2022

Tauākī Whakamaunga Atu Rangatōpū

Statement of Corporate Intent

the lines company

Te Hono ā-Hiko

Helping people thrive

The energy sector is rapidly transforming. We continue to provide a safe, secure supply of electricity to the region and successfully manage the impact of new technologies.

Evolving customer needs are generating a change in the way our network and related services are used, we're gearing up for this change — now and into the future.

Our customers have greater choice and autonomy than ever before brought about through innovation. We are seeing a significant uptake of electric vehicles, residential consumers are becoming electricity generators through the installation of solar panels on their homes, industrial consumers are working toward electrifying their plant, transport companies are looking to shift towards hybrid technologies, we're experiencing increased demand on network due to population and commercial growth, and soon customers will actively trade their battery stored energy across our network.

As kaitiaki (guardians) of the region's electricity system, we're enabling our customers to benefit from sustainable energy transformation by actively supporting their energy choices and efforts to decarbonise through electrification.

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He kōrero whakataki
Introduction

This Statement of Corporate Intent sets out our intentions and objectives for our Network business, as well as those of our subsidiary, Influx Energy Data, for the 2022-2023 financial year.

Our targets reflect the expectations set out by our shareholder, Waitomo Energy Services Customer Trust (WESCT) whose Letter of Expectation is on page eight.

The operations of The Lines Company (TLC) Group are governed by a Board of Directors, and the Directors use this Statement of Corporate Intent (SCI) to guide strategic objectives and initiatives, and to monitor performance against key performance indicators (KPI). It is also a key reference document for discussions between WESCT Trustees and TLC's Board.

The document complements several other publications provided to WESCT Trustees throughout the year including:

- Annual Report
- Quarterly Reports
- Half Yearly Report

The KPI targets within this SCI mirror discussions between WESCT Trustees and TLC's Board on the vision, purpose, strategic outcomes and initiatives, our role within the community, and financial outcomes.

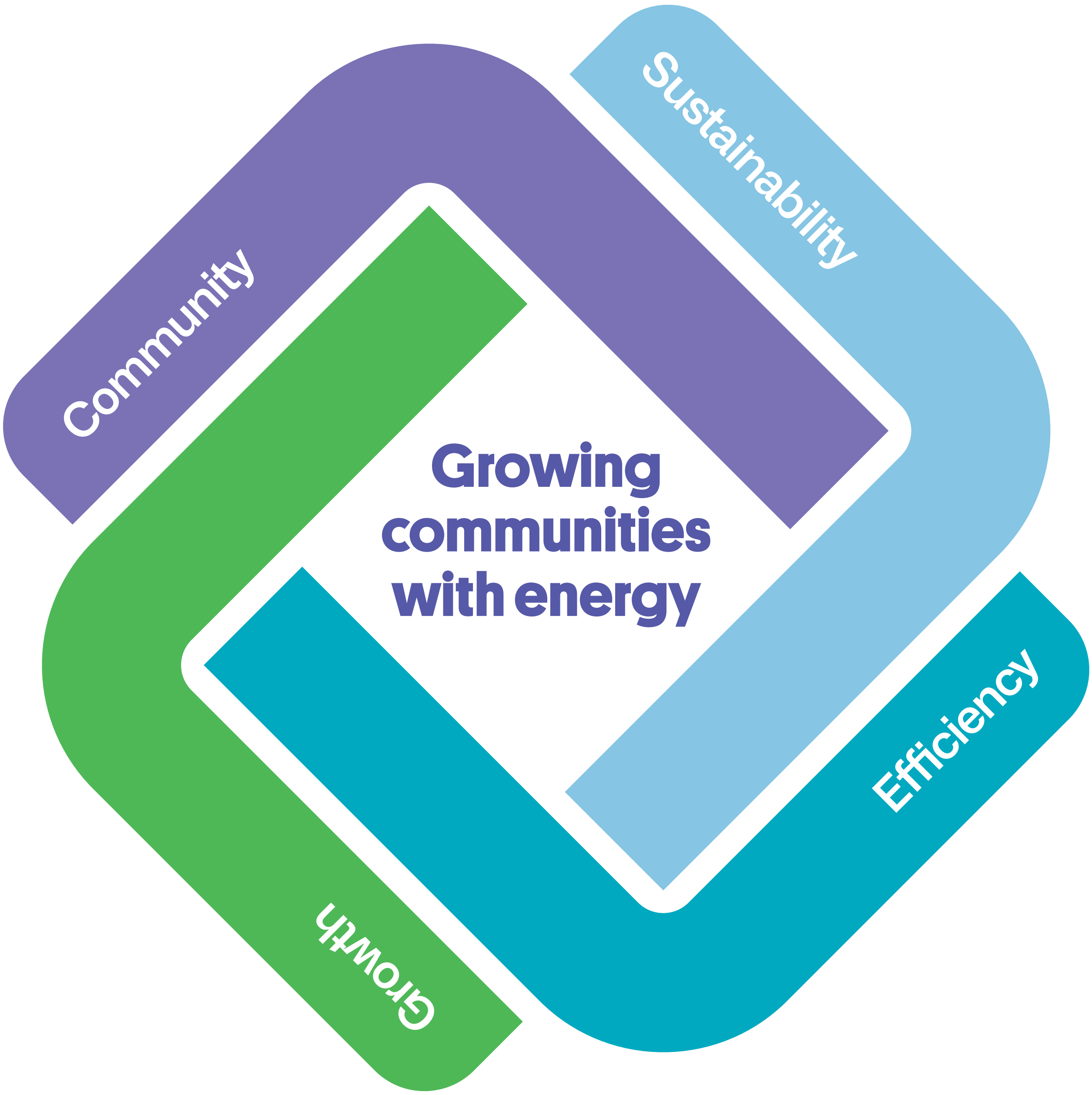
This SCI is a public commitment to our customers, to our wider community and to our partners across the sector.

Marokopa Village

Te tirohanga whakamua

Vision

Our vision is to grow communities with energy as we continue to improve for the benefit of people in the King Country, through the provision of safe, reliable, and innovative energy services.



We are vital to the supply of electricity. Our purpose is to support and facilitate business and community growth, to protect our environment, innovate what we do, and make energy accessible for all — we're helping people thrive, now and into the future.

The long-term aspirations of the business are to:

- Operate a safe and reliable future-proof network which serves generations to come.
- Generate diversified revenue from within the energy sector, both within and outside of the region.
- Facilitate decarbonisation of the region through long-term enablers.
- Continue to be a significant employer and community benefactor for those living in the region.
- Strive to generate benefits to WESCT equal to lines charges generated from within the WESCT network area.

We will deliver on our purpose by focusing on four pou. In Māori a pou, or post, is made from a tree and re-erected in another place to make a statement — in this context, the pou represent our strategic pillars or focus for community, sustainability, growth and efficiency. This SCI outlines the strategic objectives and initiatives centred around these pou.

Ko wai mātou
Who we are

TLC is an electricity distribution company. On behalf of our shareholder we own, manage and maintain the energy network that connects around 24,000 homes and businesses to the national grid.

We keep our communities connected by ensuring electricity is safely and reliably available to homes, farms, businesses and community facilities throughout the King Country and Central Plateau.

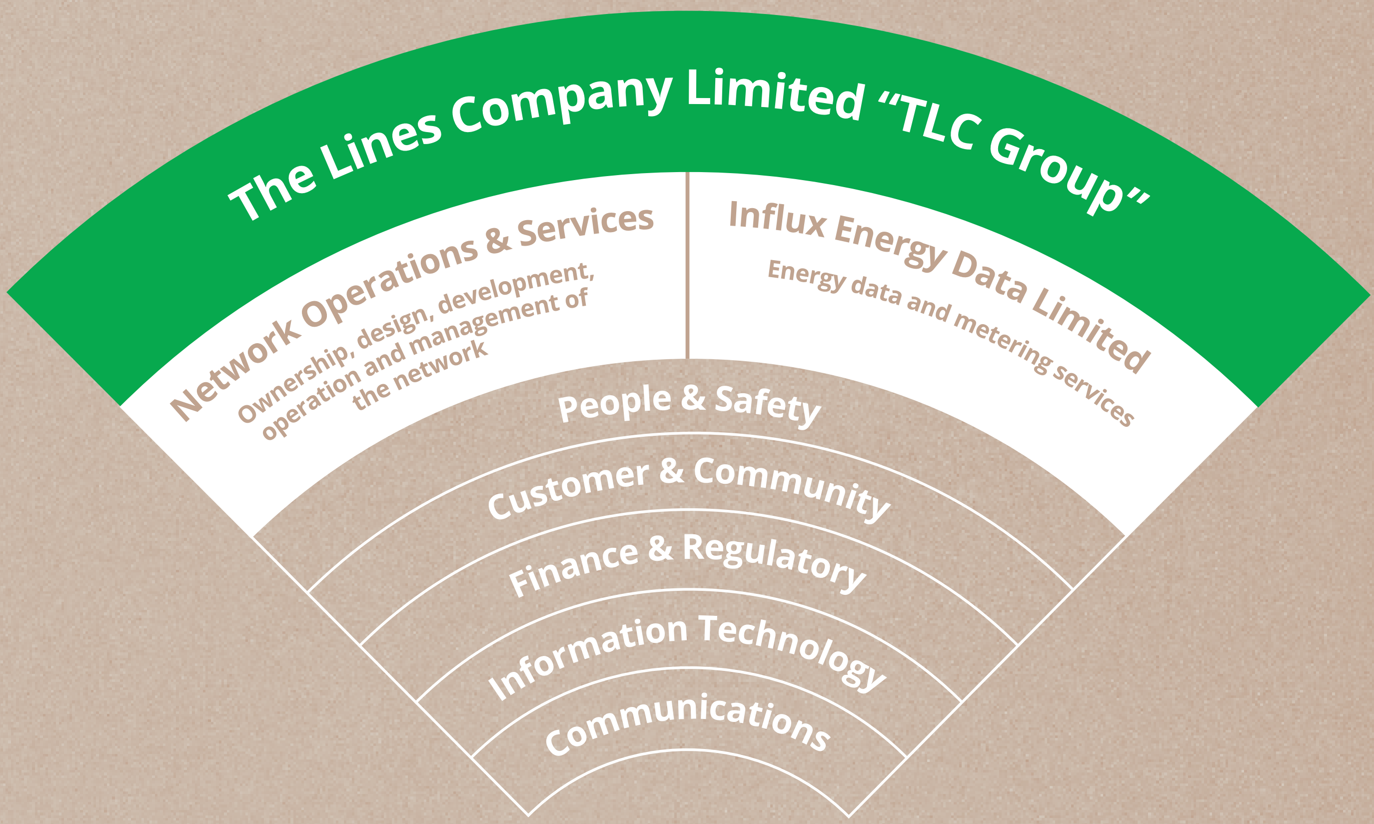
Our assets include power lines, poles, cables, substations, transformers, and other infrastructure. TLC is also the sole shareholder of Influx, an electricity metering business with a growing national presence.

The primary objective of the TLC Group is to provide a safe, secure and reliable supply of electricity, while operating as a successful and sustainable business for the benefit of WESCT Customers who are customers in the northern part of our network.

For the Network Operations and Services part of the business, our charges are regulated by the Commerce Commission. Their role is to ensure we provide our customers with an appropriate level of service while receiving a fair rate of return for the assets we own and manage on WESCT's behalf.

In addition, non-regulated revenue is generated through our subsidiary, Influx. With a quarter of a million electricity meters nationwide, Influx plays a critical role in the electricity industry as the fourth largest metering company in New Zealand. The business offers a range of energy data and metering services which provide an important source of non-regulated income for the Group.

Company structure



External considerations

As we enter the 2022–23 financial year, we are acutely mindful of external issues largely beyond our control. They include:

- The ongoing impact of the COVID-19 pandemic upon our staff, our operations, and our wider community.
- The impact of inflation upon our customers, as well as on our own financial management, projections, and key performance indicators.
- Resource constraints including staff and skill shortages, as well as increasing pressure on supply chains.
- Increasing expectations and opportunities around environmental performance.
- Regulatory changes, including the next phase of the Default Price Path Input Methodologies being developed by the Commerce Commission.

Letter of Expectation | Reta Whakatakoto Tūmanako

from Waitomo Energy Services Customer Trust (WESCT) to the TLC Board of Directors

Tēnā koutou katoa, TLC Board of Directors

The Waitomo Energy Services Customer Trust ("WESCT") thank the Board for the opportunity to provide a Letter of Expectation to assist the development of the 2022-2023 Statement of Corporate Intent.

WESCT would like to recognise the mahi that the whole TLC team has achieved in improving the network reliability, developing and generating off-network investment and income whilst increasing its positive relationships with the communities serviced by the network. COVID-19 has added an extra challenge to this mahi.

WESCT would like to confirm its previously stated positions around:

Kaitiakitanga — Custodianship

Whakatipu — Growth

Ngā Whakawhitinga — Communications

Hapori — Community

Hauora me te Haumaru — Health and Safety

Although TLC moved to a "one-bill" with customers being charged their lines charges by their respective retailers, we still see the above concepts as core aspects of the day-to-day TLC business that the Board and senior management team will continue to lead on.

Under the "one-bill" system, there will be less direct communication with WESCT and non-WESCT customers. Therefore, WESCT would like TLC to consider opportunities for joint communications on subjects that enhance the Company's role in the community.

Further to the customer focus, the Trust also believes there needs to be a similar focus on providing increased benefits to the owners of the TLC business – namely by way of the payment of discounts to the WESCT customers or dividends to the Trust, but also recognising the investments TLC makes in the community. An ultimate long-term goal would be for the benefits to the owners to equal the lines charges generated from within the WESCT network area.

The Trust would like to see strategy development that could take the TLC business in this direction, building on the development and success that the off-network Influx business brings to the overall business.

Additional to that investment, WESCT also acknowledges that TLC will likely be making further investments in the network as the demand for electric vehicles and DER connections increases.

With this background, we confirm our expectations for TLC are similar to previous years. As a diligent shareholder, we wish the Board to consider the following in its preparation of the 2022-2023 SCI:

1. There is a strong expectation that TLC is a safe and healthy place to work and that the Company makes every effort to keep both staff and the general public safe. Therefore, not only shall the Company meet all government requirements and regulations, but actively promote a fully integrated health, safety and wellbeing culture through the organisation.

2. The Company will continue their strong focus on building and maintaining assets for the long-term and on future-proofing the network to meet the changing technology needs of our community. In addition, risk management should continue to be a top priority, and TLC should continually seek to improve network performance.
3. The Trust expects the TLC Board to act with integrity and comply with all laws and regulations, including quality of (electricity) supply requirements and action government targets regarding sustainability and climate change.
4. TLC will continue to support local social initiatives and regional development. TLC will consider energy hardship and affordability by engaging to reduce these and actively promote energy education, specifically through the Maru Energy Trust.
5. As a large local employer, support education and training opportunities that can assist local staff in achieving internal promotions, specifically at a management level. We wish for TLC to promote equal opportunity and diversity across the TLC team, and we support the TLC initiative toward providing a living wage.
6. TLC to be resourceful and innovative with its operations. The Company should work collaboratively to provide reliable, safe and cost-efficient services while making the reliability of supply a top priority.
7. Existing and new investments outside the core distribution network should contribute to the Company's profitability and provide visible benefits to the WESCT customers. Any new investments should be carefully considered, regularly reviewed and clearly enhance the Company's long-term viability and its future ability to increase discounts to WESCT customers.
8. The Board will prudently manage debt levels and interest rate risk.
9. Within the above framework, WESCT wants to lower the net electricity cost to WESCT Customers on a sustainable basis while maintaining a strong balance sheet.
10. WESCT request the Board provide a net dividend payment of $300,000 during 2022/23 to allow the Trust to undertake its required operational activities during the year.

Nāku iti noa, nā

On behalf of the Waitomo Energy Services Customer Trust

Peter Keeling
Chairperson

WAITOMO ENERGY SERVICES CUSTOMER TRUST

As kaitiaki of a significant community asset we will retain and grow our absolute commitment to sustainability.

Sustainability Toitūtanga

Marokopa Falls

We will continue to be an economic enabler, generating positive and sustainable long-term outcomes for our customers, community and people living on the land.

To deliver a successful future, our business must be resilient and sustainable. We will achieve ongoing sustainability through several measures including decarbonisation, asset management, caring for the environment, embedding te ao Māori within our business, and continuing to improve our people, capacity, capability, and culture.

Decarbonisation through electricity

In 2022, we will review how we best support regional decarbonisation. We will develop a decarbonisation programme for residential and business customers by defining our role and how we could share our skills and expertise to help drive the shift to electrification. We will actively lead an education and advocacy programme for residential customers to enable and encourage a decrease in energy consumption and CO_2 emissions.

Asset management plan

The growing emphasis on decarbonisation, and on offering customers greater choice, will be reflected in our Asset Management Plan (AMP) and will continue to evolve as we move to meet customer needs. Appropriate management of our assets will support growing demand across the region brought about by decarbonisation and underpinned by our investment and procurement strategy. Our Network AMP will see a 31% uplift in capital spend when compared to previous years and will be around $218 million over 10 years.

Environmental custodian

Over the next two years, we will develop and implement a new environmental plan to ensure we act sustainably and reduce the impact we have on the environment.

We will prioritise initiatives and activities which deliver the greatest good. Engagement frameworks for working with landowners, carbon bench-marking, environmental audits, and other sustainability efforts will all form part of the over-arching plan.

Te ao Māori lens

We acknowledge the connection mana whenua have to the land and will seek to actively partner with them to protect and care for our environment. Our sincere efforts to embed te ao Māori within the organisation will continue so that we better reflect our workforce, our community and ngā kaupapa (principles) we are seeking to role model.

Our people, capacity, capability and culture build

Over the next 12–24 months, we will actively grow our people capability and capacity. Our human resources programmes will create organisation-wide capability through structure, training and development, the recruitment and retention of staff, and the introduction of a new way of working through agility. Some key highlights include:

- Implementation of an Employee Value Proposition unique to TLC.
- Aligning capability and competency to meet the needs of the organisation-wide strategy to ensure we have the right people and skills in place to enable growth.
- Our culture will deliver agility, so we quickly become 'fast-followers' within the energy sector. We will redefine our culture working with those in the business, to deliver agility, adaptability, knowledge, and efficiency.

31%

uplift in capital spend when compared to previous years and will be around $218 million over 10 years

Growth helps us to acquire assets, attract new talent and fund investment into our network and our community. Through growth we can expand our products and services to deliver energy to customers, the way they want it.

Growth

Whakatipu

Residential subdivision at Ōtorohonga

Our focus on growth is resolute. We will continue to deliver value from outside the region, expanding Influx's services with new and innovative products and services. We'll look to augment our Network Services offering and position our business for growth as we focus on decarbonisation through electrification.

Network investment for decarbonisation

We will use the immediate future to ready our business to enable regional decarbonisation, while we manage the impacts of COVID-19 and maintain a critical focus on keeping our people and community safe.

Our decarbonisation efforts will bring value and benefit to customers through the provision of choice and equitable outcomes. We will engage and encourage customers to participate in a range of decarbonisation initiatives including energy efficiency practices, community solar schemes, rooftop solar installations, electric vehicle uptake, and widening energy retailer options.

We will also continue to prioritise reliability of supply including initial planning for a significant upgrade of the Hangatiki grid exit point. There will be increased investment in asset renewals, specifically in substations and lines to ensure we are able to support our customers' move toward decarbonisation. The coming year will see the completion of the ground mount transformer programme as well as further safety-related upgrades.

Network revenue and performance

For the coming year we are targeting a 3% improvement in our unplanned System Average Interruption Duration Index (SAIDI) measure, meaning less unplanned outage time for customers. These targets are based on planned network improvements we are making during the year.

Consumer-focused energy products and services

Over the coming three years, we will ensure customers can access energy services the way they want them. We will develop and implement product plans across the group to identify and develop profitable customer-focused solutions. Supporting go-to-market roadmaps will provide clarity of our sales, services and customer focus as we look to grow our businesses. Central to this is the development of key customer-insights, to be obtained through facilitated research, customer and data analysis, and quality account management.

Delivering value from outside the region

Influx is expected to grow by winning new business and expanding into new markets, increasing its metering base and delivering revenue from outside the network region. Work will continue to strengthen relationships with independent retailers as well as extend the life of existing assets. The energy data business will grow value added services, investigate new and emerging markets, and continue to invest in infrastructure and platforms.

Growth through acquisition

The Group will actively look to achieve growth through targeted acquisitions and collaborative market development in the mid-term. We will define our investment risk portfolio and establish dedicated mergers and acquisitions activity within the energy sector.

Driving innovation

We will deliver further value through innovation by defining the scope for an on-network innovation hub where we combine the best of internal resources and 'open-source' innovation. Known as our 'innovation sandpit' we will collaborate and innovate with industry, private sector, customers, regulators, and key stakeholders to develop new products and services, including intellectual property.

Community
Hapori

We are deeply and proudly rooted in our communities. In the coming year, we will continue to extend and strengthen our community connections, delivering energy safely and reliably so people can prosper and thrive. ‘Community’ also extends beyond the region to our greatest asset, our people.

Ōtorohanga Menz Shed, recipients of TLC sponsorship funding

When our communities thrive, we succeed. Our customer, community and sponsorship programmes support a wide range of initiatives to ensure we remain closely connected to those living in our region. These include a customer-centric focus on energy accessibility, ongoing community engagement, and an ardent focus on safety.

Safety

Safety for our staff and the wider community will remain our number one priority. We will continue ongoing improvements to our Health and Safety Management System, taking into account the additional challenges from COVID-19 while we rollout Kotahi modules. There will be a particular focus on wellness, noting the potential of increased risk from COVID-related fatigue and our strong desire to build rewarding and sustainable careers. We will be proactive and take all practicable steps to promote an accident and incident-free workplace.

Pricing and regulation

Our pricing methodology and policies ensure our revenue is within allowable levels under the Commerce Commission's Default Price Quality Path (DPP) settings. We will actively participate in the current review of the DPP input methodologies and develop a new Pricing Policy which will look to reduce price categories and harmonise with pricing categories across the Northern Energy Group. Our goal is to deliver fair and simple pricing for all customers on our network.

Lowering energy costs to customers

We recognise not all customers can, on their own, lower their energy footprint. We will focus on enabling and advocating for energy solutions which provide choice, and which can be implemented to help those who need help most. We will continue to work alongside our large customers to assist them in reducing their energy footprint. Extending beyond network customers, we will reach into schools across the King Country to deliver future energy programmes, ensuring the next generation are energy aware. Working with retailers, we'll actively encourage competition and region-specific products and services which benefit customers on network.

Engaging communities

This year will see a stronger focus on community advocacy, plus ongoing improvement of processes that deliver a better customer experience. We will invest in upgrading and digitising our customer relationship management systems and will aim for higher levels of customer satisfaction. This includes the delivery of energy support and education, and energy saving equipment through the TLC supported Maru Energy Trust (Maru). A dedicated customer engagement team will work directly with key stakeholders including our highly valued Customer Service Panel.

This year we will refresh our sponsorship and community support programmes. We have budgeted to invest $400,000 into community activities and initiatives including $150,000 to support the work of Maru, $30,000 for our Inspiring Local Minds Scholarship programme, $30,000 in contestable sponsorship funding, $45,000 for energy efficiency and education programmes, and $160,000 to support local events, special projects and partnerships.

Working closely with WESCT Trustees, we'll proactively highlight the role our business, and that of WESCT, play across the community. This extends beyond our sponsorship programmes, and into homes and businesses as together we look to roll out initiatives focused on benefiting those on network.

Over the next two years Influx will create a stronger community profile, specifically aligned with key customer (retailer) values, as we develop sponsorship, scholarship, social products and services, and staff volunteer initiatives.

$400k

Budgeted to invest into community activities and initiatives

Being efficient in our day-to-day operations improves productivity, increases output and eliminates time-consuming tasks. Being efficient enables us to get work done, faster and more cost effectively, on behalf of those we serve.

Our plans to continue digitising our workplace, raising productivity through automation, and partnering with others will ensure we become more efficient than ever.

Digital first automation

This year we are budgeting to invest close to $5m in systems and technology, including upgrading and digitising information. Our business is striving toward a more automated and digitised environment. Our digital-first mindset will deliver an improved customer experience and help us focus on improving our efficiency, empowering our people through access to high quality data, which in turn enables well informed business decisions to be made. We'll continue to maintain our high standards of data security and privacy as part of this work. Through the creation of our digital first thinking, we'll collectively define the goals we want to achieve and plot our digital transformation roadmap.

Influx will continue to invest in process optimisation including the roll out its Field Service Tool Project which enables field staff to scale work quickly with fewer resources.

Operational efficiency through collaboration

Collaboration with others will be a strong focus as we leverage forums like the Northern Energy Group to drive improvements across the sector. This includes joint development of policy, sharing of information and the implementation of consistent standards. Closer to home, we will explore synergies with Waipa Networks, we will strengthen our engagement with Iwi and work with the Energy Efficiency and Conservation Authority and the Ministry of Business, Innovation and Employment on projects to benefit our customers and help us achieve our own objectives.

Efficiency
Tōtikatanga

Performance targets | Ngā whāinga whakatutukitanga

Key Performance Indicator	Provisional 2021/22	Target 2022/23	How we will be measured
Custodianship			
Return on Average Assets	3.8%	4.1%	Return on Average Assets (before customer discounts)
Return on Average Equity	6.2%	6.5%	Our return on Average Equity (before customer discounts)
Equity Ratio	50.4%	No less than 40%	Our Equity Ratio
We will meet all expectations under the TLC Discount Policy	$4.1m	$4.2m (based on expected customer usage)	Payment of TLC Discount to WESCT Customers
We will meet all expectations under the TLC Dividend Policy	$300k	$300k	Payment of dividend to WESCT
Group Debt (including subordinated debentures)	$82.1m	$77.7m	By reporting on the $ value of borrowings including subordinated debentures
Average Cost of Debt	3.11%	3.00%	Average % cost of debt
Community			
We will invest in local initiatives aligned to our key focus areas of partnerships, scholarships, sponsorship, community events and Maru Energy Trust	$402k	$400k	We will measure and report on our scholarships, sponsorship, Maru Energy Trust and community funding investments
Customer Satisfaction	59%	65%	Customer satisfaction survey result is >65% overall satisfaction
We will invest in Maru Energy Trust to support homes across the network	259 insulation installations 203 heat pump installations	200 insulation installations 250 heat pump installations	We will report quarterly on progress
Performance			
Reliability — Unplanned SAIDI	159 minutes	152 minutes (max)	Calculation based on Default Price Path Annual Compliance Statement (target taken from 2022 AMP)
Reliability — Unplanned SAIFI	2.8 interruptions	2.6 interruptions (max)	Calculation based on Default Price Path Annual Compliance Statement (target taken from 2022 AMP)
People			
No serious harm injuries	Nil	Nil	We will investigate the reasons behind any injury to mitigate or remove future risk
Reduce the number of Critical Risk Incidents	11	Incidents related to Critical Risk categories to reduce by 10%	We will measure and report incidents against each critical risk as a basis for future trend reporting
Sustainability			
Environmental	NA	10%	We will reduce our carbon and energy footprint by 10% on a comparable basis to FY22
Cultural	NA	100%	We will introduce company-wide tikanga Māori and te reo Māori programmes for all staff

Financial Forecasts (000's)

TLC Earnings

Earnings (before customer discounts)	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Revenue	64,230	66,432	69,925	67,565	69,268	70,414	73,217
EBITDA	36,638	35,756	35,986	36,477	38,123	38,437	40,456
EBIT	15,017	17,759	17,085	18,141	20,536	19,597	20,785
Interest	2,637	3,281	2,621	2,318	2,102	2,386	2,531
Profit after tax	8,787	10,361	10,405	11,337	13,274	12,393	13,144
Return on average assets	3.6%	4.2%	3.8%	4.1%	4.5%	4.1%	4.2%
Return on average equity	6.1%	6.9%	6.2%	6.5%	7.2%	6.4%	6.5%

Earnings (after customer discounts)	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Revenue	64,230	66,432	69,925	67,565	69,268	70,414	73,217
Less Customer discounts	(3,800)	(4,005)	(4,066)	(4,200)	(4,301)	(4,448)	(4,671)
Net revenue	60,431	62,427	65,859	63,365	64,967	65,965	68,546
EBITDA	32,839	31,751	31,920	32,277	33,822	33,988	35,785
EBIT	11,217	13,754	13,019	13,941	16,235	15,149	16,114
Interest	2,637	3,281	2,621	2,318	2,102	2,386	2,531
Profit after tax	6,051	7,477	7,477	8,313	10,177	9,190	9,781
Return on average assets	2.7%	3.3%	3.2%	3.2%	3.6%	3.2%	3.3%
Return on average equity	4.2%	5.0%	5.1%	4.8%	5.6%	4.8%	4.8%

Group Revenue before TLC discount	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
The Lines Company							
Network revenue	42,273	45,131	46,240	46,809	47,935	49,578	52,058
Network services	1,471	2,062	2,636	2,595	2,673	2,622	2,674
Generation Revenue	2,405	312	1,257	–	–	–	–
Total TLC Revenue	**46,149**	**47,505**	**50,133**	**49,405**	**50,608**	**52,200**	**54,732**
Influx							
On Network revenue	2,636	2,684	2,691	–	–	–	–
Meter reading (OTA and manual)	1,217	1,528	1,166	1,092	1,124	1,147	1,170
Off Network revenue	3,369	3,886	3,815	7,409	8,977	10,918	13,020
GoodMeasure	133	142	122	129	133	136	139
Legacy Metering	10,952	10,727	12,058	9,530	8,425	6,012	4,155
Total Influx Revenue	**18,308**	**18,967**	**19,852**	**18,160**	**18,660**	**18,214**	**18,484**
Consolidation entries							
Consolidation entries	(227)	(39)	(60)	–	–	–	–
Group Revenue	**64,230**	**66,432**	**69,925**	**67,565**	**69,268**	**70,414**	**73,217**

TLC Group Balance Sheet

Balance Sheet	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Cash	1,017	1,542	6,410	1,480	1,537	1,580	1,677
Other Current Assets	8,869	8,669	9,388	10,538	10,700	10,930	11,299
Non-current Assets	295,930	288,913	300,267	305,707	323,935	339,109	348,500
Other Financial Assets							
Total Assets	**305,816**	**299,124**	**316,065**	**317,725**	**336,172**	**351,619**	**361,476**
Current Liabilities	15,072	10,921	7,087	7,670	7,262	7,195	7,518
Deferred Tax	50,477	49,644	56,386	54,147	54,541	54,840	54,647
Bank Loans	89,012	81,610	79,132	74,710	83,297	89,626	89,875
Subordinated debentures & Minority Interest Loans	3,950	3,000	3,000	3,000	3,000	3,000	3,000
Shareholder Funds	147,305	153,949	170,459	178,197	188,071	196,958	206,436
Total Equity and Liabilities	**305,816**	**299,124**	**316,065**	**317,725**	**336,172**	**351,619**	**361,476**

TLC Cash Flow	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Operating Cash Flows	34,220	40,770	38,081	36,969	32,416	33,090	34,522
Capital Expenditure	(28,895)	(27,587)	(17,492)	(32,976)	(36,345)	(34,627)	(29,703)
Debt Movements, net	(1,667)	(8,353)	(10,830)	(4,422)	8,587	6,328	249
Dividends/Discounts	(4,050)	(4,305)	(4,366)	(4,500)	(4,601)	(4,748)	(4,971)
Net Cash Movement	**(392)**	**525**	**5,392**	**(4,930)**	**57**	**43**	**97**

Return on Average Assets	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Return before discount	3.6%	4.2%	3.8%	4.1%	4.5%	4.1%	4.2%
Return after discount	2.7%	3.3%	3.2%	3.2%	3.6%	3.2%	3.3%

Return on Equity	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Return before discount	6.1%	6.9%	6.2%	6.5%	7.2%	6.4%	6.5%
Return after discount	4.2%	5.0%	5.1%	4.8%	5.6%	4.8%	4.8%

Debt	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Subordinate debentures	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Minority Interest loans	950	–	–	–	–	–	–
Bank Loans	89,012	81,610	79,132	74,710	83,297	89,626	89,875
Total	**92,962**	**84,610**	**82,132**	**77,710**	**86,297**	**92,626**	**92,875**

Dividends	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Dividends	(250)	(300)	(300)	(300)	(300)	(300)	(300)

Discounts	2021 PY	2022 SCI	2022 Current Forecast	2023 Budget	2024 Budget	2025 Budget	2026 Budget
Posted discount	(3,800)	(4,005)	(4,066)	(4,200)	(4,301)	(4,448)	(4,671)
Total discount	(3,800)	(4,005)	(4,066)	(4,200)	(4,301)	(4,448)	(4,671)

Accounting policies and compliance | Ngā ture tatau

Accounting Policies

The Company's accounting policies will comply with the legal requirements of the Companies Act 2013 and the Financial Reporting Act 1993. The accounting policies will be consistent with those adopted by the Company in its Annual Report to 31st March 2022, which comply with International Financial Reporting Standards (IFRS).

Distribution of Surplus

In setting any proposed dividend or discount, the intergenerational nature of our assets is considered, and a balance is struck between any discount that may be paid to WESCT Customers, dividend paid to the Trust and our debt position. This approach aims to fund investment in assets by the customers that will use them on an ongoing basis, whilst ensuring current WESCT Customers are able to recognise an appropriate return on the investment held on their behalf. Surplus funds from the operations of the business shall first be applied to:

1. Renewal of existing assets.
2. The prudent management of debt. The prudent management of debt includes consideration of debt repayment related to asset lives, dividend maintenance, and having regard to the Company's equity ratio.
3. Funding for network and business investments. WESCT Customers receive discounts on prices for their lines service charges and WESCT receive a dividend from TLC.

Dividend Policy

The value of the dividend will be aligned with expected running costs of WESCT and consider the funds already held by the Trust.

Discount Policy

The discount to WESCT Customers for the 2023 financial year has been included as a posted discount on prices in the pricing schedules as notified on the TLC website. The Discount Policy describes the methodology to determine the value of any discounts that are periodically applied to WESCT Customer accounts. The Company will provide discounts to WESCT Customers on an annual basis. The discount will be up to 15% of revenue subject to:

- The Equity ratio forecast being not less than 50% in the following three years;
- Banking and other funding covenants that the company is subject to being met;
- Sufficient funding being available for prudent management of the company's debt;
- Funding being available for the renewal of existing assets or investment in network or business assets.

Discounts will be applied by way of discounted prices to WESCT Customers and will be based on the volumes as billed to those customers over the period. Discounts will be credited to customers' electricity retailer accounts twice a year or paid directly to customers we bill directly. Discounted prices will be advised to customers 20 days prior to the start of the financial year to which the discounted prices will apply.

Information to be provided to the Shareholder

1. Updates will be provided on key issues.
2. Quarterly report from the Chair/Group Chief Executive followed by meetings to discuss.
3. Half year reports will be delivered to the Company's Shareholder within three months after the end of the half year. These reports will comprise:
    - A report from the Directors covering the operations for the half year, and
    - Un-audited consolidated financial statements for the half year.
4. The Annual Report will be delivered to the Company's Shareholder within three months of the end of each financial year and will comprise:
    - A report from the Directors covering the operations for the year;
    - Audited consolidated financial statements for the financial year; and
    - Auditor's report on the financial statements and the performance targets (together with other measures by which the performance of the Company has been judged in relation to the Company's objectives).
5. Draft Statement of Corporate Intent (SCI) is required to be delivered to the Company's Shareholder within one month after the end of each financial year with a final SCI delivered to the Shareholder within three months of the end of the financial year. The final report is to be made available to the public within one month of the final version being delivered to the Shareholder.

Procedures for Acquisition of Shares in Other Companies or Organisations

As a general policy, any proposed share investment by the Company will be required to meet the same criteria as any significant capital expenditure. In addition, the questions of control and risk will be addressed. TLC will actively engage with WESCT around divestment and investment opportunities as outlined in the WESCT Trust Deed. All investment proposals will be considered by the Company's Board of Directors. If the quantum or value of the proposal makes it a Major Transaction as defined by the Companies Act 1993 or the WESCT Trust Deed, then Shareholder approval to the proposal will be sought. For transactions with a value in excess of 10% of the Company's equity, but below that required for a major transaction, the Company will, at least 10 business days prior to the Company entering into any such transaction, supply to the Shareholder a report which, in the opinion of the Directors, gives reasonable particulars of:

- The estimated size of the transaction;
- The benefits to the Company;
- The risks to the Company;
- The likely financial impact on the Company.

Transactions with related parties

The Energy Companies Act 1992 requires the Company to publish in its Statement of Corporate Intent the details of any transactions that the Company intends to enter into with any related company or any local authority that is a Shareholder of the Company. The Company's Network Services division provides electrical contracting services to Influx, the Company's metering subsidiary. Influx provides data services to TLC.

Procedure to Modify the Statement of Corporate Intent

The Statement of Corporate Intent may be modified by the Directors provided that they have first given the Shareholder one month to make comments on the proposed modification. As per the provisions made in Section 40 (2) of the Energy Companies Act 1992, the Shareholder may also resolve, at a general meeting of the Company, to require the Directors to modify the Statement.

The Shareholder must have regard:

- To the requirement that the principal objective of the Company is to operate as a successful business, and the desirability of ensuring the efficient use of energy;
- To the financial accounts and other reports the Company is required to prepare under Section 44 of the Energy Companies Act 1992; and the Shareholder must consult the Directors.

Glossary of Terms

AMP	Asset Management Plan
Assets	Total assets, less deferred tax assets
DPP	Default Price Quality Path
CO_2	Carbon dioxide
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax
Equity Ratio	Consolidated Shareholders Funds/Assets. Where: • Consolidated shareholder's funds comprise the total issued capital, the balance of undistributed profits and all revenue and capital reserves including revaluations, less any minority interests, plus subordinated debentures • Total assets comprise all recorded tangible and intangible assets of the Company valued at their carrying value, less deferred tax assets
Influx	Influx Energy Data Limited — a subsidiary of The Lines Company Limited
KPI	Key Performance Indicator
Maru	Maru Energy Trust
Net Assets	Total assets, less current liabilities
Network Services	A division of TLC focused on operating the network and growing revenue from it
Northern Energy Group	A selection of network operators in the North Island who share the belief that consumer voices need to be stronger in industry and government decision-making, and that their interests belong at the heart of our energy sector
Return on average equity	(EBIT multiplied by the applicable tax rate) divided by ((opening Net Assets plus closing Net Assets) divided by 2)
Return on average equity	(Profit for the year) divided by ((Opening Shareholder's Funds plus closing Shareholder's Funds) divided by 2)
Renewals	Replacement of existing property, plant and equipment either undertaken or committed to in the financial year
SAIDI	The System Average Interruption Duration Index (SAIDI) is commonly used as a reliability indicator by electric power utilities — SAIDI is the average outage duration for each customer
SAIFI	The System Average Interruption Frequency Index (SAIFI) is commonly used as a reliability indicator by electric power utilities — SAIFI is the average number of interruptions that a customer would experience
SCI	Statement of Corporate Intent
Shareholders' Funds	Shareholders' equity plus subordinated debentures
Surplus Funds	Net cash from operating activities less any increase in net cash due to temporary changes in working capital
TLC	The Lines Company
WACC	Weighted Average Cost of Capital
WESCT	Waitomo Energy Services Customer Trust

The Lines Company Limited

Company Number

578653

Directors (as at 30 June 2022)

B L Takiari-Brame (Chair)
M C Darrow (past-Chair, retired October 2021)
A D Johnson
C P Richardson
M C Underhill
D J Troon (retired April 2022)
T J Spencer (appointed May 2022)
F J Jonker (appointed June 2022)

Registered Office

The Lines Company Limited
King Street East
Te Kūiti 3941
New Zealand

Auditor

Pip Cameron of PricewaterhouseCoopers
has been appointed to perform the audit
on behalf of the Auditor-General

Solicitors

Tompkins Wake
Chapman Tripp
Forgeson Law
Harmos Horton Lusk

Postal Address

PO Box 281
Te Kūiti 3941
New Zealand

P 07 878 0600