2024 Annual Report to WESCT Beneficiaries

Waitomo Energy Services Customer Trust

Contents

Trustee Review

E ngā mana, e ngā reo, e ngā karangatanga maha, tēnā koutou katoa.

Greetings to all beneficiaries, authorities, members, and affiliations.

As Chair of the Waitomo Energy Services Customer Trust (WESCT), I am privileged to present this report on behalf of WESCT for the year ending the 31st of March 2024 (FY24).

Waitomo Energy Services Customer Trust

The core purpose of WESCT is to hold 11,846,808 shares in the Lines Company Limited (TLC) on behalf of WESCT beneficiaries. As a result of the work of previous Trustees, this represents 100% ownership of TLC.

Because of this ownership, WESCT beneficiaries received a discount from TLC of $4.3m during FY24. This sum excludes GST. For those not GST registered and treating the lines cost as a business expense, you would also have received GST on top of that sum.

Trustee Update

The Trustees at the end of FY24 were:

- William Oliver / Chair, “A” Trustee
- Cathy Prendergast / Deputy Chair, “B” Trustee
- Janette Osborne / “A” Trustee
- Yvette Ronaldson / “A” Trustee
- Guy Whitaker / “B” Trustee
- Erin Wirihana / “Appointed” Trustee

Guy Whitaker, Erin Wirihana, William Oliver, Cathy Prendergast, Yvette Ronaldson, Janette Osborne

WESCT Trustees 31 March 2024

The Trustees thank Carolyn Christian whose term as Appointed Trustee concluded on 30 September 2023. Carolyn was a real asset and the Trustees appreciated her work ethic, insightful contributions and her understanding of the community. Former A Trustee Erin Wirihana became Appointed Trustee on 1 October 2023, after William Oliver and Janette Osborne were re-elected and Yvette Ronaldson elected as A Trustees.

In FY24, the Trust had 19 core meetings, including 11 monthly Trustee meetings, strategy meetings, annual meetings, Director reviews and TLC Board meetings. Of the Trustees there for the entire year, individual Trustees each attended between 17 and 18 of these core meetings.

Trust functions

In FY24, the Trust continued to perform the key functions on behalf of its beneficiary customers, which covered:

1. Director review meetings;
2. Director remuneration review;
3. Preparation of a Letter of Expectation for inclusion in the Statement of Corporate Intent;
4. Discussion and acceptance of the 2024/25 Statement of Corporate Intent; and
5. Publicly reporting on both TLC and WESCT performance for the financial year.

In addition to the above, the Trustees continued work: creating standard operating procedures, reviewing the Trust Deed, communicating with beneficiaries and key stakeholders, working with other network trustees across Aotearoa and working alongside TLC to complete a Perpetual Debt Agreement after the successful application for a private ruling with IRD to utilise tax imputation credits.

TLC Director Update

FY24 saw the TLC Board operate with six Directors: Bella Takiari-Brame (Chair), Andrew Johnson, Craig Richardson, Fraser Jonker, Mike Underhill and Todd Spencer.

At every TLC annual general meeting, one-third of the Directors who have been longest in office retire by rotation. Retiring Directors, however, are eligible for re-election. At the TLC 2023 annual general meeting, the Trust was pleased to re-elect Andrew Johnson and Craig Richardson after they both retired by rotation and offered themselves for reappointment.

Financial Performance of the Trust

The Trust's income was $1m higher than the previous year at $1.4m, and due to:

1. Higher dividend paid by TLC (+$996k). The Trust paid $926k back to TLC as perpetual debt.
2. Higher interest from BNZ (+$10k)
3. Interest received from the perpetual debt (+$14k)

The operational expenditure was $441k, which was $11k lower than FY23. The overall level of expenditure in FY24 was within the budgeted amount set by the Trust, as expenditure can vary significantly from year to year.

The key areas of the decreased expenditure were:

1. Trust Deed Review (-$29k)
2. Consultancy Fees (-$20k)
3. Subscriptions and Licences (-$14k)
4. Audit Fee (-$8k)
5. Accountancy Fees (-$8k)
6. Communication expenses (-$8k)

The key areas of increased expenditure were:

1. Election/Poll Expenses (+$46k)
2. Secretarial and Trustee Fees (+$14k)
3. Legal Fees (+$13k)
4. Conference expenses (+$4k)
5. Travelling expenses (+$3k)

WESCT records an FY24 profit before tax of $961k (compared to a loss of $70k in FY23). Net profit after tax was $976k (FY23 $13k).

In FY24, WESCT entered into a perpetual debt arrangement with TLC. This arrangement is in light of the IRD binding ruling received. TLC will declare a dividend to WESCT, and WESCT will pay excess cash back to TLC through the perpetual debt. The Trust will earn interest income, allowing it to utilise existing tax losses. The Trust aims to operate as close to a breakeven position as possible and hold enough monies in reserve as contingency funds.

Financial performance of TLC

In June 2023, we confirmed the sale of TLC's wholly owned subsidiary, Influx Energy Data Limited (Influx), to Intellihub, New Zealand's second-largest metering provider.

A return on average equity before the TLC discount paid to WESCT beneficiaries was 21.7% compared to a target of 4.5%. The return is materially ahead of the target due to the sale of Influx.

As 100% shareholder, WESCT is pleased to acknowledge that TLC has achieved the following:

- Won the Community Initiative of the Year award at the 2023 Energy Excellence Awards
- Won the overall line mechanic competition as well as three separate category awards
- $42.5m profit
- $4.3m (excluding GST) paid to WESCT beneficiaries
- An investment of $400k in local sponsorships, scholarships, food banks and the Maru Energy Trust
- An investment of $20m in network improvements
- 140 staff employed by the Group
- A 50% reduction in critical risk incidents
- A 33% decrease in overall injuries
- Retaining 24,000 connection points on the network
- The sale of Influx Energy Data Limited

Statement of Corporate Intent (SCI)

Each year, the SCI is agreed upon with the Directors of TLC. The summary below is TLC's performance against the SCI targets extracted from the TLC annual report.

Key performance Indicator	Achieved	Actual	Target	Comments
Custodianship				
Return on average assets before customer discount	×	2.1%	3.4%	Return in SCI calculated with Influx in for 12 months.
Return on average equity before customer discount	✓	21.7%	4.5%	Return on equity materially ahead of target due to Influx sale.
Equity ratio	✓	60.9%	No Less than 40%	
TLC discount policy	✓	$4.3m	$4.3m	
TLC dividend policy	✓	$1.3m	$300k	Dividend exceed target due to the increase in perpetual debt
Group debt (including subordinated debentures)	✓	$45.0m	$93.4m	
Average cost of debt	✓	3.27%	4.5%	
Community				
Local initiatives investment	✓	$400k	$400k	
Customer satisfaction	×	54%	60%	Customer satisfaction was lower than target. However, we have seen an improvement in the percentage of customers who rate us as poor from 13% in the prior year to 7%.
Maru Energy Trust support homes across network	×	76 Insulation installations 63 heat pump installations	100 insulation installations 100 heat pump installations	Finding customers that meet requirements under EECA can be challenging. In addition, suppliers in the area are limited and to achieve numbers we have had to find new suppliers.
Performance				
Reliability – Unplanned SAIDI	✓	155.5 minutes	181.5 minutes (Regulatory limit 181.5 minutes)	
Reliability – Unplanned SAIFI	✓	2.16 interruptions	3.27 interruptions (Regulatory limit 3.27 minutes)	
People				
No serious harm injuries	✓	Nil	Nil	
Reduce the percentage of Critical Risk incidents	✓	50% Reduction	Incidents related to Critical Risk categories to reduce by 10%	

The future

TLC continues to make a difference for our beneficiaries and community through targeted returns, including increasing discounts and funds targeting reducing energy hardship and enabling community development and well-being through local initiatives like the Maru Energy Trust.

To future-proof the network, ongoing development is essential to build resilience whilst balancing capital expenditure against affordability. Strengthening network resilience is crucial to ensure a reliable supply amid the challenges posed by climate change, increased electricity demand from electrification, and avoiding regulatory fines, which customers ultimately pay if TLC breaches targets. This will require TLC to be an exceptional asset manager, making sound, data-based decisions that will serve people for generations.

TLC will not achieve this without investing in genuine partnerships and putting people first.

The sale of Influx Energy Data Limited mean that TLC is in a strong position to invest in the network. A $25 million budget for investment in the network in FY25 will focus on increasing network reliability.

Acknowledgements

Most importantly, I would like to acknowledge the WESCT beneficiaries. If you have read this report or are at the annual meeting, I thank you for taking an interest in our community's future and the part that WESCT and TLC play.

I want to thank all of the TLC staff. We acknowledge the team who worked hard during the last financial year and especially through the extreme weather events and the continual cleanup after Cyclone Gabrielle. Whether you were out working on the network or providing customer-facing help, working in operations, finance, regulatory, IT or one of the other numerous roles that contribute to keeping our communities connected, we appreciate what you do, especially getting the power back on during a storm when we are all tucked up in our homes. Thank you to the Senior Leadership Team and the Board. Your time and efforts during this and the prior period have led to strong financial results, which means TLC and WESCT are in a strong position to navigate the complex future challenges. Providing meaningful benefits to our beneficiaries while working through the challenges of Net Carbon Zero and network resilience now feels more achievable.

Thank you also to my fellow Trustees and Celina Yapp, who provides the Trust's secretarial services. The team completes a lot of work behind the scenes for something we are all very passionate about - the prosperity of our community and the part that affordable energy plays.

Tēnei te mihi ki a koutou katoa.

William Oliver

WESCT Chair

Trustees Report

The Trustees present the consolidated annual report of the Waitomo Energy Services Customer Trust for the year ended 31 March 2024, which is signed on behalf of the Trust by:

12 September 2024

William Oliver — Date
WESCT Chairperson

12 September 2024

Janette Osborne — Date
Trustee

Statements of Comprehensive Income

for the year ended 31 March 2024

	Note	Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Continuing operations					
Revenue from contracts with customers	1	45,242	47,176	-	-
Dividend income	25	-	-	1,296	300
Operating expenses	2	(29,746)	(29,869)	(441)	(452)
Depreciation and amortisation	9 & 10	(12,197)	(11,677)	-	-
Interest (costs)/income (net)	3	(176)	(2,740)	106	82
Total expenses		(42,119)	(44,286)	(335)	(370)
Profit/(loss) before tax		3,123	2,890	961	(70)
Income tax (expense)/income	4	(1,746)	(1,623)	15	83
Profit from continuing operations		1,377	1,267	976	13
Profit from discontinuing operations	11.2	40,823	5,611	-	-
Profit after tax		**42,200**	**6,878**	**976**	**13**
Profit for the year is attributable to:					
Equity holders of the company		42,200	6,885	976	13
- Profit for the year from continuing operations		1,377	1,274	976	13
- Profit for the year from discontinuing operations		40,823	5,611	-	-
Non-controlling interest from discontinuing operations losses	15	-	(7)	-	-
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Revaluation of property, plant and equipment		18,197	4,000	-	-
Deferred tax relating to revalued assets		(5,095)	(1,120)	-	-
Other comprehensive income for the year, net of tax		13,102	2,880	-	-
Items that may be reclassified to profit or loss					
Cash flow hedge reserves	14.2	(1,101)	972	-	-
Deferred tax relating to cashflow hedges	14.2	308	(272)	-	-
Other comprehensive (loss)/income for the year, net of tax		(793)	700	-	-
Total comprehensive income for the year		54,509	10,458	976	13
Total comprehensive income is attributable to:					
Equity holders of the company		54,509	10,465	976	13
Total comprehensive income from continuing operations		13,686	4,854	976	13
Total comprehensive income from discontinuing operations		40,823	5,611	-	-
Non-controlling interest from discontinuing operations losses		-	(7)	-	-

The Statements of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Statements of Financial Position

as at 31 March 2024

	Note	Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Current assets					
Cash and cash equivalents	6	32,872	2,863	111	354
Trade and other receivables	7	5,337	5,352	23	17
Contract assets	1	292	-	-	-
Inventories	8	1,318	1,529	-	-
Current tax asset	16	-	-	125	47
Other financial assets	24	18	-	-	-
Investment in term deposits	13.1	184	-	184	-
Assets held for sale	11.1	-	34,445	-	-
		40,021	44,189	443	418
Non-current assets					
Property, plant and equipment	9	300,064	271,230	-	-
Intangible assets	10	3,573	3,030	-	-
Investment in shares	13.2	-	-	58,664	58,664
Investment in subordinated debentures	13.3	-	-	1,000	1,000
Investment in perpetual debt	13.4	-	-	926	-
Deferred tax asset	17	-	-	379	364
Other financial assets	24	2,059	3,178	-	-
		305,696	277,438	60,969	60,028
Total assets		**345,717**	**321,627**	**61,412**	**60,446**
Current liabilities					
Trade and other payables	19	6,115	7,012	39	49
Contract liabilities	1	282	209	-	-
Lease liabilities	21	32	30	-	-
Current tax liability	16	428	1,171	-	-
Accrual for staff entitlements	20	1,834	1,543	-	-
		8,691	9,965	39	49
Non-current liabilities					
Bank borrowings	18	41,000	74,500	-	-
Lease liabilities	21	42	74	-	-
Subordinated debentures	18	2,000	2,000	-	-
Deferred tax liability	17	57,606	53,219	-	-
		100,648	129,793	-	-
Total liabilities		**109,339**	**139,758**	**39**	**49**
Net assets		**236,378**	**181,869**	**61,373**	**60,397**
Equity					
Trust share capital		11,930	11,930	11,930	11,930
Retained earnings		127,626	84,191	10,391	9,415
Cash flow hedge reserves	14.2	1,495	2,288	-	-
Revaluation reserves	14.3	95,327	83,460	39,052	39,052
Equity attributable to equity holders of the company		**236,378**	**181,869**	**61,373**	**60,397**
Total equity		**236,378**	**181,869**	**61,373**	**60,397**

The Statements in Financial Position should be read in conjunction with the Notes to the Financial Statements

Statements of Changes in Equity

for the year ended 31 March 2024

Group	Note	Share Capital $'000	Retained Earnings $'000	Cashflow Hedge Reserves $'000	Revaluation Reserves $'000	Total Attributable to Equity Holders $000	Non-controlling Interest $'000	Total Equity $'000
Balance at 31 March 2022		**11,930**	**76,364**	**1,588**	**81,522**	**171,404**	**765**	**172,169**
Profit for the year		-	6,885	-	-	6,885	(7)	6,878
Other comprehensive income								
Interest rate swaps		-	-	700	-	700	-	700
Revaluation of property, plant and equipment		-	-	-	2,880	2,880	-	2,880
Total other comprehensive income		-	-	700	2,880	3,580	-	3,580
Transfer from retained earning	14.3	-	942	-	(942)	-	-	-
Dividends paid to non-controlling interest	15	-	-	-	-	-	(758)	(758)
Balance as at 31 March 2023		**11,930**	**84,191**	**2,288**	**83,460**	**181,869**	**-**	**181,869**
Profit for the year		-	42,200	-	-	42,200	-	42,200
Other comprehensive income								
Interest rate swaps		-	-	(793)	-	(793)	-	(793)
Revaluation of property, plant and equipment		-	-	-	13,102	13,102	-	13,102
Total other comprehensive income		-	-	(793)	13,102	12,309	-	12,309
Transfer from retained earning	14.3	-	1,235	-	(1,235)	-	-	-
Balance as at 31 March 2024		**11,930**	**127,626**	**1,495**	**95,327**	**236,378**	**-**	**236,378**
Attributable to Equity Holders of the Company		**11,930**	**127,626**	**1,495**	**95,327**	**236,378**	**-**	**236,378**

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statements of Changes in Equity

for the year ended 31 March 2024

Trust	Note	Share Capital $'000	Retained Earnings $'000	Revaluation Reserves $'000	Total Equity $'000
Balance as at 31 March 2022		**11,930**	**9,402**	**39,052**	**60,384**
Profit for the year		-	13	-	13
Balance as at 31 March 2023		**11,930**	**9,415**	**39,052**	**60,397**
Profit for the year		-	976	-	976
Balance as at 31 March 2024		**11,930**	**10,391**	**39,052**	**61,373**
Attributable to Equity Holders of the Company		**11,930**	**10,391**	**39,052**	**61,373**

The Statements of Changes in Equity should be read in conjunction with the Notes to the Financial Statements.

Statements of Cash Flows

for the year ended 31 March 2024

	Note	Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Operating activities					
Cash generated/(utilised) from operations	22	14,616	18,258	839	(140)
Interest paid	3	(1,435)	(2,973)	-	-
Interest received	3	933	24	106	82
Income taxes paid	16	(5,603)	(6,067)	(78)	(1)
Net cash inflow/(outflow) from operating activities		**8,511**	**9,242**	**867**	**(59)**
Investing activities					
Purchase of property plant and equipment		(21,556)	(13,250)	-	-
Purchase of intangible assets		(1,446)	(915)	-	-
Proceeds on disposal of property, plant and equipment		236	124	-	-
Investment in perpetual debt		-	-	(926)	-
Investment in term deposits		(184)	-	(184)	-
Net cash outflow from investing activities		**(22,950)**	**(14,041)**	**(1,110)**	**-**
Financing activities					
Dividends paid to non-controlling interest	15	-	(758)	-	-
Lease liability paid	21	(34)	(200)	-	-
Bank borrowings repaid		(74,500)	(62,867)	-	-
Bank borrowings advanced	18	41,000	74,500	-	-
Net cash (outflow)/inflow from financing activities		**(33,534)**	**10,675**	**-**	**-**
Net cash inflow/(outflow) from discontinuing operations	11.3	**77,982**	**(9,878)**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents		30,009	(4,002)	(243)	(59)
Cash and cash equivalents at the beginning of the year	6	2,863	6,865	354	413
Cash and cash equivalents at the end of the year	6	**32,872**	**2,863**	**111**	**354**

The Statements of Cash Flows should be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

General Information

The Waitomo Energy Services Customer Trust (the Trust)) is an Energy Power Trust established under the Energy Companies Act 1992. The Trust's principal activity is investment in the electricity industry. It owns 100% of the shares in The Lines Company Ltd. The Group consists of the Trust, The Lines Company (the Company) and its subsidiaries disclosed in Note 12.

The company's principal activities are the conveyance of electricity through its distribution network and electrical contracting. Those principal activities are substantially carried out in the greater King Country region of New Zealand.

The consolidated financial statements were authorised for issue by the Trustees on 12 September 2024.

Summary of material accounting policies

Basis of preparation

The consolidated financial statements (financial statements) of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and with the requirements of the Companies Act 1993, Financial Reporting Act 2013 and Energy Companies Act 1992.

The Group represents the Trust consolidating TLC and its subsidiaries, and the Trust figures presented represent WESCT standalone.

The Group is a for-profit entity for the purposes of complying with NZ GAAP. The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards).

They are prepared on the historical cost basis except for the revaluation of certain non-current assets, assets of a disposal group classified as held for sale and financial instruments measured at fair value.

The presentation currency is the New Zealand Dollar ($). All financial information has been rounded to the nearest thousand, unless otherwise stated.

Material accounting policies, estimates and judgements

The Board and management are required to make judgements, estimates and apply assumptions that affect the amounts reported in the financial statements. They are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in the future periods.

Judgements and estimates which are material to the financial statements are found in the following notes:

Note 1	Revenue recognition	Page 18
Note 9	Valuation of network distribution system	Page 26
Note 14.2	Cash flow hedging	Page 33
Note 17	Deferred tax asset recognition	Page 36
Note 24.3	Financial instruments	Page 45

Accounting standards not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory until the next accounting period. These include:

- Amendments to IAS 1 – Non-current liabilities with covenants
- Amendment to IFRS 16 – Leases on sale and leaseback
- Amendments to IAS 7 and IFRS 7 – Supplier finance

These are not expected to have any material effect on the annual report. In addition, the Group has not adopted IFRS 18 – Presentation and disclosure in Financial Statement, which was issued on 24 May 2024. This standard replaces IAS 1 and will be effective for the period beginning 1 April 2027. The Group has not yet assessed its impact on the financial statements.

Notes to the Financial Statements

for the year ended 31 March 2024

1. Revenue from contracts with customers

	Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Revenue recognised over time				
Network revenue before discounts	46,335	46,606	-	-
Less network discount	(4,300)	(4,158)	-	-
Network revenue	**42,035**	**42,448**	**-**	**-**
Revenue from electrical contracts which were unsatisfied and included in contract assets and liabilities	(315)	109	-	-
Revenue from completed electrical contracts	3,522	4,619	-	-
Electrical contracting revenue	**3,207**	**4,728**	**-**	**-**
			-	-
Revenue	**45,242**	**47,176**	**-**	**-**

Contract assets and liabilities

The following table reflects the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of the reporting period.

	Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Electrical contracts assets due to percentage of completion	292	-	-	-
Contract assets	**292**	**-**	**-**	**-**
Electrical contracts liabilities due to percentage of completion	-	(24)	-	-
Network customer credit balances	(282)	(185)	-	-
Contract liabilities	**(282)**	**(209)**	**-**	**-**

Management expects that 100% (2023: 100%) of the transaction price will be allocated to the unsatisfied contracts to revenue in the next reporting period.

Policies

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and GST. All revenue is earned within New Zealand.

The Group has two streams of revenue:

- Network revenue
- Electrical contracting revenue

Network revenue results from the conveyance of electricity through its distribution network. The Company directly bills its large and dedicated asset customers. These customers do not have extended terms of payment and can terminate on short notice. The Company bills all other ICP's to retailers directly for the electricity delivered across the region's line network through a time of use pricing methodology. Retailers do not have extended terms of payment.

The Company's obligation is to provide a single performance obligation of continuous service to the end customer which they benefit from over time. Revenue is recognised at the price per kilowatt-hour (kWh) delivered to the customer in that period together with a fixed daily fee. Prices incorporating variable pricing and reflects demand and deduction of discounts. Payment terms are within 30 days.

A network discount is approved annually and paid in December and May.

Electrical contracting revenue relates to the installation of streetlights, lines and network connection for customers. Revenue is recognised based on the stage of completion of the contract applying the cost-to-cost method, i.e., based on the proportion of contract costs incurred to work performed to date relative to the estimated total contract cost. The Directors consider this input method as an appropriate measure of the progress towards complete satisfaction of the performance obligations under IFRS 15, i.e., recognised over time.

General payment terms are that a 50% deposit is paid before work commences and final payment is made on completion of the contract. This may result in a contract asset or liability on the statement of financial position when comparing the payment received and the percentage of completion revenue. Where a contract liability is recognised, it is not considered to be a significant financing component as the period between milestone payments and revenue under the cost-to-cost method is less than a year.

Key judgements

Management must apply judgement where:

• Electrical contracting projects percentage of completion is assessed based on cost-to-cost basis. Judgement is used for the estimated final cost. Variations to contracts are assessed in the estimated final cost but these are minimal.

2. Operating expenses

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Transmission charges	6,475	5,684	-	-
Total staff cost recognised as expense	12,206	13,228	-	-
Other network related expenditure	5,229	3,495	-	-
Cost of inventories recognised as expense	1,285	1,908	-	-
Low value or short term leases not included in leases (Note 21)	101	44	-	-
Donations and sponsorships	400	357	-	-
Professional fees	1,987	2,625	162	159
Property expenses	701	626	3	6
Secretarial fees	86	81	86	81
Trustee fees	128	119	128	119
Directors' fees and expenses	336	301	-	-
Gain on disposal of property, plant and equipment and software intangibles	(222)	(118)	-	-
Other expenses	1,034	1,519	62	87
Total	**29,746**	**29,869**	**441**	**452**

Policies

Government grants relating to costs are deferred and recognised in profit and loss over the period necessary to match them with the costs that they are intended to compensate.

	Group		Trust	
Fees and expenses paid to auditors	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Financial statements audit fee	288	327	31	38
Regulatory audit fees	131	117	-	-
OAG fees	27	31	-	2
Total	**446**	**475**	**31**	**40**

3. Interest (costs)/income (net)

	Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Interest costs				
Interest on bank borrowings	(1,464)	(2,873)	-	-
Capitalised interest	389	214	-	-
Interest on lease liabilities	(4)	(5)	-	-
Interest paid on subordinated debentures and perpetual debt	(102)	(100)	-	-
Other interest expense, principally IRD Use of Money	(7)	-	-	-
Total interest costs	**(1,188)**	**(2,764)**	**-**	**-**
Interest income				
Interest income	1,012	24	18	8
Interest received on subordinated debentures and perpetual debt	-	-	88	74
Total interest income	**1,012**	**24**	**106**	**82**
Total	**(176)**	**(2,740)**	**106**	**82**

The weighted average interest rate on bank borrowings, including interest rate swap derivatives, is 3.27% (2023: 3.82%).

Interest paid per the statement of cash flows

	Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Total interest costs	1,188	2,764	-	-
Less interest accrual	(138)	-	-	-
Less lease liability interest	(4)	(5)	-	-
Add capitalised interest	389	214	-	-
Net interest paid per the statement of cash flow	**1,435**	**2,973**	**-**	**-**

Interest received per the statement of cash flows

	Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Total interest income	1,012	24	106	82
Less interest accrual	(79)	-	-	-
Net interest paid per the statement of cash flow	**933**	**24**	**106**	**82**

Policies

Interest income/expense is recognised as it accrues, using the effective interest rate method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation. Borrowing costs not directly attributable to qualifying assets is recognised as interest expense.

4. Income tax expense/(income)

Reconciliation of income tax expense		Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Profit/(loss) before income tax from continuing operations		3,123	2,890	961	(70)
Profit before income tax from discontinuing operations	11.2	41,253	7,061	-	-
Profit/(loss) before tax		44,376	9,951	961	(70)
Previously unrecognised tax losses now recouped to reduce current year tax expense		-	-	(1,023)	(223)
Expenses that are non-deductible		400	210	18	42
Gain on sale of investment		(39,271)	-	-	-
Taxable profit/(loss)		5,505	10,161	(44)	(251)
Income tax expense at statutory tax rates		1,541	2,845	(15)	(83)
Change in tax legislation regarding depreciation on building		629	-	-	-
Effect of prior period tax adjustment		6	228	-	-
Income tax expense/(income)		**2,176**	**3,073**	**(15)**	**(83)**
Effective tax rate (being total tax expense divided by profit/(loss) before tax)		49%	31%	2%	119%
Current tax expense		2,576	5,020	-	-
Deferred tax expense		(400)	(1,947)	(15)	(83)
Income tax expense/(income)		2,176	3,073	(15)	(83)
Attributable to:					
Continuing activities		1,746	1,623	(15)	(83)
Discontinuing activities		430	1,450	-	-

Amounts recognised directly in other comprehensive income

Aggregate current and deferred tax arising in the reporting period and not recognised in the net profit and loss component of the statements of comprehensive income but directly debited and credited to other comprehensive income.

	Group 2024	Group 2023	Trust 2024	Trust 2023
Deferred tax – debited directly to other comprehensive income	4,787	1,392	-	-
Total tax expense for the year recognised in other comprehensive income	4,787	1,392	-	-

Policies

Income tax expense comprises current and deferred tax and is calculated using tax rates enacted or substantively enacted at balance sheet date.

Current and deferred tax is recognised in profit and loss unless the tax relates to items in other comprehensive income, in which case the tax is recognised as an adjustment in other comprehensive income against the item to which it relates.

Imputation credits

The value of imputation credits for the Group available for subsequent reporting periods as at 31 March 2024 is $22.9m (2023: $21.0m).

The Parent entity is a Trust and therefore not required to maintain an imputation credit account. Any tax paid by the trust is a final tax on income received.

Change in legislation

In March 2024, the New Zealand Government enacted the Taxation (annual Rates for 2023-24, Multinational Tax and Remedial Matters) Bill. As a result, from 2024-25 income tax year onwards, the Company can no longer claim any tax on depreciation on their buildings with useful lives of 50 years or more in New Zealand. The Company assessed the accounting impact of this change, which resulted in an increased deferred tax liability on property, plant and equipment.

5. Operational profit from continuing operations

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Earnings/(loss) before interest, tax, depreciation and amortisation (EBITDA)				
Network	21,338	24,140	-	-
Network services	769	617	-	-
Corporate services	(6,611)	(7,450)	855	(152)
EBITDA (3)	**15,496**	**17,307**	**855**	**(152)**
Depreciation and amortisation	(12,197)	(11,677)	-	-
Earnings/(loss) before interest and tax (EBIT)	**3,299**	**5,630**	**855**	**(152)**
Interest (costs)/income (net)	(176)	(2,740)	106	82
Profit/(loss) before tax	**3,123**	**2,890**	**961**	**(70)**

(3) EBITDA is a non-GAAP measure however due to significant capital expenditure in the group, it is deemed a relevant measure of the financial performance of the group for financial users.

6. Cash and cash equivalents

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Cash at bank on hand	6,812	2,563	51	54
Term deposits	26,060	300	60	300
Total	**32,872**	**2,863**	**111**	**354**

Policies

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

7. Trade and other receivables

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Trade receivables				
Trade receivables	2,355	1,840	-	-
Less loss allowance (note 24.2)	(748)	(225)	-	-
Balance at 31 March	1,607	1,615	-	-
Other receivables				
Unbilled network revenue	2,939	2,960	-	-
Interest accrued	-	5	-	5
Prepayments	791	772	23	12
Balance at 31 March	3,730	3,737	23	17
Total trade and other receivables balance at 31 March	**5,337**	**5,352**	**23**	**17**
Ageing of trade receivables				
Current to 90 days	1,507	1,543	-	-
Greater than 90 days	848	297	-	-
Total	**2,355**	**1,840**	**-**	**-**

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally settled within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional.

A loss allowance is assessed in note 24.2.

Policies

Trade and sundry receivables are non-interest bearing and are generally settled within a 30-day term. Therefore, the carrying value of trade receivables approximates their fair value.

The simplified approach to measuring expected credit losses is applied which uses a lifetime expected loss allowance for all trade receivables.

8. Inventories

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Network stock	1,318	1,529	-	-
Total	**1,318**	**1,529**	**-**	**-**

Policies

Inventories are stated at average cost. Inventory is valued at the lower of net realisable value or cost.

Cost includes the cost of direct materials and other charges, e.g. freight incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

9. Property, plant and equipment

Group	Land $'000	Buildings $'000	Network Distribution System $'000	Meters & Relays $'000	Plant & Vehicles $'000	Right of use asset $'000	Total $'000
At 31 March 2022	**1,503**	**3,592**	**338,491**	**49,863**	**12,029**	**1,493**	**406,971**
Additions	-	61	12,289	6,590	1,239	-	20,179
Disposals	-	-	-	-	(361)	-	(361)
Reclassifications	-	-	-	(180)	180	-	-
Revaluation	-	-	4,000	-	-	-	4,000
Assets reclassified to held for sale	-	-	-	(56,273)	(892)	(1,304)	(58,469)
At 31 March 2023	**1,503**	**3,653**	**354,780**	**-**	**12,195**	**189**	**372,320**
Additions	-	196	19,209	-	2,540	-	21,945
Disposals	-	-	-	-	(817)	-	(817)
Revaluation	200	55	18,000	-	-	-	18,255
At 31 March 2024	**1,703**	**3,904**	**391,989**	**-**	**13,918**	**189**	**411,703**
Accumulated amortisation and impairment							
At 31 March 2022	**-**	**218**	**82,681**	**22,465**	**7,997**	**270**	**113,631**
Depreciation charge	-	92	9,421	5,116	1,298	250	16,177
Assets reclassified to held for sale	-	-	-	(27,553)	(381)	(429)	(28,363)
Reclassifications	-	-	-	(28)	28	-	-
Disposals	-	-	-	-	(355)	-	(355)
At 31 March 2023	**-**	**310**	**92,102**	**-**	**8,587**	**91**	**101,090**
Depreciation charge	-	102	9,798	-	1,365	29	11,294
Revaluation	-	58	-	-	-	-	58
Disposals	-	-	-	-	(803)	-	(803)
At 31 March 2024	**-**	**470**	**101,900**	**-**	**9,149**	**120**	**111,639**
Carrying amount (Net book value)							
At 31 March 2022	1,503	3,374	255,810	27,398	4,032	1,223	293,340
At 31 March 2023	**1,503**	**3,343**	**262,678**	**-**	**3,608**	**98**	**271,230**
At 31 March 2024	**1,703**	**3,434**	**290,089**	**-**	**4,769**	**69**	**300,064**
Carrying amount (Cost model)							
At 31 March 2023	**159**	**718**	**182,557**	**-**	**3,608**	**98**	**187,140**
At 31 March 2024	**159**	**1,150**	**205,680**	**-**	**4,769**	**69**	**211,827**

The carrying amount (cost model) table represents the carrying amounts that would have arisen had all property, plant and equipment been carried under the cost model.

Work in progress at the end of the year was $7.8m (2023: $8.9m) included in network distribution assets.

Policies

Property, plant and equipment other than land and buildings and network distribution system are initially measured at cost, and subsequently stated at cost less depreciation and any impairment losses.

Land and buildings and network distribution assets are held at their fair value. Fair values are determined based on valuations adjusted for subsequent purchase costs, disposals, depreciation and impairment. While the Group revalues its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Expenditure is capitalised if the asset is technically and commercially feasible, future economic benefits are probable, and the Company intends to use or sell the asset.

Capitalisation occurs immediately once an asset is acquired or installed.

Depreciation begins once an asset is ready for use.

Depreciation of property, plant and equipment, other than land, is calculated on a straight line basis and expensed over the life of the asset.

Estimated useful asset lives are as follows:

- Buildings 40 – 100 years
- Network distribution system 5 – 60 years
- Meters & relays 3 – 15 years
- Plant & vehicles 1 – 13 years
- Right of use assets associated with lease assets are depreciated over the lease term.

Gain or loss on disposal is recognised in profit and loss. When revalued assets are sold the amounts included in the revaluation reserves are transferred to retained earnings.

Judgements

Land and buildings

The land and buildings of the Group, comprising depots at Waitete Road, Ohakune, Te Kūiti and Te Peka Street, Taumarunui; the residential dwellings at Te Peka Street, Taumarunui and head office at King Street East, Te Kūiti were revalued to $4.5 million at 31 March 2024.

These valuations were prepared by Doyle Valuations Ltd (A.N.Z.I.V, S.N.Z.P.I), an independent valuer with local experience. These valuations were carried out in accordance with API and PINZ Professional Practice and International Valuation Standards. Cost summation, market rate and income approaches were used for the valuations.

The fair value measurements above are considered to be Level 2 as per NZ IFRS 13, as they are derived from valuation techniques that include inputs for the assets that are based on observable market data.

Network distribution system

The Group estimates the fair value of the distribution network through independent valuers using the discounted cash flow method every three years or more frequently if there is evidence of a material change in value.

Network distribution system assets were revalued to $290m at 31 March 2024.

This value adoption is approximately at the midpoint of the valuation range ($279m – $305m), independently prepared by Deloitte and the key assumptions used are shown in the following table. In all cases an element of professional judgement is required. The valuation is based on revenue and cost assumptions applied against a combination of discount rates and distribution revenues.

Assumptions	Valuation midpoint assumptions	Low	High	Valuation impact $'000's
Network revenue	-	-5%	-	-$16,091
		-	5%	+$16,091
Discount rate	6.4%	-0.5%	-	+$13,276
		-	0.5%	-$12,658

Consistent with prior years, the valuer has assumed the terminal value equal to forecast Regulatory Asset Base (RAB) based on information disclosures, as it is believed that the terminal value would approximate the RAB value in a steady state regulatory environment. We have considered the impact of climate change in the preparation of the network valuation. A greater level of capital spend has been forecast in the latest Asset Management Plan ("AMP") due to the expected load increase arising from decarbonisation and to ensure ongoing reliability of the network. The AMP forms the basis of the capex and opex spend incorporated in the valuation.

The fair valuation measurements above are considered to be Level 3 as per NZ IFRS 13, as they are derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

10. Intangible assets

Group	Software $'000	Land Easements $'000	Customer Contracts $'000	Total $'000
Cost				
At 31 March 2022	**8,708**	**267**	**10,661**	**19,636**
Assets reclassified to held for sale	(4,061)	-	(10,661)	(14,722)
Additions	1,991	-	-	1,991
At 31 March 2023	**6,638**	**267**	**-**	**6,905**
Additions	1,446	-	-	1,446
At 31 March 2024	**8,084**	**267**	**-**	**8,351**
Accumulated amortisation and impairment				
At 31 March 2022	**3,939**	**-**	**4,681**	**8,620**
Assets reclassified to held for sale	(1,487)	-	(5,977)	(7,464)
Amortisation charge for the year	1,423	-	1,296	2,719
At 31 March 2023	**3,875**	**-**	**-**	**3,875**
Amortisation charge for the year	903	-	-	903
At 31 March 2024	**4,778**	**-**	**-**	**4,778**
Carrying amount (net book value)				
At March 2022	4,769	267	5,980	11,016
At March 2023	**2,763**	**267**	**-**	**3,030**
At March 2024	**3,306**	**267**	**-**	**3,573**

Estimated work in progress at the end of the year was $0.5m (2023: $0.8m) included in software.

Policies

Software is amortised on a straight line basis over their estimated useful life of 1 – 8 years. These include acquired computer software licence agreements which the Group has both a contractual right to take possession of the software at any time without significant penalty, and the ability to run to run the software independently of the host vendor. In such cases the licence agreement is capitalised as software within intangible assets on the basis of the costs incurred to acquired and bring to use the specific software. All other acquired cloud-based computer software licence agreements are treated as service contracts and expensed.

Intellectual property has an indefinite life and is assessed annually for impairment.

Customer contract assets are contractual income streams assessed with the legacy metering business acquisition in previous years. These are depreciated over thirteen years in line with the expected rate of decline in revenue.

11. Discontinued operations

11.1 Assets held for sale

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Property, plant and equipment (Note 9)	-	30,106	-	-
Intangible assets (Note 10)	-	7,258	-	-
Trade and other receivables	-	2,099	-	-
Deferred tax asset (Note 17)	-	362	-	-
Total assets	**-**	**39,825**	**-**	**-**
Trade and other payables	-	1,095	-	-
Current tax liability (Note 16)	-	2,315	-	-
Accrual for staff entitlements (Note 20)	-	983	-	-
Lease liabilities (Note 21)	-	987	-	-
Total liabilities	**-**	**5,380**	**-**	**-**
Assets held for sale	**-**	**34,445**	**-**	**-**

At 31 March 2023 Influx was treated as assets held for sale. The final share sale completion was on the 30 June 2023. The final sale value for Influx was $79.7m settled in cash. Bank accounts held with Influx were transferred as part of the sale these amounted to $208k.

Carrying value of assets at date of sale (30 June 2023)

	Group 30 June 2023 $'000
Property, plant and equipment	32,900
Intangible assets	6,246
Trade and other receivables	2,166
Deferred tax asset	330
Total assets	**41,642**
Trade and other payables	1,937
Accrual for staff entitlements	324
Lease liabilities	942
Total liabilities	**3,203**
Net assets	**38,439**

Policies

Assets held for sale have been valued at the lower of fair value less cost to sell and its carrying value. Profit from discontinued operations presented below represents the aggregate of the trading results for the three months of ownership during the year and the gain on disposal, net of tax.

11.2 Profit for the year from discontinuing operations

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Revenue	5,527	20,570	-	-
Operating expenses	(1,849)	(6,023)	-	-
EBITDA	**3,678**	**14,547**	**-**	**-**
Depreciation	(1,841)	(7,219)	-	-
EBIT	**1,837**	**7,328**	**-**	**-**
Gain on sale of investment	39,430	-	-	-
Interest costs	(14)	(267)	-	-
Profit before tax	**41,253**	**7,061**	**-**	**-**
Income tax	(430)	(1,450)	-	-
Profit for the year from discontinuing operations	**40,823**	**5,611**	**-**	**-**
Non-controlling interest from discontinuing operations	**-**	**(7)**	**-**	**-**
Total comprehensive profit from discontinuing operations	**40,823**	**5,604**	**-**	**-**

11.3 Net cash inflow/(outflow) from discontinuing operations

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Net cash inflow from operating activities	1.837	14,179	-	-
Net cash inflow/(outflow) from investing activities	76,145	(7,791)	-	-
Net cash outflow from financing activities	-	(16,266)	-	-
Net cash inflow/(outflow) from discontinuing operations	**77,982**	**(9,878)**	**-**	**-**

12. Investments in subsidiaries

Name	Group Principal activity	Ownership Interest 2024	 2023
		%	%
The Lines Company Limited	Electricity Distribution Business	100	100
Influx Energy Data Limited	Meter and relay assets	-	100
Speedys Road Hydro Limited	Dormant	-	75

Influx Energy Data Limited was disposed of on the 30 June 2023 (refer to note 11).

Speedy's Road Hydro Limited was struck off the company's register on the 3 August 2023.

Policies

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intra-Group transactions are eliminated on consolidation.

Balance dates

All subsidiaries have a financial year end of 31 March.

Geography

All subsidiaries are incorporated in New Zealand.

13. Investments

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Investment in term deposits	184	-	184	-
Investment in shares	-	-	58,664	58,664
Investment in subordinated debentures	-	-	1,000	1,000
Investment in perpetual debt	-	-	926	-
	184	-	60,774	59,664
Disclosed in the financial statements as:				
Current assets	184	-	184	-
Non-current assets	-	-	60,590	59,664
Total	**184**	**-**	**60,774**	**59,664**

13.1 Investment in term deposits

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Term deposits with BNZ	180	-	180	-
Interest accrued on term deposits	4	-	4	-
Investment in term deposits	**184**	**-**	**184**	**-**

Policies

Term deposits with a maturity greater than three months are recognised as an investment in term deposits. Term deposits are initially recognised as the amount deposited with the bank. After initial recognition, they are recognised at amortised cost.

13.2 Investment in shares

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Investment in 11,846,808 shares in The Lines Company Limited	-	-	58,664	58,664
Investment in shares	**-**	**-**	**58,664**	**58,664**

Policies

Investment in shares is accounted for at deemed cost at the date of transition to IFRS.

13.3 Investment in subordinated debentures

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Subordinated debentures with The Lines Company Limited	-	-	1,000	1,000
Investment in subordinated debentures	**-**	**-**	**1,000**	**1,000**

The TLC debenture has a principal value of $1,000,000 and has a fixed interest of 7.42% per annum (2023: 7.42%).

The subordinated debentures are unsecured and have no specified maturity date. Repayment of the subordinated debentures is not permitted until full repayment of all other borrowings of TLC or until TLC is wound up. While the debentures are perpetual, TLC has a contractual obligation to deliver cash in the form of interest payments, and therefore, the arrangement is recognised as a financial asset.

The interest rate payable on the TLC debenture is reset yearly, by negotiation, having regard to interest paid by other entities who have issued similar debt securities. The fair value of the TLC debenture is not considered to be materially different from its principal value, as the applicable interest rate approximates that of similar debt securities.

There are no specified repayment terms in relation to subordinated debentures.

Policies

The subordinated debentures are stated at their fair values.

13.4 Investment in perpetual debt

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Perpetual debt with The Lines Company Limited	-	-	926	-
Investment in perpetual debt	**-**	**-**	**926**	**-**

The TLC perpetual debt instrument was entered into in December 2023 and has a principal value of $926,000 and interest of 7.66% for the January to March 2024 quarter (2023: nil).

The perpetual debt instrument is unsecured and has no specified maturity date. Repayment of the perpetual debt is not permitted without WESCT's agreement or until TLC is wound up. While the instrument is perpetual, TLC has a contractual obligation to deliver cash in the form of interest payment, and therefore, the arrangement is recognised as a financial asset.

The interest rate payable on the TLC perpetual debt is reset quarterly, based on the 90 day New Zealand bill rate plus a margin of 2%. The fair value of the TLC perpetual debt is not considered to be materially different from its principal value as the applicable interest rate approximates that of similar debt securities.

Policies

The subordinated debentures are stated at their fair values.

14. Reserves

14.1 Trust share capital

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Trust share capital	11,930	11,930	11,930	11,930
Closing net asset	**11,930**	**11,930**	**11,930**	**11,930**

14.2 Hedge reserves

Hedge reserves comprise the cash flow hedge reserve associated within interest rate swaps. These derivative instruments are only used for hedging purposes and not as speculative investments.

Policies

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The accounting for the changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group currently hedges a particular risk associated with the cash flows of recognised assets and liabilities that have highly probable transactions (cash flow hedges). At inception of the hedge relationship, the Group documents the economic relationship between the hedging instrument and hedged item including whether changes in cash flows of the hedging instruments are expected to offset changes in cash flows of hedged items. The Group documents its risk management objective and strategy undertaking its hedged transactions.

The fair values of derivative financial instruments designated in hedging relationships are disclosed in note 24.1. The effective portion in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised on the cash flow hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses).

Upon meeting all the relevant criteria, hedge accounting is applied to mitigate the risk that the hedging instrument materially differs from the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans.

Interest rate swaps

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Opening net asset	2,288	1,588	-	-
Changes in fair value of hedging instrument recognised in other comprehensive income (OCI)	(1,101)	972	-	-
Deferred tax	308	(272)	-	-
Closing net asset	**1,495**	**2,288**	**-**	**-**

14.3. Revaluation reserve

Group	Network Distribution System $'000	Land & buildings $'000	Total $'000
Total at 31 March 2022	**80,144**	**1,378**	**81,522**
Transfer from retained earnings	(942)	-	(942)
Revaluation increases	4,000	-	4,000
Deferred tax on revaluation	(1,120)	-	(1,120)
Total at 31 March 2023	**82,082**	**1,378**	**83,460**
Transfer from retained earnings	(1,235)	-	(1,235)
Revaluation increases	18,000	197	18,197
Deferred tax on revaluation	(5,040)	(55)	(5,095)
Total at 31 March 2024	**93,807**	**1,520**	**95,327**

Trust	Investment in Subsidiary	Total $'000
Total at 31 March 2024 and 2023	**39,052**	**39,052**

15. Non-controlling interest

The following table summarises the financial information of Speedys Road Hydro Limited.

Summarised financial information of subsidiary with non-controlling interest	Group 2024 $'000	Group 2023 $'000	Trust 2024 $'000	Trust 2023 $'000
Summarised statement of financial position				
Summarised statement of comprehensive income				
Total comprehensive loss	-	(28)	-	-
Loss allocated to non-controlling interest	**-**	**(7)**	**-**	**-**
Dividends paid to non-controlling interest	**-**	**758**	**-**	**-**
Summarised statement of cash flows				
Cash flows from operating activities	-	(920)	-	-
Cash flows from financing activities	-	(3,033)	-	-
Net increase in cash and cash equivalents	**-**	**(3,953)**	**-**	**-**

16. Current tax liability/(asset)

	Consolidated		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Opening balance	1,171	4,533	(47)	(46)
Tax payments and tax credits received	(5,603)	(6,067)	(78)	(1)
Liability transferred to held for sale	2,284	(2,315)	-	-
Current tax expense for the year	2,576	5,020	-	-
Closing balance	**428**	**1,171**	**(125)**	**(47)**

Policies

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

17. Deferred tax liability/(asset)

Group	Property, plant and equipment and intangible assets $'000	Cash flow hedges $'000	Provisions $'000	Assessed loss $'000	Total $'000
At 31 March 2022	**53,126**	**618**	**(51)**	**(281)**	**53,412**
Charged to income	(1,636)	-	(228)	(83)	(1,947)
Current liability transferred to held for sale	110	-	252	-	362
Charged to other comprehensive income	1,120	272	-	-	1,392
At 31 March 2023	**52,720**	**890**	**(27)**	**(364)**	**53,219**
Charged to income	(159)	-	(226)	(15)	(400)
Charged to other comprehensive income	5,095	(308)	-	-	4,787
At 31 March 2024	**57,656**	**582**	**(253)**	**(379)**	**57,606**

Trust	Assessed loss $'000	Total $'000
At 31 March 2022	**(281)**	**(281)**
Charged to income	(83)	(83)
At 31 March 2023	**(364)**	**(364)**
Charged to income	(15)	(15)
At 31 March 2024	**(379)**	**(379)**

Policies

Deferred tax is:

• Recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

• Determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to be applied when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

• Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The deferred tax asset for the Trust arises from historic tax losses. An IRD private binding ruling has been agreed to with regards to interest bearing debt being funded through dividends. This will enable the Trust to utilise the tax losses going forward, and, as such, justifies the recognition of the asset.

18. Bank borrowings and subordinated debentures

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Bank Borrowings	41,000	74,500	-	-
Subordinated debentures:				
North King Country Development Trust	2,000	2,000	-	-
	43,000	76,500	-	-
Disclosed in the financial statements as:				
Current borrowings	-	-	-	-
Non-current borrowings	43,000	76,500	-	-
Total	**43,000**	**76,500**	**-**	**-**

Reconciliation of net debt

Group	Due within 1 year $'000	Due after 1 year $'000	Total $'000
Balance at 1 April 2022	**76,077**	**5,056**	**81,133**
Facility drawdown	-	74,500	74,500
Repayment of loans	(76,077)	(3,056)	(79,133)
Net debt at 31 March 2023	**-**	**76,500**	**76,500**
Facility drawdown	-	41,000	41,000
Repayment of loans	-	(74,500)	(74,500)
Net debt as at 31 March 2024	**-**	**43,000**	**43,000**

Policies

Borrowings and subordinated debt, are initially measured at fair value, less transaction costs and are subsequently measured at amortised cost, using the effective interest rate method.

Bank borrowings

The Group has term lending facilities:

	2024 $'000	2023 $'000
Westpac Corporation Limited		
Facilities expiring 31 August 2025	18,750	25,000
Facilities expiring 31 August 2027	18,750	25,000
China Construction Bank Limited		
Facilities expiring 31 August 2025	18,750	17,500
Facilities expiring 31 August 2027	18,750	17,500
Facilities expiring 31 August 2029	-	15,000
	75,000	100,000

On the 31 August 2022, the Group renewed its facilities. The facility limits have been reduced to $75m at 30 June 2023 with the sale of Influx. They are split equally between Westpac Corporation Limited (Westpac) and China Construction Bank Limited (CCB) and are on similar terms as the prior year.

Westpac and CCB hold a negative pledge deed between TLC and its subsidiaries. The negative pledge includes all obligations and cross guarantees between the guaranteeing subsidiaries.

The following bank covenants have been agreed to in the negative pledge:

- Leverage ratio (Total indebtedness/EBITDA for the 12 month period ending on that date)
- Coverage ratio – assets
- Coverage rate – EBITDA

These are reported six monthly to the banks. There have been no breaches of the covenants in the financial year (2023: 0).

The Group forecasts to still meet the covenants into the foreseeable future.

The Directors estimate the fair value of the Group's bank loans approximate their book value, because they are floating rate loans.

Subordinated debentures

The North King Country Development Trust (NKCDT) debenture has a principal value of $2,000,000 and has fixed interest of 5.00% per annum (2023: 5.00%).

The subordinated debentures are unsecured and have no specified maturity date. Repayment of the subordinated debentures is not permitted until full repayment of all other borrowings of the Company, or until the Company is wound up. While the debentures are perpetual, the Company has a contractual obligation to deliver cash in the form of interest payments and therefore the arrangement is recognised as a financial liability.

The fair value of the NKCDT debenture is not considered to be materially different from its principal value as the terms of the debenture are such that comparable instruments would not differ materially in value.

There are no specified repayment terms in relation to subordinated debentures.

19. Trade and other payables

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Trade creditors	2,919	3,064	39	49
Interest accruals	60	308	-	-
TLC discount accrual	2,161	2,016	-	-
Other payables and accruals	975	1,624	-	-
Total	**6,115**	**7,012**	**39**	**49**

Policies

Trade and other payables:

• Are recognised at fair value when the Group becomes obligated to make future payments resulting from the purchases of goods and services and are subsequently measured at amortised cost using the effective interest rate method.

• Comprise amounts outstanding for trade purchases and ongoing costs.

• Carrying amount approximates to their fair value because the amounts due will be settled within one year's time for their carrying value.

20. Accrual for staff entitlements

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Accrual for staff entitlements	1,834	1,543	-	-
Total	**1,834**	**1,543**	**-**	**-**

Policies

Accrual is made for benefits accruing to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Accruals made which are expected to be settled within 12 months are measured at the amounts expected to be paid using the remuneration rate expected at the time of settlement.

The carrying amount of the accrual for staff entitlements approximates to their fair value as the entitlement is due to be settled within one year.

21. Lease liabilities

	Group		Trust	
	2024 $'000	2023 $,000	2024 $'000	2023 $'000
Lease liabilities				
Current	32	30	-	-
Non-current	42	74	-	-
Total lease liabilities	**74**	**104**	**-**	**-**
Opening balance	104	1,286	-	-
Liability transferred to held for sale	-	(987)	-	-
Interest on lease liabilities (note 3)	4	5	-	-
Cash outflow for leases	(34)	(200)	-	-
Total lease liabilities	**74**	**104**	**-**	**-**

The Group leases various offices and warehouses. Rental contracts are typically made for fixed periods of 3 years to 6 years but may have extension options. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

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:

• Fixed payments (including in-substance fixed payments), less any lease incentives receivable

• Variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right of use assets are disclosed in note 9.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an operating expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment. This is disclosed in note 2.

22. Cash generated from operations

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Profit/(loss) before tax	3,123	2,890	961	(70)
Interest costs/(income) (net)	176	2,740	(106)	(82)
Net profit/(loss) before interest	3,299	5,630	855	(152)
Adjustments for non-cash items				
Depreciation and amortisation	12,197	11,677	-	-
Gain on disposal of property, plant and equipment and intangible assets	(222)	(118)	-	-
Movement in provision for doubtful debt	523	137	-	-
	15,797	17,326	-	(152)
Changes in net assets and liabilities				
Trade and other receivables	(508)	1,114	(6)	(5)
Contract assets and liabilities	(219)	(101)	-	-
Inventories	211	(410)	-	-
Trade and other payables	(956)	455	(10)	17
Accrual for staff entitlements	291	(126)	-	-
Cash generated from operations	**14,616**	**18,258**	**839**	**(140)**

23. Capital Commitments, contingent assets and liabilities

Capital Commitments

The Group has capital commitments of $5.7m (2023: $3.4m) relating to metering and network assets.

The Trust has no capital commitments (2023: $0 million).

Contingent assets

The Group and Trust has no contingent assets (2023: $0 million).

Contingent liabilities

In February 2024 the Group entered into an Enforceable Undertaking agreement with the Commerce Commission in relation to historic breaches of quality standards spanning 2018 to 2020. This included a formal warning being issued by the Commerce Commission. The Group has agreed to:

- obtain an independent engineering review;
- develop and deliver a plan driven by the review; and
- publish an annual delivery report for every year covered by the plan summarising progress.

The Group is cooperating fully and considers this undertaking to be achievable within the Commerce Commission's expectation and expects no financial penalties to be imposed providing the Group maintains compliance with the undertaking.

The Group and Trust has no other contingent liabilities (2023: $0 million).

24. Financial risk management

Objectives

The Trust's management of financial risks focuses to maintain sufficient liquidity and cash to allow its continued operations for the foreseeable future.

The Group manages financial risks by complying with the policies set by the Board. The risks outlined in the policy include:

- Interest rate risk
- Credit risk
- Capital risk
- Liquidity risk.

Any new risks are referred to the Board for consideration as they become known. Each risk is monitored and reported to the board on a quarterly basis.

24.1 Interest rate risk

The Group's main interest rate risk is through its borrowing activities with variable rates, which expose the Group to cash flow interest rate risk.

The Group's policy with regards to fixing its floating rate is depicted below:

Period	Minimum	Maximum
0-1 year	40%	100%
1-3 years	30%	80%
3-5 years	15%	60%

Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. The Group's borrowings are only in New Zealand dollars.

The Group's borrowings and receivables are carried at amortised cost. The current borrowings are repriced every three months and as such exposed to the risk of future changes in interest rates.

Swaps currently in place cover 100% of the debt at the end of the financial year for 2024. This is due to a reduction in debt due to the sale of Influx disclosed in note 11. For 2023 the swaps covered 62% of the variable loan outstanding. The fixed interest rate of the swaps range between 0.75% and 3.25% (2023: 0.75% and 5.12%) and the variable rates of the loans between 5.69% and 5.79% (2023: 4.87% and 5.43%) above the 90-day bank bill rate which at the end of the reporting period was between 1.02% and 0.66% (2023: 1.02% and 0.66%).

The swap contracts require settlement of net interest receivable or payable every 90 days. The settlement dates do coincide with the dates on which interest is payable on the underlying debt and are thus effective.

Effect of hedge accounting on the financial position and performance:

	2024 $'000	2023 $'000
Interest rate swaps		
Net current other financial asset	18	-
Net non-current other financial asset	2,059	3,178
Mark to market fair value of interest rate swaps at 31 March	**2,077**	**3,178**
Notional amount	41,000	46,000
Maturity date	May 24 to Aug 27	Jun 23 to Aug 27
Hedge Ratio	1:1	1:1
Net non-current other financial asset attributable to:		
Financial assets	2,059	3,178
Net current other financial asset attributable to:		
Financial assets	18	-
	2,077	**3,178**
Change in fair value of outstanding hedging instruments	(1,101)	972
Change in value of hedge item used to determine hedge effectiveness	1,101	(972)
Weighted average hedged rate for the year	1.67%	2.00%

Sensitivity

Sensitivity analysis is determined based on the exposure to interest rates for both derivatives and non-derivative instruments at balance sheet date.

A 100 basis point increase or decrease is used to assess interest rate and this represents management's assessment of the reasonably possible change in interest rates.

	2024 $'000	2023 $'000
Impact on statement of comprehensive income		
- 1% change in interest rates	-	(205)
+ 1% change in interest rates	-	205
Impact on statement of financial position		
- 1% change in interest rates	(295)	(331)
+ 1% change in interest rates	295	331

Hedge ineffectiveness is determined at inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedged instrument.

The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, maturities and notional amount. The Group does not have to hedge at 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was 100% effective. It is noted in 2024 the loans covered were a 100% due to the reduction in loan value due to the Influx sale disclosed in Note 11.

Hedged ineffectiveness may occur due to:

• Difference in critical terms between the interest rate swaps and loans; and

• The credit value/debit value adjustment on the interest rate swaps which is not matched by the loan.

There was no ineffectiveness during 2024 or 2023 in relation to interest rate swaps. The hedges are expected to be effective into the foreseeable future, based on forecasted debt levels.

24.2 Credit risk

The Group's principal financial assets are cash and cash equivalents, trade and other receivables, contract assets and related party loans, which represent the Group's maximum exposure to credit risk in relation to financial assets.

Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of "A" are accepted. Thus, the impact on cash and cash equivalents is deemed immaterial.

Impairment of financial assets

The Group applies NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same contract types. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 12 months from 31 March 2024 and 31 March 2023 respectively and the corresponding historical credit losses experienced within this period. The Group's customer base was mainly focused in the King Country and as such macroeconomic factors are considered within this particular environment and the credit loss adjusted accordingly when the group billed its customers directly.

On that basis, the loss allowance as at 31 March 2024 and 31 March 2023 was determined as follows for both trade receivables and contracts assets:

Group 31 March 2024	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate	0%	88%	
Gross carrying amount - trade receivables	1,507	848	**2,355**
Gross carrying amount – contract assets	292	-	**292**
Loss allowance	**-**	**748**	**748**

Group 31 March 2023	Less than 90 days past due	More than 90 days past due	Total
Expected loss rate	0%	76%	
Gross carrying amount - trade receivables	1,543	297	**1,840**
Gross carrying amount – contract assets	-	-	-
Loss allowance	**-**	**225**	**225**

The closing loss allowance for trade receivables as at 31 March 2023 reconciles to the opening loss allowances as follows:

Group	2024 $'000	2023 $'000
Opening balance	225	88
Increase in loss allowance recognised in profit and loss	523	148
Receivables written off during the year as uncollectible	-	(11)
Loss allowance closing balance	**748**	**225**

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 120 days past due.

24.3 Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

• The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices

• The fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments

• The fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve derived from quoted interest rates for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

Fair value measurements recognised in the balance sheet

The following table provides an analysis of financial instruments that are measured at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities

• Level 2 fair value measurements are those 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)

• Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group 2024				
Derivative financial assets	-	2,077	-	2,077
Group 2023				
Derivative financial assets	-	3,178	-	3,178

There were no transfers between Level 1, 2 and 3 during the year.

Financial instruments by category

Group	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Financial asset/liability at fair value through profit and loss $'000	Total $'000
2024				
Cash and bank balances	32,872	-	-	32,872
Trade and other receivables	4,546	-	-	4,546
Investment in term deposits	184	-	-	184
Other financial assets	-	-	2,077	2,077
Total financial assets	**37,602**	**-**	**2,077**	**39,679**
Trade and other payables	-	6,115	-	6,115
Contract liabilities	-	282	-	282
Lease liabilities	-	74	-	74
Borrowings	-	41,000	-	41,000
Total financial liabilities	**-**	**47,471**	**-**	**47,471**
2023				
Cash and bank balances	2,863	-	-	2,863
Trade and other receivables	4,580	-	-	4,580
Other financial assets	-	-	3,178	3,178
Total financial assets	**7,443**	**-**	**3,178**	**10,621**
Trade and other payables	-	7,012	-	7,012
Contract liabilities	-	209	-	209
Lease liabilities	-	104	-	104
Borrowings	-	74,500	-	74,500
Total financial liabilities	**-**	**81,825**	**-**	**81,825**

Trust	Financial assets at amortised cost $'000	Financial liabilities at amortised cost $'000	Total $'000
2024			
Cash and bank balances	111	-	111
Invesment in term deposits	184	-	184
Total financial assets	**295**	**-**	**295**
Trade and other payables	-	39	39
Total financial liabilities	**-**	**39**	**39**
2023			
Cash and bank balances	354	-	354
Trade and other receivables	5	-	5
Total financial assets	**359**	**-**	**359**
Trade and other payables	-	49	49
Total financial liabilities	**-**	**49**	**49**

Policies

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The Group's credit risk is primarily attributable to its trade receivables and contract assets.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with AA credit-ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with the largest individual receivable being less than 10% of trade receivables and the remaining exposure being spread over a large number of counterparties and customers.

24.4 Capital risk

During 2024, the Group's strategy, which was unchanged from 2023, was to maintain an equity/assets ratio of not less than 40%.

The ratio at March 2024 and 2023 were as follows:	2024 $'000	2023 $'000
Average equity (including subordinated debentures)	211,124	179,019
Total assets at year end	345,717	321,627
Equity to Assets Ratio	**61.1%**	**55.7%**

Policies

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from 2022 and is based on risk management strategies and treasury management policies set and monitored by the Board.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 18, and equity attributable to equity holders of the trust, comprising issued capital, retained earnings and reserves as disclosed in note 14 and statement of changes in equity respectively.

Debt covenants have been complied with during the year and are expected to be complied with in the future. These are disclosed in note 18.

24.5 Liquidity risk

Financial liability maturity analysis

	Less than 1 month $'000	1 month to 1 year $'000	1 to 5 years $'000	Total $'000
Non-interest bearing	6,115	-	-	6,115
Variable interest rate instruments	-	-	41,000	41,000
At 31 March 2024	**6,115**	**-**	**41,000**	**47,115**
Non-interest bearing	7,012	-	-	7,012
Variable interest rate instruments	-	-	74,500	74,500
At 31 March 2023	**7,012**	-	**74,500**	**81,512**

The table includes both interest and principal cash flows.

Variable rate instruments include the impact of derivatives.

There are $2.0 million of subordinated debentures (note 18) with no set maturity date.

Interest payable on these is excluded from this analysis.

The Group had access to the following borrowing facilities at the end of the reporting period:

	2024 $'000	2023 $'000
Total facility	75,000	100,000
Undrawn facility	34,000	25,500

The bank facilities may be drawn at any time and expiry dates are split in three tranches, subject to the continuance of satisfactory credit ratings.

	2024 $'000	2023 $'000
Facilities expiring 31 August 2025	37,500	42,500
Facilities expiring 31 August 2027	37,500	42,500
Facilities expiring 31 August 2029	-	15,000
	75,000	100,000

Policies

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by monitoring forecast and actual cash flows and matching maturity profiles of financial assets and liabilities.

25. Related party transactions

	Group		Trust	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Transactions with The Lines Company Limited				
Dividend income	-	-	1,296	300
Interest received on perpetual debt	-	-	14	-
Interest received on subordinated debentures	-	-	74	74
Transaction with Maru Energy Trust				
Donations to Maru Energy Trust	200	150	-	-
Transactions with key management personnel				
Salary and other employee benefits	1.762	2,104	-	-
Short-term employee benefits	1.762	1,609	-	-
Post-employment benefits	-	47	-	-
Long-term employee benefits	-	447	-	-
Directors' fees and expenses	336	301	-	-
Trustee fees	128	119	128	119
Balances with related parties				
Maru Energy Trust Receivable	-	146	-	-
Shares in The Lines Company Limited	-	-	58,664	58,664
Perpetual debt with The Lines Company Limited	-	-	926	-
Subordinated debentures with The Lines Company Limited	-	-	1,000	1,000

26. Subsequent events

Ruapehu Alpine Lifts Limited (RAL), a major customer of TLC went into liquidation in 2023. In April 2024 the southern slope assets were sold to Pure Turoa Limited. The Northern slope assets are being managed by the liquidators. The financial position has been assessed and no adjustments are required due to the liquidation. All outstanding receivables (note 7) were provided for. Future financial impacts on the Group are being assessed but have not been quantified, due to uncertainty around the future of the northern slopes of RAL.

On 20 June 2024, the board of directors of TLC resolved to declare a fully imputed dividend of $1,420,000 to the Company's shareholder to be paid in July 2024.

There were no other subsequent events requiring recognition or disclosure.

Statutory Information

1. Trustees' fees

Trustees' fees for the Waitomo Energy Services Customer Trust of $127,779 (2023: $118,926) distributed as follows:

	Appointment Date	Retirement Date	2024	2023
William Oliver (Chair/"A" Trustee)	1 October 2017		31,972	30,569
Cathy Prendergast (Deputy Chair/"B" Trustee)	12 March 2020		21,388	21,026
Janette Osborne ("A" Trustee)	26 October 2017		19,294	17,719
Yvette Ronaldson ("A" Trustee)	1 October 2023		9,096	-
Guy Whitaker ("B" Trustee)	1 April 2022		18,742	17,456
Erin Wirihana ("Appointed" Trustee)	1 October 2017		18,191	15,881
Carolyn Christian ("Appointed" Trustee)	19 October 2020	30 September 2023	9,096	16,275
			127,779	**118,926**

The Trust maintains a register of Trustees' interest in other entities. In the event of a conflict of interest, the Trustee concerned cannot vote on any resolution relating to that conflict or issue and will not remain in the room or participate in any related discussion without the remaining Trustees' approval.

2. Directors' Remuneration

Directors' remuneration for The Lines Company of $324,0015 (2023: $296,035) distributed as follows:

	Appointment Date	Retirement Date	2024	2023
Bella Takiari-Brame (Chair)	01 Dec 2019		92,571	87,643
Andrew Johnson	08 Sept 2018		46,286	43,821
Craig Richardson	01 Oct 2018		46,286	43,821
Fraser Jonker	01 June 2022		46,286	36,679
Mike Underhill	01 May 2021		46,286	43,821
Todd Spencer	01 May 2022		46,286	36,679
Douglas Troon	01 May 2021	30 Apr 2022	-	3,571
			324,001	**296,035**

Each company within the Group maintains a register of its directors' interest in other entities. No director has declared a conflict of interest in respect of their interests in other entities.

Independent auditor's report

To the Trustees of Waitomo Energy Services Customer Trust

Our opinion

In our opinion, the accompanying financial statements of Waitomo Energy Services Customer Trust (the "Trust"), and the consolidated financial statements of the Group, comprising the Trust and its subsidiaries (together,the "Group"), present fairly, in all material respects the financial position of the Trust and Group as at 31 March 2024, their financial performance and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards Accounting Standards (IFRS Accounting Standards); and

What we have audited

The Trust's financial statements and the Group's consolidated financial statements comprise:

- the statements of financial position as at 31 March 2024;
- the statements of comprehensive income for the year then ended;
- the statements of changes in equity for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Trust and Group in accordance with 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 and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of assurance over compliance with regulatory requirements of the Commerce Act 1986. The provision of these other services has not impaired our independence as auditor of the Group.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the Annual report, but does not include the Trust's financial statements, the Group's consolidated financial statements and our auditor's report thereon.

Our opinion on the financial statements of the Trust and the consolidated financial statements of the Group 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 of the Trust and the consolidated financial statements of the Group, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Trust and the consolidated financial statements of the Group or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible, on behalf of the Trust and Group, for the preparation and fair presentation of the financial statements of the Trust and the consolidated financial statements of the Group in accordance with NZ IFRS and IFRS Accounting Standards, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Trust and the consolidated financial statements of the Group, the Trustees are responsible for assessing the Trust's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Trust, as a whole, and the consolidated financial statements of the Group, 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 is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), the auditor exercises professional judgement and maintains professional scepticism throughout the audit.

The auditor also:

- Identifies and assesses the risks of material misstatement of the financial statements of the Trust and the consolidated financial statements of the Group, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains 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 Trust's and Group's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concludes on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's and Group's ability to continue as a going concern.

  If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements of the Trust and the consolidated financial statements of the Group or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Trust and Group to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the financial statements of the Trust and the consolidated financial statements of the Group, including the disclosures, and whether the financial statements of the Trust and the consolidated financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust and Group to express an opinion on the financial statements of the Trust and the consolidated financial statements of the Group. The auditor is responsible for the direction, supervision and performance of the audit. The auditor remains solely responsible for the audit opinion.

The auditor communicates with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

Who we report to

This report is made solely to the Trust's Trustees, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Trustees, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Philippa Cameron.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
12 September 2024

Auckland

Glossary of Terms

Average total assets	(Opening total assets plus closing total assets) divided by 2
Average shareholder funds	(Opening shareholder funds plus closing shareholder funds) divided by 2
Debt to asset ratio	(Total liabilities less deferred tax liabilities) divided by total assets
Capital ratio	Average shareholder funds divided by total assets
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Earnings before interest and tax
Return on average equity	Profit for the year to equity holders divided by average shareholder funds
Return on average equity before customer discounts	(Profit for the year to equity holders plus customer discounts after tax) divided by average shareholders funds
Return on average assets	(EBIT multiplied by the applicable tax rate) divided by average total assets
Return on average assets before customer discount	((EBIT plus customers discount) multiplied by the applicable tax rate) divided average total assets
Net assets	Total assets less total liabilities
Shareholder funds	Total equity plus subordinated debentures
SAIDI	Average interruption duration per connection point served per year measured in minutes
SAIFI	Average outage value per connection point served per year measured in interruptions
LTIFR	Lost Time Frequency Rate measured as lost time hours divided by worked hours

Trust Directory

as at 31 March 2024

Waitomo Energy Services Customer Trust

Nature of Business	Customer Electricity Trust
Trustees	William Oliver (Chair – "A" Trustee) Cathy Prendergast (Deputy Chair – "B" Trustee) Janette Osborne ("A" Trustee) Yvette Ronaldson ("A" Trustee) Guy Whitaker ("B" Trustee) Erin Wirihana ("Appointed" Trustee)
Secretariat Services	Celina Yapp
Accountant	Bob Strawbridge McKenzie Strawbridge
Auditor	PricewaterhouseCoopers
Postal Address	PO Box 209 Te Kūiti 3941
Telephone	027 PH WESCT (027 74 93728)
Email	info@wesct.org.nz
Website	www.wesct.org.nz

The Lines Company Limited

Directors	B L Takiari-Brame (Chair) A D Johnson C P Richardson J F Jonker M C Underhill J T Spencer