that the assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Assets acquired subsequent to the adoption of the above valuations are recorded at the value of the consideration given to acquire the asset and the value of other directly attributed costs which have been incurred in bringing the assets to the location and condition necessary for their intended service less subsequent depreciation.

The recoverable amount is the higher of fair value less the costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, then the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit and loss immediately unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease. A reversal of an impairment loss is recognised in profit and loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase. The Group considers that the electricity reticulation network represents a single cash generating unit for the purposes of impairment assessment.

Explanatory Note – Impact of Fair Value Measurement on Asset Values

Carrying amounts of plant, property and equipment that are measured at fair value, are shown below if they had been recognised under the cost model.

	Fair Value Category	Fair Value as at 30 June 2023 $000	Fair Value as at 30 June 2022 $000	Historic Cost Value as at 30 June 2023 $000	Historic Cost Value as at 30 June 2022 $000
Electricity reticulation network	Level 3	231,512	225,444	77,056	71,191
Land	Level 3	125,620	110,729	49,535	48,919
Buildings	Level 3	43,069	39,507	30,034	30,488
Vineyard improvements	Level 2	73,913	66,204	46,348	37,622
Bearer plants	Level 3	8,283	5,318	3,297	1,651
Capital work in progress	Level 3	15,713	27,796	13,380	25,976
Total		**498,110**	**474,998**	**219,650**	**215,847**

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to fair value measurements are observable and the significance of the inputs to the fair value measurement. Refer to Statement of Accounting Policies for a description of the various fair value levels. Level 3 inputs are unobservable inputs for the asset or liability.

The carrying value of the assets recognised in the financial statements approximate their fair values. The fair values included in Level 3 categories above have been determined in accordance with generally accepted pricing models and there has been no change in the valuation technique used. Bearer plants are included in Level 3 of the fair value hierarchy as their fair value is determined by reference to market prices for each variety of grape grown in the local area and the market price paid to independent grape growers.

Adjustments to fair value were made as at 30 June 2023 and as at 30 June 2022. This is further discussed in the Critical Accounting Estimate Note 1.2.

6. Intangible Assets

Group	Easements $000	Software $000	Trademarks $000	Total $000
COST				
Balance at 1 July 2021	1,935	3,820	891	6,646
Additions	34	121	85	240
Disposals / transfers	–	(468)	–	(468)
Balance at 30 June 2022	**1,969**	**3,473**	**976**	**6,418**
Additions	54	180	–	234
Disposals / transfers	–	(96)	–	(96)
Balance at 30 June 2023	**2,023**	**3,557**	**976**	**6,556**
ACCUMULATED AMORTISATION AND IMPAIRMENT				
Balance at 1 July 2021	–	3,468	514	3,982
Amortisation expense	–	221	46	267
Disposals / transfers	–	(468)	–	(468)
Balance at 30 June 2022	**–**	**3,221**	**560**	**3,781**
Amortisation expense	–	164	73	237
Disposals / transfers	–	(80)	–	(80)
Balance at 30 June 2023	**–**	**3,305**	**633**	**3,938**
NET BOOK VALUE				
Balance at 30 June 2022	1,969	252	416	2,637
Balance at 30 June 2023	**2,023**	**252**	**343**	**2,618**

As at 30 June 2023, some assets of the Group were subject to a registered general security agreement to secure bank loans (see Note 14).

Accounting Policy – Recognition and Amortisation

Easements obtained in relation to access, construction and maintenance of electricity reticulation system assets are capitalised as intangible assets to the extent of survey, legal and registration costs and any lump sum payments made to landowners in exchange for certain rights. Such easements capitalised represent a right in perpetuity, are considered to have an indefinite life and are not depreciated.

Computer software is capitalised as an intangible asset on the basis of the costs incurred to acquire and bring the software into service and it is amortised over its expected useful economic life. Costs associated with developing and maintaining computer software programmes are recognised as expenses when incurred. Software has a finite life and is amortised over the period of its life (5–8 years).

Trademarks are amortised on a straight-line basis in the Consolidated Statement of Comprehensive Income over their estimated useful lives, from the date that they are available for use. They have an estimated useful life of 10 years.

Accounting Policy – Impairment

The recoverable amount is the higher of fair value less the costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Easement assets with indefinite useful lives are assessed annually for impairment as part of the Electricity Reticulation Network cash generating unit. The Group reviews the carrying values of its other intangible assets at balance date to determine whether there is any indication that the assets may have suffered an impairment loss.

If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, then the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit and loss immediately. A reversal of an impairment loss is recognised in profit and loss.

7. Leases

Group	Land and Vineyard Improvements $000	Buildings $000	Plant, Equipment and Motor Vehicles $000	Total $000
RIGHT-OF-USE ASSETS				
Opening Net Book Value 1 July 2021	2,979	675	762	4,416
Additions	–	1,292	49	1,341
Lease variation	–	(558)	(53)	(611)
Depreciation	(489)	(134)	(188)	(811)
Balance at 30 June 2022	**2,490**	**1,275**	**570**	**4,335**
Additions	–	–	2,843	2,843
Lease variation	(60)	–	–	(60)
Depreciation	(461)	(216)	(505)	(1,182)
Closing Net Book Value 30 June 2023	**1,969**	**1,059**	**2,908**	**5,936**
Cost	3,216	1,292	939	5,447
Accumulated depreciation	(726)	(17)	(369)	(1,112)
Closing Net Book Value 30 June 2022	**2,490**	**1,275**	**570**	**4,335**
Cost	3,156	1,292	3,783	8,231
Accumulated depreciation	(1,187)	(233)	(875)	(2,295)
Closing Net Book Value 30 June 2023	**1,969**	**1,059**	**2,908**	**5,936**
LEASE LIABILITY				
Opening Balance at 1 July 2021	3,012	718	771	4,501
Additions	–	1,292	56	1,348
Lease variation	2	(611)	(53)	(662)
Interest expense	70	23	14	107
Principal repayments	(545)	(146)	(209)	(900)
Closing Balance at 30 June 2022	**2,539**	**1,276**	**579**	**4,394**
Additions	–	–	2,843	2,843
Lease variation	(40)	–	–	(40)
Interest expense	76	50	125	251
Principal repayments	(514)	(244)	(623)	(1,381)
Closing Balance at 30 June 2023	**2,061**	**1,082**	**2,924**	**6,067**
Current – within 1 year	455	194	201	850
Non-current – 1 to 2 years	466	202	201	869
Non-current – 2 to 5 years	1,047	661	177	1,885
Non-current – 5 or more years	571	219	–	790
Closing Lease Liability 30 June 2022	**2,539**	**1,276**	**579**	**4,394**
Current – within 1 year	455	202	696	1,353
Non-current – 1 to 2 years	468	211	737	1,416
Non-current – 2 to 5 years	656	669	1,491	2,816
Non-current – 5 or more years	482	–	–	482
Closing Lease Liability 30 June 2023	**2,061**	**1,082**	**2,924**	**6,067**

	Group 2023 $000	Group 2022 $000
AMOUNTS RECOGNISED IN PROFIT AND LOSS		
Amortisation expense on right-of-use assets	165	165
Interest expense on lease liabilities	26	26
Expense relating to short-term leases	–	–
Expense relating to leases of low value assets	39	37
AMOUNTS CAPITALISED TO BIOLOGICAL WORK IN PROGRESS		
Amortisation expense on right-of-use assets	1,017	645
Interest expense on lease liabilities	226	81
Expense relating to short-term leases	–	–
Expense relating to leases of low value assets	–	–

Explanatory Note – Measurement

The Group's lease arrangements consist of an Auckland office lease, two Marlborough vineyard leases and the lease of vineyard plant and equipment. The Group has applied judgement in recognising leases under NZ IFRS 16. These judgements relate to the lease term (which can be complex where leases include a right of renewal or cancellation) and the incremental borrowing rate used to discount future minimum lease payments. Where a lease contract includes a right of renewal, the Group has included this in the right-of-use asset and lease liability unless it is clear that such lease agreement will not be renewed.

In determining the discount rate to measure the present value of the lease payments remaining, the Group has used the incremental borrowing rate of the lessee. When estimating this rate, the Group took into consideration the market interest rate and applied a risk factor to that rate.

Accounting Policy – Recognition and Measurement

The Group leases vineyards, office space and vineyard machinery. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. These lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset with a corresponding liability recognised at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each lease period. The right-of-use asset is depreciated over the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

The Group has applied the exemptions allowed under NZ IFRS 16 for low value and short-term leases. This recognises payments for leases of 12 months or less or leases of a low value on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income.

Investments

This Investments section provides information on the various companies in the Group, including any acquisition or disposal undertaken.

8. Business Combinations

Subsidiaries Acquired

No subsidiaries have been acquired in the current or prior year.

Accounting Policy – Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred to the Group, liabilities assumed by the Group from the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition, with the exception of deferred tax assets or liabilities which are recognised and measured in accordance with NZ IAS 12 Income Taxes. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is lower than fair value, a discount on acquisition is recognised. If, after reassessment, the fair value of the identifiable net assets acquired exceeds the cost of acquisition, the discount is credited to profit or loss in the period of acquisition.

9. Investments in Subsidiaries, Associates and Joint Ventures

9.1 Group Entities

Investments in subsidiaries, associates and joint ventures within the Group as at balance date were as follows:

	Year End	Effective Ownership 30 June 2023	Effective Ownership 30 June 2022
INVESTMENTS HELD BY MARLBOROUGH LINES LIMITED			
Nelson Electricity Limited (Associate)	31 March	50%	50%
Seaview Capital Limited	30 June	100%	100%
INVESTMENTS HELD BY SUBSIDIARIES OF MARLBOROUGH LINES LIMITED			
Energy Marlborough Limited	30 June	100%	100%
GreenPower New Zealand Limited (Joint Venture)	31 March	50%	–
Mt Cass Wind Farm Limited	31 March	50%	–
Seaview Water Group Limited	30 June	52%	52%
Yealands Wine Group Limited	30 June	100%	100%
Yealands Estate Limited	30 June	100%	100%
Yealands Estate Wines Limited	30 June	100%	100%
Yealands Estate Wines (Australia) Limited	30 June	100%	100%
Yealands Estate Wines (USA) Limited	30 June	100%	100%
Yealands Estate Wines (USA) LLC	30 June	100%	100%
Yealands Estate Wines (UK) Limited	30 June	100%	100%

All shares in Marlborough Lines Limited are held by the Trustees of the Marlborough Electric Power Trust. Yealands Wine Group Limited is the parent entity of the last six companies in the table above.

9.2 Marlborough Lines Investments in Subsidiaries

	Parent 30 June 2023 $000	Parent 30 June 2022 $000
Investment in Seaview Capital Limited	121,951	121,951
Investment in Energy Marlborough Limited	9,000	500
Total investments in subsidiaries	**130,951**	**122,451**

Accounting Policy – Investments in Subsidiaries

Subsidiaries are all those entities over which the Group has control. The Group financial statements incorporate the financial statements of the entities that comprise the Group, being Marlborough Lines Limited and its subsidiaries, Yealands Wine Group Limited and Energy Marlborough Limited. Consistent accounting policies are used in the preparation and presentation of the consolidated financial statements. In preparing the consolidated financial statements, all inter-company balances and transactions and unrealised gains arising within the Group are eliminated.

9.3 Marlborough Lines Investments in Associates and Joint Ventures

Nelson Electricity Limited

The Company acquired a 50% interest in Nelson Electricity Limited, an electricity network operator based in Nelson, on 19 June 1996.

	Group 30 June 2023 $000	Group 30 June 2022 $000
Investment in Nelson Electricity Limited shares	12,950	12,950
Less share repurchase (2001)	(2,500)	(2,500)
Plus share of associate revaluation	4,326	4,326
Less share of post acquisition results	282	159
Investment in Nelson Electricity Limited (excluding goodwill)	**15,058**	**14,935**
Current balance associate goodwill	1,220	1,220
Total investment in Nelson Electricity Limited (including goodwill)	**16,278**	**16,155**

GreenPower New Zealand Limited

The Company, via its subsidiary Energy Marlborough Limited, acquired a 50% interest in GreenPower New Zealand Limited, on 12 May 2023. GreenPower New Zealand Limited is the holding company for Mt Cass Wind Farm Limited, an entity developing the Mt Cass Wind Farm in North Canterbury.

	Group 30 June 2023 $000	Group 30 June 2022 $000
Investment in GreenPower New Zealand Limited shares	400	–
Investment in GreenPower New Zealand Limited shareholder loan	1,587	–
Less share of post acquisition results	(43)	–
Total investment in GreenPower New Zealand Limited	**1,944**	–

	Parent 30 June 2023 $000	Parent 30 June 2022 $000
Investment in Nelson Electricity Limited	16,278	16,155
Investment in GreenPower New Zealand Limited	1,944	–
Total investment in associates and joint ventures	**18,222**	**16,155**

Accounting Policy - Investments in Associates and Joint Ventures

Associate and joint venture entities are those entities in which the Group has significant influence but not control. This is generally indicated through the holding of between 20% and 50% of the voting rights. Investments in associates and joint ventures are accounted for using the equity method in the Group financial statements. The Group's share of associate and joint venture post acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income and its share of post acquisition movements in reserves is recognised in reserves.

Dividends received from associates and joint ventures are initially recognised in the Parent Company financial statements. Such dividends typically reduce the equity adjustment for the share of associate and joint venture post acquisition profits.

9.4 Results of the Group's Associates and Joint Ventures

Nelson Electricity Limited

	31 March 2023 $000	31 March 2022 $000
A SUMMARY OF NELSON ELECTRICITY LIMITED'S RESULTS IS AS FOLLOWS:		
Assets as at 31 March	43,490	43,399
Liabilities as at 31 March	13,391	13,547
Revenue for year ended 31 March	9,179	9,253
Net profit after tax for year ended 31 March	1,346	1,375
THE GROUP'S SHARE OF THE RESULTS OF ITS ASSOCIATE IS AS FOLLOWS:		
Share of surpluses before tax	934	956
Less taxation	(261)	(268)
Less dividends / distributions received	(550)	(550)
Share of equity accounted net surplus	**123**	**138**
Plus other comprehensive income	–	420
Gain attributable to associate	**123**	**558**

Explanatory Note – Timing of Nelson Electricity Limited's Year End

The gain recognised in the Consolidated Statement of Comprehensive Income for Nelson Electricity Limited is for the 12-month period ended 31 March. The three-month difference in reporting period is not considered material to the Group's results.

GreenPower New Zealand Limited

	30 June 2023 $000	30 June 2022 $000
A SUMMARY OF GREENPOWER NEW ZEALAND LIMITED'S RESULTS IS AS FOLLOWS:		
Assets as at 30 June	12,993	–
Liabilities as at 30 June	12,807	–
Revenue for two months ended 30 June	5	–
Net profit after tax for two months ended 30 June	(85)	–
THE GROUP'S SHARE OF THE RESULTS OF ITS JOINT VENTURE IS AS FOLLOWS:		
Share of surpluses before tax	(60)	–
Add tax refund	17	–
Less dividends / distributions received	–	–
Share of equity accounted net surplus	**(43)**	–
Plus other comprehensive income	–	–
Gain attributable to joint venture	**(43)**	–

Explanatory Note - Timing of GreenPower New Zealand Limited's Year End

GreenPower New Zealand Limited has a 31 March balance date. Marlborough Lines Limited acquired a 50% share of GreenPower New Zealand Limited on 12 May 2023. The above results are for the post acquisition results for the two months to 30 June 2023 and are from unaudited management accounts.

Working Capital

This Working Capital section provides information on the assets that provide cash in the short-term and the liabilities that are due to be settled with that cash.

10. Trade and Other Receivables

	Group 30 June 2023 $000	Group 30 June 2022 $000
THE BALANCE OF ACCOUNTS RECEIVABLE COMPRISES:		
Trade debtors	30,840	24,498
GST receivable	930	–
Accrued income	1,608	763
Works under construction	316	914
Prepayments	2,640	1,164
Allowance for expected credit losses	(94)	(194)
Total	**36,240**	**27,145**

Accounting Policy – Recognition and Impairment

Trade receivables, including intergroup receivables, are valued at amortised cost less an allowance for expected credit losses. The amount of expected credit losses is updated at each balance date to reflect changes in credit risk since initial recognition. The expected credit loss on trade receivables is estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to debtors, general economic conditions and an assessment of both the current as well as the forecast direction of general economic conditions at balance date.

Impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due from its customers. Objective evidence of impairment includes financial difficulties of the customer, the probability that the customer will enter bankruptcy or financial reorganisation and default or delinquency in payments. When a trade receivable is considered uncollectable, it is written off against the allowance for expected credit losses. The amount of the loss is recognised in the Consolidated Statement of Comprehensive Income within operating expenses. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Explanatory Note – Carrying Value of Debtors

Included in the Group's trade receivables balance are debtors with a carrying value of $1,248,116 (2022: $962,897) which are past due at balance date. The Group has provided for $85,255 (2022: $193,634) of this balance through the allowance for credit losses in the table above. The remaining amount has not been provided for and the amounts are considered recoverable. Further information is provided in Note 20.5.

11. Inventories and Biological Work in Progress

	Group 30 June 2023 $000	Group 30 June 2022 $000
Electricity reticulation stock	7,989	6,444
Bulk wine	59,342	47,849
Bottled wine	9,992	6,348
Packaging and labels	466	720
Biological work in progress	4,616	3,555
Total	**82,405**	**64,916**

As at 30 June 2023, some assets of the Group were subject to a registered general security agreement to secure bank loans (see Note 14).

Accounting Policy – Valuation

Reticulation stock comprises of network system spares and materials and are valued on the basis of the lower of cost and net realisable value. Cost is calculated on the basis of the weighted average of purchase costs. An allowance is made for damaged and obsolete inventory.

Wine inventories are valued at the lower of cost or deemed cost and net realisable value. Cost is calculated on an average cost basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and estimated costs to be incurred in marketing, selling and distribution.

Included in the cost of wine inventory is the fair value of the grapes (agricultural produce) at the time the grapes are harvested. Inventory costs also include a systematic allocation of appropriate overheads, including winery and vineyard costs and depreciation, that relate to bringing inventories to their present location and condition. The allocation of production overheads is based on the normal capacity of the production facilities.

The deemed cost for the Group's agricultural produce (grapes) is fair value at harvest date less estimated point-of-sale costs (if any) in accordance with NZ IAS 41 Agriculture. Fair value of grapes is determined by reference to the market prices of grapes in the local region in which the grapes are grown, at the time of harvest.

The growth on the vines in the period from harvest to balance date cannot be reliably measured due to the lack of market information and variables in completing the biological transformation process between balance date and the time of harvest. As allowed under NZ IAS 41, the cost of agricultural activity in the period to 30 June has been recognised as work in progress for the next harvest. This assumes the cost of the agricultural activity approximates fair value in determining the value of the biological transformation that has occurred in that period.

12. Trade and Other Payables

	Group 30 June 2023 $000	Group 30 June 2022 $000
IN CURRENT LIABILITIES THE BALANCE OF TRADE AND OTHER PAYABLES COMPRISES:		
Trade creditors	29,523	24,603
Provision for discount	2,328	2,282
GST payable	405	465
Income in advance	679	1,406
Retailer prudential security held in Trust	11	11
Total	**32,946**	**28,767**

Accounting Policy – Recognition

Trade payables and other accounts payable are recognised at fair value when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services, and subsequently at amortised cost.

13. Employee Entitlements

	Group 30 June 2023 $000	Group 30 June 2022 $000
Employee entitlements	4,113	3,363
Total	**4,113**	**3,363**

The provision for employee entitlements represents annual leave and a provision for bonuses.

Accounting Policy – Recognition

Provision is made for employee entitlements accruing in relation to wages and salaries, annual leave and retiring gratuities when it is probable that settlement will be required and they are capable of being measured reliably.

Accounting Policy – Measurement

Employee benefits expected to be settled within the next 12 months are measured at the amounts expected to be paid when the obligations are settled. Provisions made in relation to employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees to the Group up to balance date. In relation to retirement gratuities, the present value calculations also provide for the probability of the employees completing employment to the point of entitlement (retirement).

Debt and Equity

This Debt and Equity section provides information on how the Group's operations are financed and the cost of that financing through interest and dividend payments.

14. Borrowings

	Group 30 June 2023 $000	Group 30 June 2022 $000
Current	17,850	2,000
Non-current	71,200	69,600
Total	**89,050**	**71,600**

Terms and repayments schedule

The terms and repayment schedule of outstanding facilities were as follows:

As at 30 June 2023

Lender	Classification	Nominal Interest Rate	Maturity	Currency	Facility Limit $000	Drawn at Balance Date $000
ASB Bank Limited	Current	6.89%	Nov-23	NZD	40,000	17,850

Lender	Classification	Nominal Interest Rate	Maturity	Currency	Face Value $000	Carrying Amount $000
ASB Bank Limited	Non-current	7.31%	Jun-25	NZD	25,000	25,000
ASB Bank Limited	Non-current	7.43%	Jun-26	NZD	6,200	6,200
ASB Bank Limited	Non-current	7.50%	Jun-26	NZD	18,800	18,800
ASB Bank Limited	Non-current	7.70%	Jun-27	NZD	5,700	5,700
ASB Bank Limited	Non-current	7.59%	Jun-27	NZD	3,000	3,000
ASB Bank Limited	Non-current	7.61%	Jun-27	NZD	3,100	3,100
ASB Bank Limited	Non-current	7.67%	Jun-27	NZD	6,600	6,600
ASB Bank Limited	Non-current	7.67%	Jun-27	NZD	1,200	1,200
ASB Bank Limited	Non-current	7.67%	Jun-27	NZD	1,600	1,600
Total non-current interest-bearing liabilities					**71,200**	**71,200**

As at 30 June 2022

Lender	Classification	Nominal Interest Rate	Maturity	Currency	Facility Limit $000	Drawn at Balance Date $000
ASB Bank Limited	Current	2.76%	Nov–22	NZD	25,000	2,000

Lender	Classification	Nominal Interest Rate	Maturity	Currency	Face Value $000	Carrying Amount $000
ASB Bank Limited	Non–current	3.47%	Jun–25	NZD	25,000	25,000
ASB Bank Limited	Non–current	3.40%	Jun–26	NZD	6,200	6,200
ASB Bank Limited	Non–current	4.29%	Jun–26	NZD	18,800	18,800
ASB Bank Limited	Non–current	3.90%	Jun–27	NZD	5,700	5,700
ASB Bank Limited	Non–current	3.46%	Jun–27	NZD	3,000	3,000
ASB Bank Limited	Non–current	3.73%	Jun–27	NZD	3,100	3,100
ASB Bank Limited	Non–current	4.07%	Jun–27	NZD	6,600	6,600
ASB Bank Limited	Non–current	4.46%	Jun–27	NZD	1,200	1,200
Total non-current interest-bearing liabilities					**69,600**	**69,600**

Accounting Policy – Recognition and Classification

Borrowings are recorded initially at fair value plus any transaction costs. Borrowings are subsequently recognised at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method. Borrowings are classified as non-current liabilities where the Group holds an agreement with the lender which includes the right to settle the liability in an accounting period at least 12 months after the balance date.

Borrowing costs are expensed using the effective interest rate method. No borrowing costs have been capitalised.

Explanatory Note – Borrowing facilities

Yealands Wine Group Limited is the borrower for the term borrowing of the Group.

The current borrowings amount relates to a Working Capital Facility. The remaining ASB Bank Limited term facilities range in remaining terms from 2 years through to 4 years. ASB Bank Limited holds a security over leasehold improvements and freehold property titles of Yealands Wine Group Limited. Yealands Wine Group Limited and its subsidiaries have provided an unconditional and irrevocable guarantee to ASB Bank Limited. As at 30 June 2023, all covenant and reporting requirements of the ASB loan facilities had been met.

As at 30 June 2023, there is no guarantee or security provided by Marlborough Lines Limited in relation to the term facilities of Yealands Wine Group.

As at 30 June 2023, Marlborough Lines Limited had a standby $30 million facility with ASB Bank Limited, with an expiry date of 16 June 2025. This facility is secured by a general security deed over the property of Marlborough Lines Limited. At balance date, this facility had not been drawn down.

Explanatory Note - Sustainability Linked Loan

On 6 October 2022, Yealands Wine Group Limited entered into a sustainability linked loan with ASB, with its existing facilities of $111.2 million. Under the terms of the loan, Yealands Wine Group Limited achieves discounts on borrowing costs if the Sustainability Performance Targets (SPT) are met. There are no penalties if any SPT measures are not met. The following five SPT were agreed:

- Reduce gross Greenhouse Gas (GHG) emissions of scope 1, 2 and 3 organisational emissions by 5% each year from a 2020 base year.
- Reduce GHG organisational emissions intensity of scope 1, 2 and 3 organisational emissions by 5% each year from a 2020 base year.
- Reduce GHG emissions from diesel usage across vineyards by 5% each year from a 2020 base year.
- Increase the renewable energy supplied from Yealands land to over 60% of the total energy used by the organisation.
- Execute the Yealands biodiversity plan, meeting annual targets set for each reporting period.

15. Net Financing Income

	Group 2023 $000	Group 2022 $000
FINANCIAL INCOME		
Interest income on bank deposits	888	210
Total finance income	**888**	**210**
FINANCIAL EXPENSES		
Interest cost – term borrowings	(5,634)	(2,770)
Interest cost – other	(165)	(164)
Unrealised interest rate swap gain	1,520	6,548
Total finance expenses	**(4,279)**	**3,614**
REALISED / UNREALISED FOREIGN EXCHANGE GAINS / (LOSSES)		
Realised foreign exchange gain	349	2,929
Unrealised foreign exchange loss	(746)	(3,743)
Total losses on financial instruments	**(397)**	**(814)**

Accounting Policy – Revenue Recognition

Interest income is recognised in the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest method.

16. Share Capital

	Group 30 June 2023 $000	Group 30 June 2022 $000
28 million Ordinary Shares	29,026	29,026
Total	**29,026**	**29,026**

Explanatory Note – Share Capital

The Company's shares are held by the Trustees of the Marlborough Electric Power Trust.

The Company issued 28 million $1 shares on incorporation in 1993. A small residual value in a share premium reserve was previously absorbed into the share capital value to arrive at the present value. The authorised capital is 28 million shares. All shares are fully paid up.

All shares carry equal rights to distributions.

17. Revaluation Reserves and Foreign Currency Translation Reserve

	Notes	Group 30 June 2023 $000	Group 30 June 2022 $000
Properties Revaluation Reserve	17.1	157,199	143,557
Foreign Currency Translation Reserve (FCTR)	17.2	(107)	23
Total		**157,092**	**143,580**

17.1 Revaluation Reserves

	Group 2023 $000	Group 2022 $000
PROPERTIES REVALUATION RESERVE		
Balance at the beginning of the year	143,557	112,229
Increase in fair value of land, buildings, vineyard improvements and bearer plants, net of tax	13,642	31,328
Balance at end of the year	**157,199**	**143,557**

Explanatory Note – Revaluation Reserve

The properties revaluation reserve arises on revaluation of land, buildings, vineyard improvements, bearer plants and electricity reticulation network assets to fair value. When these assets are sold, the portion of the properties revaluation reserve that relates to that asset is transferred directly to retained earnings.

	Group 30 June 2023 $000	Group 30 June 2022 $000
THE GROUP PROPERTIES REVALUATION RESERVE COMPRISES REVALUATIONS IN THE FOLLOWING CATEGORIES:		
Land, buildings, vineyard improvements and bearer plants	117,454	103,812
Electricity reticulation network	35,639	35,639
Investments in associates and joint ventures	4,106	4,106
Total	**157,199**	**143,557**

17.2 Foreign Currency Translation Reserve (FCTR)

	Group 2023 $000	Group 2022 $000
Balance at the beginning of the year	23	(280)
Movement for the year	(130)	303
Balance at end of the year	**(107)**	**23**

Accounting Policy – Foreign Currency Transactions

For the purposes of presenting consolidated financial statements, the balance sheets of foreign subsidiaries are translated into New Zealand dollars using exchange rates prevailing at balance date. Income and expense items are translated at the exchange rates ruling at the date of the transaction. Exchange differences relating to the translation of assets and liabilities from their functional currencies to the Group's presentation currency (i.e., New Zealand dollars) are recognised directly in other comprehensive income and accumulated in the FCTR.

18. Non-Controlling Interests

Explanatory Note – Non-Controlling Interests

The non-controlling interest recognised within equity as at balance date relates to an outside interest in Seaview Water Group Limited.

Accounting Policy – Non-Controlling Interest

Non-controlling interests that are present ownership interests and entitle their owners to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in NZ IFRS.

19. Dividends

	Group 2023 $000	Group 2022 $000
AMOUNTS RECOGNISED AS DISTRIBUTIONS TO EQUITY HOLDERS IN THE PERIOD:		
Total dividends ($000)	2,500	1,800
Cents per share	8.929	6.429

Explanatory Note – Dividends

The dividends in the table above are those from Marlborough Lines Limited to the Marlborough Electric Power Trust. Dividends from subsidiaries to Marlborough Lines Limited, if any, are eliminated on consolidation and are not included in the above table.

Financial Risk Management

This Financial Risk Management section provides information on the financial risks facing the Group, the sensitivity of the results to those risks and how those risks are managed. The Financial Instruments note provides information on how the assets and liabilities of the Group are measured.

20. Financial Risk Management

20.1 Financial Risk Management

The Group is exposed to financial risks relating to the operations of the Group. These risks include credit risk, liquidity risk, market risk (including currency risk and interest rate risk) and agricultural risk.

The agricultural activity of the Group's subsidiary Yealands Wine Group Limited consists of the management of vineyards to produce grapes for use in the production of wine. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of grape vines and on harvesting grapes, and ultimately receiving cash from the sale of wine to third parties. Yealands' strategy to manage this financial risk is to actively review and manage its working capital requirements.

The Group maintains credit facilities at a level sufficient to fund working capital during the period between cash expenditure and cash inflow. At balance date, the Group had unused credit facilities in the form of undrawn bank loan facilities of $52.1 million (2022: $53.0 million).

20.2 Market Risk Management

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- Forward foreign currency exchange contracts to hedge the exchange rate risk arising on the export of wine principally to the United States, the United Kingdom, the European Union and Australia; and
- Interest rate swaps to hedge the risk of changes in interest rates.

20.3 Foreign Currency Risk Management

The Group undertakes certain transactions denominated in foreign currencies and therefore exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved parameters utilising forward foreign currency exchange contracts.

	Group 30 June 2023 $000	Group 30 June 2022 $000
FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES		
Cash and cash equivalents	2,080	731
Trade and other receivables	10,639	5,438
Trade and other payables	(981)	(11)
Total	**11,738**	**6,158**

Sensitivity Analysis

The Group is mainly exposed to Euros (EUR), Pound Sterling (GBP), Australian dollars (AUD) and US Dollars (USD). The following sensitivity analysis shows the impact on the consolidated net surplus of a change of 10% in the New Zealand dollar against the respective major currencies, with all other variables remaining constant.

Any change in the net surplus for the period would result in a corresponding movement in equity. The sensitivity analysis includes only outstanding foreign currency-denominated monetary items and adjusts their translation at the year end for the listed percentage change in foreign currency rates.

	$000 AUD	$000 EUR	$000 GBP	$000 USD	$000 Other
CHANGE IN NEW ZEALAND DOLLAR AGAINST FOREIGN CURRENCY					
Impact on Group 2023 net surplus:					
10% increase	(115)	(234)	(233)	(458)	(27)
10% decrease	141	286	284	560	33
Impact on Group 2022 net surplus					
10% increase	(90)	(189)	(29)	(225)	(27)
10% decrease	110	231	35	274	33

Forward Foreign Currency Exchange Contracts

The Group's policy is to enter into forward foreign currency exchange contracts to cover specific foreign currency payments and receipts up to 100% of the 12-month exposure generated. The Group also enters into forward foreign currency exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to five years within defined percentages for each 12-month forecast period with provision extended beyond these in certain market conditions. Forward foreign currency exchange contracts are measured at fair value through the Consolidated Statement of Comprehensive Income. The fair value of forward foreign currency exchange contracts is based on market values of equivalent instruments at balance date.

	Group 30 June 2023 $000	Group 30 June 2022 $000
NOTIONAL PRINCIPAL OF OUTSTANDING CURRENCY EXCHANGE CONTRACTS		
AUD	2,478	5,531
CAD	2,664	2,592
EUR	22,000	22,731
GBP	23,353	23,836
USD	36,108	17,516
Total	**86,603**	**72,206**

20.4 Interest Rate Risk Management

Interest rate risk is the risk that interest rates will change, increasing or decreasing the cost of borrowing or investing.

The Group's short term deposits are at fixed interest rates and mature within one year.

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Group through maintaining a mix between fixed and floating rate borrowings and the use of interest rate swap contracts. Hedging activities are evaluated regularly with the assistance of independent advice to take into account interest rate views and defined risk appetite.

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest Rate Sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The sensitivity analysis shows the impact on the Group's consolidated net surplus if interest rates had been 2% lower or higher, with all other variables remaining constant. Any change in the net surplus for the period would result in a corresponding movement in equity.

	Group 2023 $000	Group 2022 $000
CHANGE IN INTEREST RATE %		
Impact on Group net surplus:		
2.0% increase	(1,257)	(1,139)
2.0% decrease	1,257	1,139

Interest Rate Swap Contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between floating and fixed rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to hedge the risk of changing interest rates on current and non-current term borrowings held. The fair values of interest rate swaps are based on market values of equivalent instruments as at balance date, as disclosed below.

	Group 30 June 2023 $000	Group 30 June 2022 $000
Notional principal of outstanding contracts	50,000	50,000

Interest rate swap contracts exchanging floating rate interest amounts for fixed rate interest amounts are used to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. These are measured at fair value through the Consolidated Statement of Comprehensive Income. The interest rate swaps and the interest payments on the loan occur simultaneously on a quarterly basis. The floating rate on the interest rate swaps is the three month BKBM rate. The Group settles the difference between the fixed and floating interest rate on a net basis.

The interest rates applicable to the interest rate swap contracts during the year were 4.02% to 4.15% per annum (2022: 4.02% to 4.15%).

20.5 Credit Risk Management

Credit risk is the risk that an outside party will not be able to meet its obligations to the Group resulting in financial loss to the Group.

Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of cash deposits, short term deposits and trade receivables. The maximum credit risk is the book value of these financial instruments. The Group considers the risk of non-recovery of these amounts to be minimal. The Group places its cash deposits with high credit quality financial institutions.

Credit risk exists in respect of accounts receivable. In respect of its electricity business, the Group is able to impose bond requirements on retailers trading across its network in accord with the Use of System Agreements entered into with the retailers. In respect to wine sales, the Group has a policy of trading with customers for which trade credit insurance has been granted by the Group's trade credit insurance provider, guarantees received or on cash terms.

Credit exposure is monitored on an ongoing basis and within counterparty limits that have been approved by the Group's trade credit insurance provider. The amounts presented in the Consolidated Statement of Financial Position are net of allowances for expected credit losses, estimated by the Group's management based on prior experience and their views in relation to the current trading environment. See also Note 10.

The Group has applied the simplified approach in NZ IFRS 9 Financial Instruments to measure the lifetime expected credit loss of trade receivables. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of debtors, adjusted as appropriate to reflect current conditions and estimates for future economic conditions.

	Group 30 June 2023		Group 30 June 2022	
	Gross $000	Impairment $000	Gross $000	Impairment $000
STATUS OF TRADE RECEIVABLES				
Not past due	28,026	(10)	17,564	(7)
Current	1,566	(8)	5,971	(0)
30 days overdue	884	(1)	331	(3)
60 days overdue	147	(1)	130	(4)
90 days overdue	217	(74)	502	(180)
Total	**30,840**	**(94)**	**24,498**	**(194)**

20.6 Liquidity Risk Management

Liquidity risk is the risk that the Group may not have the financial ability to meet payment commitments as they fall due.

The Group assesses its liquidity requirements on a regular basis and has funding arrangements in place to cover short-term variations and shortfalls in operating cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay.

	Less than 1 year $000	1-2 years $000	2-5 years $000	Over 5 years $000
2023 CONTRACTUAL MATURITY				
Trade and other payables	32,946	–	–	–
Other borrowings	1,809	–	–	–
Interest cost on term debt	(815)	(697)	(1,615)	(589)
Borrowings	17,850	–	50,000	21,200
2022 CONTRACTUAL MATURITY				
Trade and other payables	28,767	–	–	–
Other borrowings	945	55	–	–
Interest cost on term debt	4,258	4,053	7,679	265
Borrowings	2,000	–	69,600	–

The following table details the Group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows / (outflows) on the interest rate swaps that settle on a net basis and the undiscounted gross inflows / (outflows) on those forward exchange contracts that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined independently by the counterparty to the instruments as at balance date.

	Less than 6 Months $000	6-12 Months $000	1-2 Years $000	Over 2 Years $000
2023 LIQUIDITY ANALYSIS				
Interest rate swaps – net settled cash outflows	–	–	–	–
Forward exchange contracts – cash outflows	19,604	14,245	29,596	23,158
2022 LIQUIDITY ANALYSIS				
Interest rate swaps – net settled cash outflows	253	303	606	2,268
Forward exchange contracts – cash outflows	10,308	17,936	30,464	13,498

20.7 Fair Values

The carrying amount of cash and cash equivalents, trade receivables, trade payables and non-current borrowings and other financial assets and liabilities reflect their fair values. The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and liabilities with standard terms and conditions and traded on active markets is determined with reference to the quoted market prices; and
- the fair value of derivative instruments is calculated based on discounted cash flows using market inputs.

Investments in subsidiaries and equity accounted investments have not been fair valued as there is no observable market price.

Fair value measurement of financial instruments recognised in the Consolidated Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable, consistent with the level definitions as outlined in the Statement of Accounting Policies.

	Fair Value Category	Group 30 June 2023 $000	Group 30 June 2022 $000
Derivative financial assets – current	Level 2	304	814
Derivative financial assets – non-current	Level 2	2,240	781
Total financial assets		**2,544**	**1,595**
Derivative financial liabilities – current	Level 2	(1,446)	(828)
Derivative financial liabilities – non-current	Level 2	(848)	(1,292)
Total financial liabilities		**(2,294)**	**(2,120)**
Net financial asset / (liability)		**250**	**(525)**

The financial assets and liabilities of the Group that are measured at fair value subsequent to initial recognition are included in Level 2 as the fair value of these instruments is not quoted on an active market and is determined by using valuation techniques. These valuation techniques rely on observable market data and are provided by ASB Bank Limited.

There have not been any transfers into or out of the fair value hierarchy.

Any gain or loss resulting from fair value measurement is recognised in the Consolidated Statement of Comprehensive Income.

	Group 2023 $000	Group 2022 $000
FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign currency forward contracts	(1,118)	(372)
Interest rate swaps	1,367	(153)
Net financial asset / (liability)	**250**	**(525)**

20.8 Capital Risk Management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern. The capital structure comprises share capital (see Note 16), reserves and retained earnings (see Note 17). The Group keeps its capital structure under review throughout the year.

Yealands Wine Group Limited and Marlborough Lines Limited are subject to a number of banking covenants in relation to the term debt facilities outlined in Note 14. All banking covenants have been complied with during the year.

The Group's objective is to provide returns for its shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to retain or modify the capital structure, the Group may adjust the amount of dividends paid to its shareholder or sell assets to reduce debt.

The Group's policies in respect of capital management and allocation are reviewed periodically by management.

21. Financial Instruments

21.1 Classification of Financial Instruments

Group as at 30 June 2023

	Loans and Receivables $000	Held for Trading (FVTPL) $000	Other Amortised Cost $000	Total Carrying Amount $000
FINANCIAL ASSETS				
Current assets				
Cash and cash equivalents	5,931	–	–	5,931
Short-term deposits	4,000	–	–	4,000
Trade and other receivables	32,669	–	–	32,669
Derivatives	–	304	–	304
Non-current assets				
Derivatives	–	2,240	–	2,240
Total financial assets	**42,600**	**2,544**	**–**	**45,144**

	Held for Trading (FVTPL) $000	Other Financial Liabilities $000	Total Carrying Amount $000
FINANCIAL LIABILITIES			
Current liabilities			
Trade and other payables	–	31,862	31,862
Derivatives	1,446	–	1,446
Term borrowings	–	17,850	17,850
Non-current liabilities			
Derivatives	848	–	848
Term borrowings	–	71,200	71,200
Total financial liabilities	**2,294**	**120,912**	**123,206**

Group as at 30 June 2022

	Loans and Receivables $000	Held for Trading (FVTPL) $000	Other Amortised Cost $000	Total Carrying Amount $000
FINANCIAL ASSETS				
Current assets				
Cash and cash equivalents	2,212	–	–	2,212
Short-term deposits	12,094	–	–	12,094
Trade and other receivables	25,981	–	–	25,981
Derivatives	–	814	–	814
Non-current assets				
Derivatives	–	781	–	781
Total financial assets	**40,287**	**1,595**	**–**	**41,882**

	Held for Trading (FVTPL) $000	Other Financial Liabilities $000	Total Carrying Amount $000
FINANCIAL LIABILITIES			
Current liabilities			
Trade and other payables	–	26,896	26,896
Derivatives	828	–	828
Term borrowings	–	2,000	2,000
Non-current liabilities			
Derivatives	1,292	–	1,292
Term borrowings	–	69,600	69,600
Total financial liabilities	**2,120**	**98,496**	**100,616**

GST Payable, GST Receivable, Income in Advance and Prepayments do not meet the Financial Instrument definition and are not included above.

Accounting Policy – Financial Instruments

Debt and equity instruments are classified as either liabilities or equity in accordance with the substance of the contractual arrangement.

Interest and dividends are classified as expenses or as distributions of profit consistent with the Consolidated Statement of Financial Position classification of the related debt or equity instruments or component parts of compound instruments.

Financial instruments are not offset unless there is a legally enforceable right to offset.

Accounting Policy – Derivative Financial Instruments

From time to time the Group enters into interest rate swap contracts and forward foreign currency contracts to hedge its exposure to interest rate and foreign exchange rate risk. Interest rate swaps and forward foreign exchange contracts are considered to be a Level 2 fair value measurement financial instrument. Such financial instruments are those derived from inputs that are observable for the instrument either directly or indirectly.

The Group has not designated any derivatives as hedges for hedge accounting purposes. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to fair value at balance date. The resulting gain or loss is recognised in the Statement of Comprehensive Income immediately. This is known as Fair Value Through the Profit and Loss (FVTPL).

The fair values of these financial derivatives are determined by reference to the market interest rates and market exchange rates and the resulting gain or loss that would accrue if the derivative was terminated at balance date.

Other

This section provides other information including the Group's tax status, transactions with related parties, remuneration of Directors and key management personnel, and developments post balance date. It also includes information on the prior period restatement impacting the deferred tax balance.

22. Taxation

22.1 Income Tax

	Group 2023 $000	Group 2022 $000
Tax expense comprises:		
Current tax expense	1,834	2,691
Deferred tax expense relating to the origination and reversal of temporary differences	1,124	3,072
Tax expense	**2,958**	**5,763**
The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:		
Profit Before Tax from Continuing Operations	**9,242**	**20,294**
Income tax applying the company tax rate of 28%	2,588	5,682
Plus / (less) taxation adjustments:		
Non-deductible expenses and deferred revenue	242	(16)
Net benefit of imputation credits	150	136
Equity accounted earnings of associates and joint ventures	(22)	(39)
Tax expense recognised in the Statement of Comprehensive Income	**2,958**	**5,763**

Accounting Policy – Recognition and Measurement

Current tax is based on the net profit for the period adjusted for non deductible expenditure and non-assessable income. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by balance date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

22.2 Deferred Taxation

Group for the year ended 30 June 2023

	Opening Balance $000	Charged to Income $000	Charged to OCI $000	Closing Balance $000
DEFERRED TAX LIABILITIES				
Plant, property and equipment	59,526	836	64	60,426
Inventory	2,337	548	–	2,885
	61,863	**1,384**	**64**	**63,311**
DEFERRED TAX ASSETS				
Provisions for employee entitlements, retirement obligations and doubtful debts	(1,070)	(283)	–	(1,353)
Leases	(17)	(20)	–	(37)
Doubtful debts and impairment losses	21	43	–	64
	(1,066)	**(260)**	**–**	**(1,326)**
Net deferred tax liability	**60,797**	**1,124**	**64**	**61,985**

Group for the year ended 30 June 2022

	Opening Balance $000	Charged to Income $000	Charged to OCI $000	Closing Balance $000
DEFERRED TAX LIABILITIES (RESTATED)				
Plant, property and equipment	55,179	1,204	3,143	59,526
Inventory	191	2,146	–	2,337
	55,370	**3,350**	**3,143**	**61,863**
DEFERRED TAX ASSETS				
Provisions for employee entitlements, retirement obligations and doubtful debts	(737)	(333)	–	(1,070)
Leases	(38)	21	–	(17)
Doubtful debts and impairment losses	(13)	34	–	21
	(788)	**(278)**	**–**	**(1,066)**
Net deferred tax liability	**54,582**	**3,072**	**3,143**	**60,797**

Accounting Policy – Recognition and Measurement

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences between the carrying values of the assets and liabilities in the consolidated financial statements and the corresponding tax bases of those items. In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

A deferred tax liability is not recognised in relation to any taxable temporary differences arising from goodwill or in relation to temporary differences arising from the initial recognition of assets or liabilities which affect neither taxable income nor accounting profit. Similarly, deferred tax liabilities are not recognised where temporary differences arise on acquisition of subsidiaries, associates and joint ventures where the consolidated entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets or liabilities giving rise to them are realised or settled, based on tax rates that have been enacted or substantively enacted at balance date. The measurement of deferred tax liabilities and assets reflects the tax consequences that reflect how the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company or Group intends to settle its current tax assets and liabilities on a net basis. No other assets and liabilities have been offset unless specifically permitted by accounting standards.

Current and deferred tax is recognised as an expense or income in the Consolidated Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the current or deferred tax is also recognised directly in equity or where it arises from the initial accounting for a business combination in which case it is taken into account in the determination of goodwill or excess.

22.3 Imputation Credit Account

	Group 2023 $000	Group 2022 $000
Balance at beginning of period	69,413	67,423
Attached to dividends paid in the period	(972)	(700)
Attached to dividends received	719	700
Income tax payments during the period	1,572	1,990
Balance at end of period	**70,732**	**69,413**

22.4 Restatement of Deferred Tax

In 2023, Yealands Wine Group Limited management identified an error in the deferred tax calculation, relating to assets sold in the year ended 30 June 2021.

In accordance with NZ IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors, the financial statements for the year ended 30 June 2022 have been restated to recognise the correct deferred tax liability and opening retained earnings balances.

This adjustment has resulted in the following restatements:

	Note	Group 2022 $000	Adjustment $000	Group (Restated) 2022 $000
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
Increase in deferred tax liability	22.2	57,807	4,056	61,863
Decrease in opening retained earnings		318,131	(4,056)	314,075
Increase in equity (profit for the year)		14,531	–	14,531

23. Related Parties

23.1 Marlborough Electric Power Trust

The Company pays dividends to its shareholder the Marlborough Electric Power Trust, as outlined in Note 19.

23.2 Parties Associated with Group Directors

Related party	Relationship	Product Sold or Services Rendered $000	Product Purchased or Services Received $000	Balance Receivable $000	Balance Payable $000
MARLBOROUGH LINES LIMITED DIRECTOR RELATIONSHIPS – 2023					
Nikau Drive Limited	Director	13	–	–	–
Precast Systems Limited	Director	–	35	–	–
Robinson Construction Limited	Director	37	11	–	–
Whatamonga Farm Limited	Director	–	1	–	1
MARLBOROUGH LINES LIMITED DIRECTOR RELATIONSHIPS – 2022					
Nikau Drive Limited	Director	606	–	302	–
Outer Limits Limited	Director	48	–	26	–
Precast Systems Limited	Director	–	9	–	–
Robinson Construction Limited	Director	–	37	–	–
Whatamonga Farm Limited	Director	–	1	–	–
YEALANDS WINE GROUP LIMITED DIRECTOR RELATIONSHIPS – 2022					
Tinpot Hut Wines Limited	Director	30	–	–	–

Directors fees paid to Directors are disclosed in Note 24.

All products and services rendered and received were completed on normal arms-length commercial terms.

Explanatory Note – Related Party Transactions

The amounts receivable or payable included in the disclosure above are inclusive of GST (if any).

Nikau Drive Limited and Outer Limits Limited (entities associated with Phil Robinson) are property development companies, to which Marlborough Lines Limited provides electrical reticulation services.

Precast Systems Limited and Robinson Construction Limited (entities associated with Phil Robinson) provide construction services to Marlborough Lines Limited.

Whatamonga Farm Limited (entity associated with Ivan Sutherland) has a Marlborough Lines Limited radio hut located on its property and is paid a lease payment.

Tinpot Hut Wines Limited (entity associated with Matt Thompson) bought wine making products from Yealands Wine Group Limited in the prior year.

The Group did not undertake any other transactions with parties associated with Directors of the Group.

23.3 Subsidiary Companies

	2023 $000	2022 $000
ENERGY MARLBOROUGH LIMITED		
Fees paid to Marlborough Lines Limited	–	16
YEALANDS WINE GROUP LIMITED		
Purchases from Yealands Wine Group Limited	3	3
Electricity assets paid for by Yealands Wine Group Limited	97	303
Interest income paid or payable to Marlborough Lines Limited	604	450
Amounts receivable from Yealands Wine Group Limited	8,000	9,111

Explanatory Note – Inter-Company loan

Marlborough Lines Limited provides Yealands Wine Group Limited with an inter-company loan, with interest payable monthly.

23.4 Associate and Joint Venture Entities

	2023 $000	2022 $000
NELSON ELECTRICITY LIMITED		
Director's fees paid to Marlborough Lines Limited	22	22
Dividend income paid to Marlborough Lines Limited	550	550
Management fees charged to Nelson Electricity Limited by Marlborough Lines Limited	102	102
Amounts owed by Nelson Electricity Limited	62	82

Explanatory Note – Associate Entities

Nelson Electricity Limited is considered an associate company for accounting purposes by virtue of Marlborough Lines Limited owning 50% of that company's shares. Effective control is shared with one other shareholder. During the period, Marlborough Lines Limited provided management and accounting services to Nelson Electricity Limited. These services were charged at commercial rates.

24. Key Management Personnel

The compensation of the Directors and Executives, being the key management personnel of the Group, is set out below.

	Group 2023 $000	Group 2022 $000
Directors' fees	946	829
Salaries and short term employee benefits	4,754	4,220
Compensation during the period	**5,700**	**5,049**

	Group 30 June 2023 $000	Group 30 June 2022 $000
Retirement benefits accrued as at balance date	142	156

25. Reconciliation of Profit to Net Cash Generated from Operating Activities

	Group 2023 $000	Group 2022 $000
Profit for the year from continuing operations	**6,284**	**14,531**
ADD / (LESS) NON-CASH ITEMS		
Depreciation and amortisation	18,522	18,670
Fair value adjustment to inventory	(1,956)	(7,665)
Income from vested assets and capital contributions	(2,990)	(1,902)
Revaluation of vineyard assets through P&L	1,857	(910)
Other non cash items	46	(1,962)
NON-CASH ITEMS IN RELATION TO INVESTING / FINANCING ACTIVITIES		
Share of associate net profit	(80)	(138)
Loss / (Gain) on sale of fixed assets	1,031	(479)
Current charge to deferred taxation	3,017	2,162
CHANGES IN WORKING CAPITAL ITEMS		
(Increase) / decrease in assets		
(Increase) in accounts receivable	(12,167)	(4,767)
(Increase) in inventories	(15,533)	(1,005)
Increase / (decrease) in liabilities		
Increase in trade and other payables	4,063	8,075
Increase in tax payable	1,014	4,281
Increase in employee entitlements	751	1,067
Increase / (decrease) in finance lease payable	810	(368)
Net cash generated from operating activities	**4,669**	**29,590**

26. Commitments

26.1 Capital Commitments

	Group 30 June 2023 $000	Group 30 June 2022 $000
Capital expenditure committed to at balance date but not recognised in the financial statements	6,099	3,094

26.2 Grape Purchase Commitments

In the ordinary course of business, Yealands Wine Group Limited has agreements with grape growers which require it to purchase grapes. These agreements have remaining terms of between one and nine years.

26.3 Investment Commitments

Energy Marlborough Limited has entered into a Shareholder Advances Loan Agreement with Greenpower New Zealand Limited to provide a facility to Greenpower New Zealand Limited for the purpose of providing general working capital requirements for the development of Mt Cass Wind Farm. As at 30 June 2023 the undrawn amount on the facility was $2.7 million.

27. Contingent Assets and Liabilities

27.1 Contingent Assets

None.

27.2 Contingent Liabilities

In the ordinary course of business, the Group is, from time to time, subject to legal action. The Group considers it has sufficient means to address any such actions including legal fees.

28. New and Revised Accounting Standards and Interpretations

There are no NZ IFRS standards and interpretations that have been recently issued or amended but are not yet effective.

29. Events Subsequent to Balance Date

Marlborough Lines Limited seeking strategic partner in Yealands Wine Group Limited

On 12 August 2022, Marlborough Lines Limited announced that it was looking for potential strategic partners for its wholly-owned subsidiary, Yealands Wine Group Limited. This is to support accelerated growth for Yealands Wine Group Limited and is consistent with Marlborough Lines Limited's strategy of pursuing renewable energy and electrication opportunities as part of its Energise Marlborough strategy. At the date of approving these financial statements, the nature and scale of any divestment of Yealands Wine Group Limited assets was unknown and it was not considered that a sale was highly probable, for the purposes of applying accounting treatment under NZ IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations.

► Transformer being installed on a four-pole structure in urban Blenheim.

Statement of Service Performance

For the year ended 30 June 2023

Explanatory Note: Requirements of Sections 39 and 44 of the Energy Companies Act 1992

Marlborough Lines Limited (MLL) is required to publish a Statement of Corporate Intent each year in collaboration with the Company's shareholders. This document must include a number of financial and operational targets, and this report presents the Company's performance against these targets for the year in review.

For the year ended 30 June 2023, the Company set itself 12 targets in six areas: assets, technology and innovation, financial, people, community and environment. The Company achieved five of its 12 targets during the year. While MLL may not have met some of its targets during the year, it has made good progress towards a number of these targets, including the commissioning of its first grid scale solar farm and deploying its first non-network solution on its network. MLL encourages interested parties to read the Review of Operations section of its Annual Report which provides further context to MLL's achievements during the year.

The results in this statement primarily relate to the MLL parent entity. The results do not include the results of MLL's subsidiaries, associates or joint ventures, unless indicated through the use of 'Group' or the entity is specifically identified.

ASSETS PERFORMANCE TARGETS

1

Target: **MLL's asset management maturity rating to achieve a score of 3.4 or greater.**

Result: MLL assessed its asset management maturity rating in its 2023 Asset Management Plan at an average score of 2.9 (2022: 2.8). A score of 3 is defined as "All elements of PAS 55 are in place and are being applied. Only minor inconsistencies may exist". The maximum score is 4.0.

2

Target: **MLL's total SAIDI (average outage minutes) to be less than 150 minutes.**

Result: MLL's total SAIDI for the year to 31 March 2023 was 315.5 minutes. SAIDI minutes were negatively impacted by the August 2022 storm event, which accounted for 160.9 minutes, with supply restoration hampered by road access issues. MLL's SAIDI minutes would have been 154.6 minutes if this one event was excluded.

TECHNOLOGY AND INNOVATION PERFORMANCE TARGETS

3

Target: **MLL to deploy two non-network solutions by 30 June 2023.**

Result: MLL has deployed one PowerCrate as a trial near Blenheim and has been negotiating with a number of consumers to utilise non-network solutions.

4

Target: **Energy Marlborough Limited (EML) to own 1MW of renewal electricity generation by 30 June 2023.**

Result: EML's 0.85MW solar farm located at its Taylor Pass depot in Blenheim, was commissioned during April 2023. EML has made progress during the year with its solar farm planned for Seaview, with resource consent granted.

FINANCIAL PERFORMANCE TARGETS

5

Target: **MLL to achieve an overall post-tax rate of return on shareholders funds of 3.4%.**[1]

Result: Achieved 3.00% (2022: 3.36%) return on average shareholders' funds of $373 million for the year. This result is after including MLL network assets at valuation and adding back customer discounts adjusted for tax.

6

Target: **Group cash flow return from investments greater than 1.80%.**

Result: Cash received from investments, including dividends, interest and management fees totalled $3.2 million, equating to a post-tax return of 1.89% (2022: 1.54%) on the amount invested. This rate of return does not include any capital gains on MLL's investments.

PEOPLE PERFORMANCE TARGETS

7

Target: **MLL employee engagement score: >85%**

Result: MLL has changed the tool it uses to perform engagement surveys and accordingly the metric achieved is not able to be compared against the original target. MLL's average score using the new tool was an average 'people theme' engagement score of 64%, which will be used as the benchmark to measure employee engagement in the future.

8

Target: **MLL to have zero serious harm incidents.**

Result: MLL had zero serious harm incidents this year.

COMMUNITY PERFORMANCE TARGETS

9

Target: **Group average discount and distribution made available to consumers of $285.**[2]

Result: Discounts of $8.9m plus GST were paid to retailers in May 2023. A typical consumer received $240.
MLL paid a dividend of $2.5m to the MEPT in June 2023, which enables the Marlborough Electric Power Trust to pay a $75 distribution to each consumer.
Therefore, the average discount and distribution payment was $315.

10

Target: **MLL overall consumer satisfaction score at above 85%.**

Result: Consumer satisfaction with MLL's performance remains high. 88% of a sample of over 2,000 consumers rated their satisfaction with the Company's overall performance as either Satisfied or Very Satisfied (2022: 87%).

ENVIRONMENT PERFORMANCE TARGET

11

Target: **MLL net greenhouse gas emissions to be below a net removal of 750 tonnes.**

Result: Due to the increase in regulatory requirements relating to the reporting of greenhouse gas emissions, MLL has elected not to report against this target as part of its Statement of Service Performance.

12

Target: **MLL total environmental sponsorships of $75,000 or above.**

Result: MLL has provided the following sponsorships during the year which total $81,500. $25,000 Pine Valley Wetland Project[3], $25,000 Falcon in Schools Programme; $10,000 Marlborough Sounds Restoration Trust Wilding Pine Eradication Programme, $10,00 Picton Dawn Chorus and $11,500 Moetapu Community Association Mt Cawte Deer Control Programme.

1 Measured by adjusting MLL's net profit after tax for the discount paid to consumers, divided by average shareholders equity.

2 Based upon a standard residential consumer using 8,000kWh per year with 40% controlled energy, consistent with Ministry of Business Innovation and Employment assumptions for a typical New Zealand household.

3 Committed under 10-year agreement but not yet invoiced.

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF MARLBOROUGH LINES LIMITED'S GROUP CONSOLIDATED FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2023.

The Auditor-General is the auditor of Marlborough Lines Limited and its controlled entities (collectively referred to as 'the Group'). The Auditor-General has appointed me, Nicole Dring, using the staff and resources of Deloitte Limited, to carry out the audit of the financial statements and the performance information of the Group on his behalf.

Opinion

We have audited:

- the financial statements of the Group on pages 68 to 112, that comprise the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the Group on pages 114 to 115.

In our opinion:

- the financial statements of the Group:
  - present fairly, in all material respects:
    - its consolidated financial position as at 30 June 2023; and
    - its consolidated financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand Equivalents to International Financial Reporting Standards; and
- the performance information of the Group presents fairly, in all material respects, the Group's achievements measured against the performance targets adopted for the year ended 30 June 2023.

Our audit was completed on 27 September 2023. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the inherent uncertainties in the measurement of greenhouse gas emissions. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the consolidated financial statements and the performance information and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Board of Directors is also responsible on behalf of the Group for preparing performance information that is fairly presented.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Energy Companies Act 1992.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements and performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- We evaluate the appropriateness of the reported performance information within the Group's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information in the Annual Report that accompanies the consolidated financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information, and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.

Deloitte Limited

Nicole Dring
Partner
For Deloitte Limited
On behalf of the Auditor-General
Christchurch, New Zealand

Directory

Management

T J Cosgrove
ME (Mgt), BE (Hons) (Mech), BCom, CEng, CMInstD

Chief Executive Officer

R W Brown
BE (hons) CPEng, IntPE(NZ), FEngNZ, CMEngNZ

General Manager Engineering and Development

R J Clifton
GradDipBusStud, NZDipWHSM, ProfNZISM

Health, Safety, Environment, Quality Manager

G D Jones
BCom, CA

Chief Financial Officer

W G Nichol
DipEng (Electrical)

General Manager Network Operations

D J Quinn

General Manager Field Services

R M Wheeler
BBus (HR & IR)

Human Resources Manager

S J Wilkinson
BSc Hons, MBA, MESt

Commercial Manager

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Registered Office of Company
1-3 Alfred Street, Blenheim 7240

Postal address

PO Box 144, Blenheim 7240

Website

www.marlboroughlines.co.nz

Auditors

Deloitte Limited on behalf of the Controller and Auditor-General

Bankers

ASB Bank Limited, New Zealand

Westpac Banking Corporation, New Zealand

Financial and Tax Advisors

PricewaterhouseCoopers, Wellington/Auckland

Solicitors

Radich Law, Blenheim

Simpson Grierson, Auckland

Glossary

Average Typical Domestic Customer
This is an accepted industry standard for a domestic customer using 8,000kWh per annum comprising 3,200 water heating units (usually controlled) and the balance at 24-hour availability rates

DER
Distributed energy resources, which includes distributed generation

Distributed Generation
Customer owned generation capable of exporting electricity into the local distribution grid

EBIT
Earnings Before Interest and Taxation

EBITDA
Earnings Before Interest, Taxation, Depreciation and Amortisation

EML
Energy Marlborough Limited

EV
Electric Vehicle

GHG
Greehhouse gas

GPNZ
GreenPower New Zealand Limited

GWh
Gigawatt hour – 10^6 kWh, measurement of energy

GXP
Grid Exit Point on Transpowers transmission network.

ha
Hectare – 10,000 square metres

ICP
Installation Connection Point. Point of the supply system where the end use customer is connected

ISO
International Organization for Standardization – a standards body

kV
kilovolt – 1,000 volts, measurement of electrical potential

kVA
kilovolt Ampere – measurement of apparent power

kWh
kilowatt hour – electrical energy equivalent to a power consumption of 1,000 watts for one hour, typically referred to as one unit

MCWF
Mt Cass Wind Farm Limited

MEPB
Marlborough Electric Power Board

MEPT
Marlborough Electric Power Trust

MLL
Marlborough Lines Limited

MVA
Megavolt Ampere – measurement of apparent power (1,000 kilovolt amperes)

MW
Measurement of electricity. 1 MW equals 1,000 kilowatts

NEL
Nelson Electricity Limited

NPAT
Net Profit after Tax

NZ IFRS
New Zealand International Financial Reporting Standards

OAG
Office of the Auditor-General

PV
Photovoltaic – the conversion of light into electricity

RAPS
Remote area power systems – typically off-grid electricity supply arrangements utilising PV arrays, other generation and battery storage

SAIDI
System Average Interruption Duration Index – the average time supply is unavailable to all consumers

SCI
Statement of Corporate Intent

YWG
Yealands Wine Group Limited

Zone Substation
Point within the network where the power supply changes from 33kV to 11kV

Energising Marlborough's Future

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