MINUTES OF THE ANNUAL MEETING OF WESCT CUSTOMERS OF WAITOMO ENERGY SERVICES CUSTOMER TRUST HELD ON THURSDAY, 17TH OF OCTOBER 2023

Commencing at 6:00 p.m.

in The Tuatara Room, Ōtorohanga Kiwi House, 20 Alex Telfer Drive, Ōtorohanga

WESCT customers present:

For privacy considerations, the Trust has withheld the names of WESCT customers from the minutes published on the website. However, at Annual Meetings, the minutes that include the names of all WESCT customers will be available.

NO.	NAME
1	Janette Osborne (WESCT Trustee)
2	William Oliver (WESCT Trustee, Chairperson)
3	Erin Wirihana (WESCT Trustee)
4	Cathryn Prendergast (WESCT Trustee, Deputy Chairperson)
5	Yvette Ronaldson (WESCT Trustee)
6	Guy Whitaker (WESCT Trustee)
7	Celina Yapp (Minutes)
8	Bob Strawbridge, McKenzie Strawbridge
9	WESCT Customer #1
10	WESCT Customer #2
11	WESCT Customer #3
12	WESCT Customer #4
13	WESCT Customer #5
14	Bella Takiari-Brame (TLC Board Chair)
15	WESCT Customer #6
16	WESCT Customer #7
17	WESCT Customer #8
18	WESCT Customer #9
19	WESCT Customer #10
20	WESCT Customer #11
21	WESCT Customer #12
22	WESCT Customer #13
23	WESCT Customer #14
24	WESCT Customer #15
25	WESCT Customer #16 (arrived after meeting start)

IN ATTENDANCE: Craig Richardson (TLC Director), Fraser Jonker (TLC Director), Mike Fox (TLC Chief Executive), Simon Batters (GM People & Safety), Gerhard Buitendach (GM Network), Romay Rundgren (GM Finance), Craig Hackett (GM Operational Excellence), and Kyle Barnes (GM Future Energy).

WELCOME

W.Oliver, Chair, welcomed all attendees, confirmed what to do in case of an emergency and confirmed a quorum was present.

E.Wirihana opened the meeting with a karakia.

INTRODUCTIONS

The Chair introduced the Trustees, C. Yapp and B. Strawbridge, to the meeting. B.Takiari-Brame, the Chair of the TLC Board, introduced the TLC Directors, and M.Fox introduced the TLC Senior Leadership Team.

APOLOGIES

Resolved: The meeting accepted apologies from Mike Underhill (TLC Director), Todd Spencer (TLC Director), Andrew Johnson (TLC Director), and five WESCT Customers.
G.Whitaker/C.Prendergast - AIF

MINUTES OF THE 2022 MEETING

Resolved: To adopt the minutes of the 20th of October 2022 meeting as a true and correct record. ***WESCT Customer #7 / WESCT Customer #8 - AIF***

MATTERS ARISING FROM THE PREVIOUS MEETING

1.0. Debenture concept update. Under the discount model, TLC pays a small dividend to WESCT each year to cover the Trust's running costs. WESCT earns some interest on an existing debenture with TLC, but this income is insufficient to meet WESCT's annual expenses, nor is it sufficient to utilise the imputation credits attached to the dividends. The imputation credits are converted to losses and carried forward year-on-year. The Trustees wanted to maximise the benefit provided to the community via its distribution model. Under the current discount model, the benefit of the imputation credits received on dividends from TLC are locked within WESCT and cannot be fully utilised. The Trust and TLC have now received an IRD private ruling. The arrangement and ruling concerns TLC increasing the dividends paid to WESCT, and WESCT will lend any surplus cash back to TLC through an interest-bearing loan.

2.0. Trust Deed – the Trust is still working through some finer details with legal advisors, including whether there is a requirement for a Customer Poll.

3.0. Appointment of the Auditor - as resolved at the last annual meeting, the FY23 accounts were audited by The Auditor-General, who appointed Pip Cameron using the resources of PricewaterhouseCoopers to perform the FY23 audit.

Resolved: The matters arising are received by the meeting. ***E.Wirihana/C.Prendergast – AIF***

CHAIR REPORT

W. Oliver spoke to the Chair report presented in the Waitomo Energy Services Customer Trust 2023 Annual Report.

Resolved: To receive the Chair Report. ***G.Whitaker/WESCT Customer #11 – AIF***

OVERVIEW OF FINANCIAL ACCOUNTS

B. Strawbridge provided an overview of the financial statements to the meeting, which included the following points:

4.0. The Trust accountant is McKenzie Strawbridge (MS). How they prepared the Trust accounts over the last twelve months has changed. In the years until this one, MS would receive the information from the Trust itself for income and expenses and do a simple set of accounts for the Trust itself. They would then receive The Lines Company (TLC) accounts and compile the consolidated accounts. For FY23, McKenzie Strawbridge has done the Trust accounts but then handed those over to TLC's Romay Rundgren (GM Finance) and her team, who have done the consolidation.

5.0. McKenzie Strawbridge was involved with the IRD binding ruling, and they do the Trust's tax return; however, their role has diminished significantly.

6.0. FY23 accounts – pages 10 and 11.

  6.1. The two columns to the right are for the 'Trust' by itself, and the two columns on the left include all the transactions for the subsidiary. B. Strawbridge spoke about the two columns for the Trust itself:

  6.2. The Trust's revenue includes $300k of dividend income and $82k of interest income (of which $74k is on the $1m debenture for TLC).

  6.3. The costs of administering the Trust were $452k, significantly up on the year before. Note 2 (page 19) gives a little more detail of the expenses. Professional fees are up from $48k in the previous year. Within that, the audit fees have increased to $39k (up by $22k), the accounting fees were up by $2k for a bit of extra advice, consultancy fees paid KPMG for their work around the IRD private ruling of $59k, and there is $45k of costs associated with a review of the Trust Deed, plus insurance which is unchanged. There are also secretarial fees, Trustee fees, and other costs. There is an itemisation at the back of the accounts (page 49) of the Trustees' and Directors' fees.

6.4. Page 11 Statements of Financial Position.

6.4.1. There is a bank balance of $354k, which is down slightly. There is $17k of accrued interest, which hasn't been added to the term investments yet but has been accrued or earned on the term investment between the interest date and the balance date. There is a $47k tax refund owing to the Trust from the IRD, similar to the previous year.

6.4.2. The Trust's non-current assets are the TLC shares valued at a historical cost of $58m. The debenture loan through TLC is unchanged at $1m, and the deferred tax asset is the accumulation of those imputation credits that W. Oliver spoke about before. In this account, the $281m asset had grown to $364m and would continue growing unless The Trust and TLC did something with a new debenture.

6.4.3. The Trust's liabilities include trade and other payables on the balance date and then accrual of the audit fee, and there are no other external liabilities for the Trust.

6.4.4. In the Trust itself, there is $60m of net equity because of recording the shares in TLC at cost, as opposed to the consolidation and using the revaluation model.

6.5. Page 10 Statements of Comprehensive Income.

6.5.1. The consolidated income statement shows the combined position of the entire Group, including the Trust itself and the trading results of TLC and its subsidiaries, Influx and Speedy's Road Hydro.

6.5.2. The revenue rose from $42m to $47m; within that, there was a 7.4% rise in network revenue and a 79% or $2.1m rise in contracting revenue. Network revenue is after the customer discounts of $4.2m. Operating costs, depreciation, and interest costs were all up. The net profit after tax was $1.3m, and there was a profit from discontinuing operations. Because of identifying Influx for sale, TLC pulled it out of part of the report, which was reported here and had a $5.6m profit. So overall, there is a $6.8m profit after adjustments (including $2.9m for the revaluation network assets after tax and $700k from the hedge reserves). That takes the total profit to $10.5m for the year.

6.5.3. In response to a question from the floor about how the profit/loss on the Infux sale will affect the numbers, B. Strawbridge said that it would show under the line next year. There will be a number where discontinued operations is shown. The profit from continuing operations will continue to be lower due to storms in the current year numbers. There was a query about the maximum level of debt, which is not too dissimilar from the level that it has been, and whether there is an anticipation of spending that money. W. Oliver said that M. Fox would elaborate as much as possible in his presentation after the meeting. B. Takiari-Brame said to remember that these accounts are for March, and Influx was sold in June, so the accounts reflected the current debt levels when TLC owned Influx.

6.5.4. B. Strawbridge said there was a \$10m profit, and of that, in a normal year, just under \$3m of operational profit; this year, with the extra weather events and other things, they are down slightly. Influx contributed some extra profit, some revaluation of assets came through, and then they created some extra value from the hedge contracts. \$10m of profit, but some of that is from the revaluation of assets.

6.6. Page 11. Statements of Financial position. The total assets of the Group are \$321m, around about the same number; the liabilities have decreased from \$149m to \$140m; therefore, equity is up this year.

6.7. Note 18 is all about debt, which includes bank borrowings and the debenture to the North King Country Development Trust. Last year, some of that was classified as current because it was due within 12 months, and this year, it is all term debt. The debt facilities were held by Westpac alone, and now they are 50/50 between Westpac and China Construction Bank. The sale of Influx has also meant the facility limits have been reduced by \$25m from \$100m down to \$75m - not the balance but the limit available.

6.8. The amount of the term debt decreased before these accounts in March 2021. It showed there was \$92m owing, and that reduced to \$81m for these accounts for the comparative figure. In that year, there was the sale of the hydro stations, and this year, it has decreased to \$76.5m, another \$4.5m down.

6.9. The Group has the benefit of swap contracts, which fix the interest rate on some of the debt, so there is \$46m worth which goes through to August 2027, and they have an asset value of \$3.1m, so effectively, there is a benefit of locking in low-interest rates in an environment where the interest rates have gone up, but only on a portion of the debt. That did have a negative value back in 2021.

6.10. By value, the largest asset is property, plant and equipment, and this year, there were \$14.4 of additional assets into the system plus \$5.8m of capital work in progress and the revaluation of the network system by \$4m. The carrying value of the assets decreased slightly from \$293m down to \$271m, and within that, the Influx assets are not included, so some of that is not just a downward revaluation.

6.11. Inventories. Network stock has increased slightly from $1.1m to $1.5m. Trade receivables were significantly down, going from $6.7m to $5.3m, and he suspects part of that was to do with the change in the billing nature. Again, it is partly due to Influx moving out of the balances.

6.12. The bank account balances were down, so gone from $6.8m to $2.8m, and some of that was repaid off the term loans.

6.13. The deferred tax liability in the accounts is $53m, which is not $53m owing to IRD. When the network is valued, it is valued on its cash flows in the future. Under the accounting rules, that is, the cash flows before tax, the opposite side recognises a liability for those taxes payable in those future cash flows. So, that is really a portion of the revaluation of assets.

6.14. Overall, the equity of the Group has increased from $172m to $182m due mainly to the retention of profits within the business and a revaluation of the network assets.

Resolved: To approve the 2023 Annual Report to WESCT Customers: B.Strawbridge/WESCT Customer – *AIF*

APPOINTMENT OF AUDITOR

7.0. The audit cost for FY23 was $39,450. Consisting of:

7.1. $33k + GST to PricewaterhouseCoopers (of which $8k + GST was for 'non-recurring first-year audit activities').

7.2. An OAG Audit Standards and Quality Support charge of $1.3k + GST.

8.0. Pricewaterhouse Coopers has provided an estimate to carry out the FY24 audit of $25k + GST and disbursements. That value is subject to any scope change or significant uplift in inflationary costs.

Resolved: To accept the estimate provided by PricewaterhouseCoopers to carry out the FY24 audit of $25,000 + GST and disbursements and appoint them as Auditors to hold office until the next annual meeting of WESCT customers. *W.Oliver / WESCT Customer #8 AIF*

GENERAL BUSINESS - QUESTIONS

9.0. W. Oliver confirmed that Carolyn Christian was no longer an Appointed Trustee and that Erin Wirihana was the Appointed Trustee.

10.0. A concern was raised about the change that may come about after the Infux sale, and the sale price was not available to WESCT Customers who are entitled to that money, and that a contract was entered into in those circumstances, particularly when there are beneficiaries as opposed to shareholders. The question was about what was going to happen to that money. They appreciate the reduction of the maximum level of debt, but that doesn't mean that the level of debt has been reduced, so an indication of what is going to happen to that money, as $34m of assets have been sold so there is a lot of money there. What will happen to it, and will some of it be returned to the shareholders?

W. Oliver said the TLC Board met that day and will return to the Trust in December with a plan about how and where the money will be spent. He said that as a Trust, the Trust would like something to go back to the beneficiaries, but they have to look to the future as well. TLC will discuss the Influx sale as much as they can in their presentation following the meeting.

There will not be a special meeting of beneficiaries due to the confidentiality of the numbers. It is a Company operational matter; if it didn't have that level of confidentiality, the purchasers would have walked away. The Trust will inform the beneficiaries as much as possible, but they will not know anything further until December.

11.0. There was a question about what subsidiaries TLC still has.

11.1. M. Fox said that John Deere Electrical was amalgamated in 2016 into TLC, so it does not exist as a subsidiary anymore; it is part of their contracting business within TLC. R. Rundgren said to look at the breakdown of contracting revenue in note 1 (page 17) of the accounts.

11.2. The IT company was amalgamated into Influx around three years ago.

There were no further questions, and the Chair thanked all those present for their attendance.

The formal annual meeting of WESCT Customers concluded at 6:49 p.m. with a karakia from E. Wirihana.

A presentation followed the meeting by TLC CE M. Fox.