



**MINUTES OF THE ANNUAL MEETING OF WESCT BENEFICIARIES OF THE
WAITOMO ENERGY SERVICES CUSTOMER TRUST HELD ON THURSDAY, OCTOBER 17, 2024
commencing at 6:11 p.m. At the Panorama Motor Inn, 59 Awakino Road, Te Kūiti**

WESCT beneficiaries present:

<i>For privacy considerations, the Trust has withheld the names of WESCT beneficiaries from the minutes published on the website. However, the minutes that include all WESCT beneficiaries' names will be available at Annual Meetings.</i>	
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	Beneficiary #1
10	Beneficiary #2
11	Beneficiary #3
12	Beneficiary #4
13	Beneficiary #5
14	Bella Takiari-Brame (TLC Board Chairperson)
15	Beneficiary #6
16	Beneficiary #7
17	Beneficiary #8
18	Beneficiary #9
19	Beneficiary #10
20	Beneficiary #11

IN ATTENDANCE: Craig Richardson (TLC Director), Fraser Jonker (TLC Director), Mike Underhill (TLC Director), Todd Spencer (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 Attendee #1.

WELCOME

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

E.Wirihana opened the meeting with a karakia.

INTRODUCTIONS

The Chair introduced the Trustees to the meeting. B.Takiari-Brame, the Chair of the TLC Board, introduced herself and asked the TLC Directors to stand and introduce themselves. M.Fox, the TLC CE, introduced himself and asked the TLC Senior Leadership Team and the TLC's Executive Assistant to introduce themselves.

APOLOGIES

Resolved: The meeting accepted apologies from Andrew Johnson (TLC Director) and seven beneficiaries. *W.Oliver/G.Whitaker and carried*

MINUTES OF THE 2023 MEETING

Resolved: To adopt the minutes of the October 17, 2023 meeting as a true and correct record. *W.Oliver/C.Prendergast and carried*

MATTERS ARISING FROM THE PREVIOUS MEETING

No matters arose from the previous meeting.

CHAIR REPORT

W. Oliver spoke to the Chair report presented in the Waitomo Energy Services Customer Trust 2024 Annual Report.

Resolved: To receive the Chair Report. *W.Oliver/G.Whitaker and carried*

OVERVIEW OF FINANCIAL ACCOUNTS

B.Strawbridge (BS) introduced himself and provided an overview of the financial statements to the meeting, which included the following:

McKenzie Strawbridge (MS) prepares the financial accounts for the Trust, does the tax calculations and files the income tax returns. Given the size of the Trust, the Trust needs to consolidate the financial data of the Lines Company, disclose all of that data in its financial reports and get those statements audited. MS drafted the Trust accounts this year, but The Lines Company prepared the consolidation, which PricewaterhouseCoopers then audited.

BS spoke about four pages in the accounts, and mainly pages 10 and 11.

Page 10 is the statement of comprehensive income. The trust position itself is the two right-hand columns in blue, and the green columns are the consolidated position, looking through the Trust and incorporating the data of the Lines Company as well.

The revenue included \$1.29 million of dividend income, up from \$300,000 the previous year. There was also additional interest income. So, within the interest, there's a debenture of \$1m

with interest of \$74,000, bank interest, and a little bit of interest this year from a loan to the Lines Company.

Before the perpetual debt agreement, the Trust received dividend income to fund its costs, and the tax paid by the Company, called imputation credits, was attached to that dividend income. The imputation credits are not refundable, so if you use up all your income paying deductible costs, you cannot get a refund of those imputation credits. Instead, they convert to losses, so over 3-4-5 years, that was starting to build up to a significant amount. Within the accounts, there's a \$300k asset for the value of those tax losses. If there were no change, that would continue to snowball and get greater, and effectively, tax paid by the Company passed out to the Trust that the community cannot get back. That is why MS, the Trust and TLC spent time applying for a binding ruling with the IRD and getting advice from Wellington accountants. The Company pays out a large dividend to the Trust, and the Trust lends that back to the Company, but the Company still gets a deduction for the interest paid. There is an income stream for the Trust rather than dividends. It still goes in the same Group. The 'Trust only' balance sheet has about \$400,000 worth of cash assets about one year's worth of costs.

Of the large dividend received, the Trust loaned \$900,000 to the Company during FY24. In the future, the Company will continue paying the Trust a large dividend, and the Trust will loan money back to TLC, and the perpetual loan will grow. The interest will fund most or all of the Trust costs when it gets up to about \$5-\$6 million. At that stage, the Trust will start to eat into those tax losses, get them back, and get a refund of some of the tax asset they hold. The perpetual loan is to try and get back the value of \$379,000. Page 11 shows a deferred tax asset of \$379,000 for the Trust, which the Trust is trying to regain over time. It will probably take 5-10 years. With the binding ruling in place, the Trust should be able to do that.

Page 10. The Group's financial results show \$45 million in revenue against \$47 million the year before. Those revenue amounts include the customer discounts, which were \$4.3 million this year and \$4.16 million the year before. The operating expenses are similar, and there is a \$500,000 increase in depreciation. The big change is that there were hardly any interest costs in FY24 when there were \$2.7 million the year before. In FY24, the Group paid a reasonable amount of interest but also received a lot of interest as some money from the sale of the assets was invested rather than repaying debt. The profit from discontinued operations was \$5.6 million last year, and this year \$40.8 million. The trading income of the core business was \$1.37 million for FY24 and \$1.26 million the previous year.

Page 11. The balance sheet of the consolidated Group shows assets held for sale last year of \$34.4 million, and there is no value in FY24 due to the sale of Influx Metering; there is also more cash in hand of \$32.8 million in FY24. The term loans have gone from \$74 million to \$41 million, and a reasonable amount of the sale monies went to repay some of the term loans. The overall net assets of the Group have gone from \$181 million to \$236 million. Two things contribute to that: 1) the network assets have increased in value, and 2) the gain from the Influx sale.

There is a difference between the equity of the Group and the equity of the Trust due to the inclusion of shares at cost price. If there was a share revaluation, the valuation cost would need to be justified annually, which is why they are held at cost.

There is also a deferred tax liability of \$57.6 million; the Group doesn't owe that tax to the IRD, but when looking at the network's assets, they are revalued on future cash flows and based on the before-tax value of those future cash flows, so need to be shown as deferred tax to reduce the undervalue.

B. Strawbridge asked for questions.

Beneficiary #7 asked why there was so much secrecy over the deal selling the meters and said they expected notification or to be told about it once the deal was done. They understood that TLC and WESCT had spoken about confidentiality agreements. The Chair said that TLC could answer any questions during their presentation after the Annual Meeting.

**Resolved: To approve the 2024 Annual Report to WESCT Beneficiaries:
*B.Strawbridge/Beneficiary #8 and carried***

APPOINTMENT OF AUDITOR

Pricewaterhouse Coopers has provided an estimate to carry out the FY25 audit of \$27k + GST and disbursements.

Resolved: To accept the estimate provided by PricewaterhouseCoopers to carry out the FY25 audit of \$27,000 + GST and disbursements and appoint them as Auditors to hold office until the next Annual Meeting of WESCT Beneficiaries. *Beneficiary #8 / Beneficiary #11 and carried*

GENERAL BUSINESS - QUESTIONS

Beneficiary #7. Asked about the proposed changes to the Trust Deed, namely a terminology change from Customer to Beneficiary. The Chair said the proposed Trust Deed definitions clearly define the term beneficiary. The Trust has taken legal advice and spoken to other Trusts about what they do, so the Trustees have spent some time working on it. He thanked beneficiary #7 for the email and for being the only person who has given feedback.

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

The formal Annual Meeting of WESCT Beneficiaries concluded at 6:38 p.m. with a karakia from E. Wirihana.

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