

## History of the Trust

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### Origin of the Trust

The Waitomo Electric Power Board was a body corporate duly constituted under the Electric Power Boards Act of 1925. Government reforms of the electricity industry resulted in the Board incorporating Waitomo Energy Services Limited (the Company). Under Section 27 of the Energy Companies Act 1992, the Minister of Energy approved an establishment plan under the Energy Companies Act 1992. This plan provided for the allocation of shares to be held by Trustees.

Established in 1993 from Government Corporatisation, Waitomo Energy Services Customer Trust (WESCT) was issued 16,000,000 shares to be held by the Trustees on behalf of the customers in the District. The purpose of creating a Trust entity owning 100% of the shares in Waitomo Energy Services Limited eliminated the possibility of the fragmented ownership that would have resulted, were the shares issued directly to customers.

### Transactions involving changes in shareholding

1. The original shareholding in 1993 was 16,000,000 shares held by WESCT. In September 1996, beneficial customers approved a share sell-back to the Company. WESCT redeemed 2,836,882 shares that resulted in the total shareholding reducing to 13,163,118. The distribution of \$8,000,007 of surplus capital funds, held by WESCT from this transaction to beneficial customers took place in December 1996.
2. In July 1998 the Electricity Industry Reform Act came into force and required all energy companies to separate their lines businesses from electricity generation and retailing. Shareholders of lines companies were prohibited under the Act to own more than a 10% shareholding in any electricity generation and retailing company.

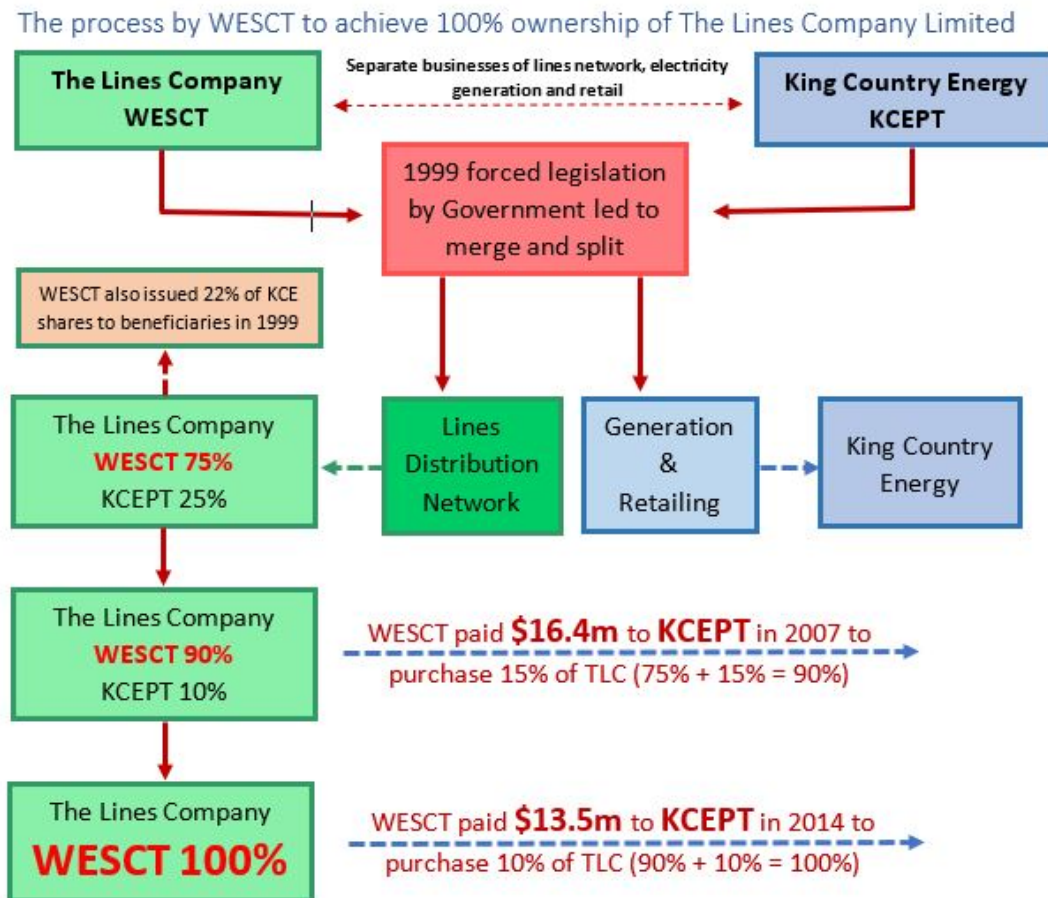
To comply with the above legislation, beneficial customers approved a merger between the Company and King Country Energy Limited as both these companies were in the business of lines distribution and electricity generation and retailing. The merger resulted in the Company selling its electricity generation and retailing business to King Country Energy Limited. The Company then purchased the network (lines) business from King Country Energy Limited.

This merger transaction resulted in the Company being in the core business of a lines distribution network. The Company's geographical area of the lines network approximately doubled in size after this transaction. The two areas are commonly referred to as the northern and southern areas. The Company was now 75% owned by WESCT and 25% owned by King Country Electric Power Trust (KCEPT) and WESCT held 9,872,340 shares.

3. On the other side of this merger transaction, King Country Energy Limited took over the business of electricity generation and retailing. To avoid breaching the legislation of owning no more than a 10% shareholding in any electricity generation and retailing Company, WESCT distributed its excess shares held in King Country Energy Limited to its beneficial customers in 1999. WESCT retained 1,503,514 shares in King Country Energy Limited which was under the 10% legislative threshold.

The above merger transaction resulted in the Company focusing its expertise in the lines distribution network. A name change then followed from “Waitomo Energy Services Limited” to “The Lines Company Limited” (the Company) in 1999. The Company structured itself to become experts in three business function areas; lines network, metering and contracting.

4. In July 2007 WESCT purchased 15% of KCEPT’s shareholding in the Company, being 1,974,468 shares for \$16,400,000. This purchase increased WESCT’s shareholding to 11,846,808 shares in the Company. At the same time, WESCT also disposed of its 1,503,514 shares held in King Country Energy Limited.
5. In January 2014 WESCT became the 100% shareholder of the Company.



### Trust Ownership & Returns to Beneficiaries

WESCT receives discounts from the Company that are now distributed by way of five-month then seven-month discount credit to a beneficial customer’s account. For the year ending the 31st of March 2020, the Trust delivered a discount of \$5.6 million as a return to the beneficial customers.

The Trust reviews its ownership structure every six years; therefore, reviews were carried out in 1996, 2002, 2008, 2014 and 2020. Each review requires a poll of all beneficial customers, and the outcome continues to report more than 84% of customers supporting the retention of Trust ownership. Under the terms of the Trust Deed, the next review is due to be undertaken in September 2026.

## Trustees

The Trust is administered by six Trustees, apart from the years ended 2009 and 2010 where there were only five Trustees. For recognition as a wholly-owned Trust, customers must have elected all Trustees, and there was a conflict between the Trust Deed and the 2008 amendments to the Commerce Act. The Trust resolved not to appoint an “appointed trustee” to avoid breaching the legislation. An investigation, however, concluded that due to the election process of the “B” Trustees, WESCT was not recognised as being wholly-owned (under the Commerce Act) in any event. In April 2010, therefore, WESCT resolved to continue to appoint an “appointed trustee” to the Board.

The trustee election process is as follows:-

(a) **Three (3) “A” Trustees**

These three Trustees are elected by postal vote of beneficial customers. The position expires after three years which will be the 30th of September 2023. The “A” Trustees are Erin Gray of Te Kūiti, Janette Osborne of Waitomo, and William Oliver of Te Kūiti.

(b) **One (1) “Appointed” Trustee**

The elected “A” Trustees jointly appoint the Trustee to this position. The current “appointed” Trustee is Carolyn Christian of Ōtorohanga. This position expires on the 30th of September 2023.

(c) **Two (2) “B” Trustees**

Major beneficial customers elect these two Trustees. The position expires after three years. Cathy Prendergast of Arohena and Peter Keeling of Te Kūiti, currently hold these positions which expire on the 31st of March 2022.

## WESCT and The Lines Company Limited

The Trustees monitor Company performance by way of an annually agreed Statement of Corporate Intent.

The Trustees appoint the Directors of the Company and monitors their performance through annual reviews. Directors are required to retire by rotation and may offer themselves for re-appointment. The Board of Directors is responsible for the day to day management and operations of the Company, which is not the responsibility of the Trust.

The Trust expects the Company to strive for maximisation of beneficiary benefit and ensuring quality of supply. In their decision-making role, the Trustees are continually mindful of their vision “Growing and enhancing our community asset for the sustainable benefit of the Trust beneficiaries, now and in the future”.

The Trust Deed contains specific requirements regarding the functions and operations of the Trust, a copy of which is available to the beneficial customers.

Visit the website [www.thelinescompany.co.nz](http://www.thelinescompany.co.nz) for further information on The Lines Company Limited.