

AGM Submitted Questions & Answers – On behalf of the Board

1. Financials

- a) **This year, we have undergone major transitional transactions, had a significant drop off in income and a massive increase in operational expenditure, and the 30 pages of Audited accounts have only been available for five working days pre-meeting.**

The financial report, which was signed off in early May, should have been promptly made available for member review, ideally for a month, before being posted online in a summarized version lacking detail. This deviation from the rules not only hampers our ability to review and formulate questions at the branch level but also underlines the lack of detail regarding AGM discussion documents.

The Statement of Accounts and Balance Sheet of Association were shared on 13 June 2024 and the full accounts shared on 19 June 2024.

Application of Rules

Rule 10.5.4 provides that the “audited Statement of Accounts and Balance Sheet of the Association as defined in Rule 12.2 for the preceding financial year shall be presented.”

Rule 12.2 provides that “... not less than 10 working days prior to an AGM of the Association an Annual Statement of Accounts for the preceding year and a Balance Sheet of Assets and Liabilities of the Association as at the closing date of the preceding financial year shall be prepared and circulated to all members of the Association.”

Accordingly, the two reports required to be presented under the rules were submitted not less than 10 working days before the AGM, as required.

Notwithstanding this, the point has been noted by the CEO & National Office and full disclosure will be made 23 working days before future AGM’s. This matter should be addressed by the rule committee.

- b) **Acknowledging that the massive financial input from the ETCO sale along with the mismatch of accounting periods to enable direct comparison year on year creates comparative difficulties, the July 21**

to June 22 have been used for a better gauge of performance in the majority of our questions relating to the financial reports.

It is apparent that our Revenue from providing Goods and Services has decreased 49%, dropping some \$600k, but our costs associated with wages and overhead/admin have increased by \$1.28m. We are providing \$600k less but paying an additional \$1.28m to do it, which has pushed our overall expenses up by approximately 65%?

As we move away from providing goods and services and more into passive income from rent and investment, our admin overheads, wages, and salaries now cost \$3.58m/annum to service 1300 members. Is there a reason for that increase?

Attached is report comparing the 2023 numbers contained in the statutory accounts to the full 2022 year.

ECANZ experienced a rise in costs year to year that has been offset by an increase in income being a combination of increased management fees and interest income offsetting the reduction in income from Skills/ETCO. An increase in membership income was across all membership categories.

Several costs in the 2023 year such as rebalancing of the branch rebate levy, costs of events (Auckland Conference and legal fees) that were cancelled and investments in brand marketing that contributed to the deficit.

There was a question as to the balance of the \$1.2m remaining of overhead costs that wasn't disclosed because we were not obliged to by the auditors. The same report (Appendix 1) gives more detail to the make-up of these costs.

- c) Only the Auditor's details appear on the financials, and it would be reasonably normal to show Bank, Legal and Accountancy within the entity's details on page 2.**

Who are the Association accountants?

Hudson Taylor.

- d) Can you please advise what the \$8.25m is showing as being held by Forsythe Barr?**

The funds held with Forsyth Barr are the residual cash from the sale of ETCO.

They were held in a combination of a call account and a term deposit until the SIPO had been signed off.

- e) In FY22 Office Equipment and Premises Operating leases were \$4.8k and they are now sitting at \$265k.**

That's a significant increase, is there a reason?

Note 16 – Operating leases

The increase in dollars from 2022 was due to ECANZ moving across the road and renting premises from a third party. This note requires us to show the total liability.

- f) Skills Industry Contribution has significantly dropped from the FY 22 accounts figure of \$740k to the current reported figure of 439k.**

Is there a reason for the drop?

The money paid out by Skills is at their sole discretion (sponsorship etc) and the money from the foundation is allocated by the Foundation Board. The change in Skills from being an ITO to being a PTE has also meant a change in their funding. As such the moneys paid out from the Foundation have reduced due to a reduction in profitable revenue that Skills channels to the Foundation. All other associations who receive sponsorship from the Foundation have also faced reductions. We expect this to reduce further in 2025.

- g) Salaries and Short-term employees' figure have moved from \$191k in FY22 accounts to \$495k in the FY23 accounts an increase of 159% over 18months.**

Could you provide some background on what has generated this increase?

Note 19 (b) Key management compensation requires that we disclose the salaries paid to key management – during the year there were 2 key management – Bernie and Mat – this is the gross pay for each for the whole year plus any other lump sum payments. Hence the increase from the 2022 comparison which was for six months anyway. The note is requirement from the Auditor.

Minutes answer this quite clearly “the reporting requirements are to account for a full 12-month salary of anyone who acted in key management position (Chief Executive role). In 2023 there was a handover of management from Bernie Mclaughlin to Interim CE Mat Lawrence. As such they had to report a full 12-month salary (and any final remuneration payments made) of both Bernie's and Mat's salaries, and not the pro-rata equivalent of their salaries for the time they served as key management. Confirmed there were no 2 people in the CE role at one time it is purely an accounting requirement to display it this way.

h) We have moved from one key management person to two key management persons.

No, per the above.

Who are the two key management persons depicted in the FY23 accounts?

Mat Lawrence (Aug – Dec) & Bernie McLaughlin (Jan – Aug). We ask that the names of these individuals are kept confidential due to Privacy Act 2020 requirements.

i) Board costs are not shown in the financial statements.

Is there a particular reason why that is not shown?

There is no statutory obligation under the auditors' guidelines to separately disclose directors' fees – however on the sheet we have attached comparing 2023 to 2022 you will see that we have now detailed directors' fees for your information.

2. Directors Fees

a) In setting the Directors fees, the Directors are, in fact, part of a management committee of an Inc. Society (*Boards of Directors are not recognised within the Act*) and carry minimal personal liability with all legally undertaken actions indemnified by the Association under the Rules and the current Act.

b) The Rules allow for Directors to be remunerated by payment of such fees as may be recommended by the Board from time to time and agreed to at a General Meeting. On this basis:

**Can you explain the policy on this and how the fees are determined?
Are there any additional fees paid for sitting on the property
company and the like? If there are fee increases, on what basis are
they determined?**

Policy on how the fees are determined – see below

Memo 1635 was circulated to members prior to the 2021 AGM and was approved at that AGM.

On review of that approval and as part of the background to answering the 2024 AGM questions put to the Board, a review of the 2021 AGM Video and Memo 1635 indicate there may have been an administrative oversight, in that rule 7.8 was not updated following AGM when the rest of the amendments in Memo 1635 were attended to on the Incorporated Societies Register.

Current rule 7.8 states that *“Directors may be remunerated by payment of such fees as may be recommended by the Board from time to time and agreed at the General Meeting.”*

Amended Rule 7.8 per Memo 1635 states that *“Directors shall be remunerated, in line with current market benchmarking, by payment of such fees as may be recommended by the Board from time to time and agreed to at the general meeting.”*

Whilst there may have been an administrative oversight regarding the above, clarity can be achieved with this rule amendment being re-considered and included in rule committee considerations currently underway regarding the rules as we move to registration under the 2022 Act. As part of this consideration the Board intends to develop a comprehensive Director Fee (including Committees) policy for circulation and consideration by members with a view to implementing the same at the next AGM.

The market benchmark was arrived at by a comparison with the general market and alignment with the ETCO board, which at the time set Director Fees at \$18,000¹ per year on the recommendation of the CEO.

¹ Institute of Directors reports the median for 2022 Not-for-Profit director fees at \$21,550.

Are there any additional fees paid for sitting on the property company and the like?

The base director fees are \$1,500 per month (\$18k per year) per director, with the Chair fees being an additional \$1,000 per month; \$2,500 per month.

The additional Chair fee accounts for the greater time commitments and responsibilities held by the Chair.

There are additional fees as follows (per member/director):

| | |
|--------------------------------------|-------------------|
| Audit & Risk Advisory Group: | \$750 per month |
| Audit & Risk Advisory Chair: | \$1,000 per month |
| Skills Transitional Advisory Group : | \$750 per month |
| ME Property Investment Chair: | \$1,000 per month |

If there is a fee increase, on what basis are they determined?

The intent (to be formalised in a policy) is for the Chair & CEO to seek external guidance – for example, the Institute of Directors or Strategic Pay, & benchmark the fees annually. Relevant considerations include current budget & financial performance, benchmarking against similar organisation and the ability of ECANZ to attract Independent Professional Directors to the Board and encourage members to consider applying for a Board appointment, given the time commitments involved an impact on their businesses/roles. A recommendation to the Board for any change in fees will be made in writing & if agreed to by the Board to then be brought to an Annual General Meeting for ratification per rule 7.8.

3. ME Property Investments Limited

- a) In the last financial reporting period, we relinquished our electrical industry training arm in preference to property, investment, and management. As this has been undertaken with a relatively low-key approach with the membership and sparse information available at the time:**

What was the reasoning behind establishing a separate entity to own the properties thereby incurring more compliance costs to the Association / Group?

ME Property Investments Limited (MEPIL) was setup to hold the commercial properties that came with the sale of ETCO.

The reason for doing this, as per the board meeting, was to separate out activities that were done for commercial purposes that may jeopardise the tax-exempt nature of ECANZ.

b) Does the ME Property Investment Company have a constitution and if so, is it filed?

The company does not have constitution and there is no legal obligation for it to have one.

c) What is the Financial Year End of the Property Investment Company?

31 March

d) Is the Property Investment Company set up as a 'Look Through Company'?

It cannot be set up as a look through company as the shareholders are not natural persons.

e) Is the \$11 m loan to MEPI, only a week after it was formed as a \$100 company, showing in MEPI's accounts as a shareholder's loan?

There is an intercompany debt between ECANZ and ME property because the assets were part of the sale of ETCO and ETCO was owned by ECANZ.

Management services are being provided to ME Property by ME Head Office and there will be an interest charge on the intercompany debt.

f) Does the loan have a registered security over it?

There is no security on the intercompany debt.

g) Is the loan attracting interest from MEPI?

There will be interest charged on the intercompany debt.

h) Why are we charging the MEPI \$39k/mth for management fees?

There became a debt between ECANZ and MEPIL, MEPIL accounts for the depreciation of property and it receives the rental income and the outgoings (rates etc). MEPIL is a commercial vehicle and must pay tax on its profit. Management fees go between ECANZ and MEPIL for the ability to draw upon an intercompany account to eradicate any profit from MEPIL into ECANZ which is tax exempt.

i) What indemnities & protections have been initiated for the Directors of the property Investment Company, and ECANZ in relation to the leasing of the buildings and the actions of the Directors?

ECANZ has Associations Liability cover under NZI. This covers Officer liability, Association reimbursement, Association liability and Professional Indemnity. The policy covers Officers, Directors and committees of the association.

- j) The ECANZ Board have selected Directors to sit on the Board and oversee the Property Investment Company – what are their terms of duration in office?**

The directors are National President, Chairman, and a Member Director which is also a member of the Financial Audit & Risk Committee. Their tenure lines up with the time frames for ECANZ Directors.

- k) Are the Directors of the Property Investment Company receiving payment for being on the Board of the company as well as for being on the ECANZ Board:**

This is answered in 2B.

4. Martynsfield

- a) Is there a current lease being paid on Martynsfield?**

Yes, there is a lease in place until March 2025.

- b) If no lease is being remitted what are our potential budgeted outgoing liabilities on the empty premises back to the property company/ECANZ?**

NA – there is a lease in place.

- c) Is it correct that Martynsfield is on the market for sale, having been listed slightly less than twelve months after we purchased it?**

The ME Property Board met and decided that the best course of action was to sell the property – this recommendation was further supported by the ME Board & the property was put to market.

The property currently has a conditional offer of sale & purchase on it from a third party – that was agreed to by all directors & supported by the ME board – further detail will be able to be released once the successful completion of sale.

- d) When undertaking the substantial investment in the purchase of Martynsfield as part of the ETCO sale process, were we aware that the 12-month lease plus right of renewal may not be taken up, and**

did we have a plan to minimise the potential cost liability and lack of return to the Association?

Answered above. We were unaware that ETCO would not remain at the property.

It is a 24-month lease and there was a first right to purchase the property. ETCO has confirmed in writing that it does not wish to exercise its right of first refusal

5. Industry Connections for Excellence

a) Last year's notes to the meeting stated:

Master Electricians in return acquired a 30% shareholding in ICE/ETCO and these shares were converted to partner shares on completion.

Can you please advise what 'Partner Shares' means?

Partner shares have the same rights and obligations as ordinary shares, except they do not entitle ECANZ to dividends or to vote (except in respect of changing rights attached to those shares). ECANZ has a role in governance of ICE (via representation and influence over Skills), as explained further in the next answer.

b) Do we have representation on the Board of ICE following our major investment in a minority shareholding as no Director is shown on the companies register but Auckland was advised pre-sale that ECANZ would be 'in the driving seat'?

ICE is a subsidiary of the wider Skills Group. It has 2 directors, CEO and CFO from Skills Group, who report to the Skills board. ME will have a member elect on the Skills board - Craig O'Connell to provide governance and input to the decisions made in ICE. There is also a STAG Steering Advisory Group (which ECANZ has representation on) who provide advice on how this business is operated for ETCO learners. Colin Smith has a position on the SPC (the Skills board appointment committee) for Skills to help appoint members to the Skills board. ECANZ also has significant influence over Skills by virtue of it being its largest member.

c) Looking through the chain of entities, including the Skills Group, all appear to be tax-exempt charitable entities, and as ECANZ is not a

tax-exempt charitable entity, what is the mechanism for a financial return on our investment in ICE?

A change in our constitution is required to finalise the tax-exempt status of ECANZ – and we have written confirmation from the IRD of tax-exempt status.

d) How have the \$7.3m ICE shares been valued? As this would indicate that ICE is currently valued at \$24m overall.

This was part of the proceeds from the sale of ETCO. The valuation of \$7.3m for 30% of ICE was established by a third-party accountant – Paul Moodie from Findex at the time of the transaction.

This valuation was supplied to the auditors, and they were happy to show that as the valuation of the investment as of 31 December 2023. We will re-visit this value annually.

We cannot comment on the total valuation of ICE as it currently stands. This question is better directed to Skills.

e) Whilst this is shown as a non-current asset investment, please explain how a minority shareholding in ICE, a Tax-Exempt Charitable entity that cannot declare dividends to non-charitable entities, could be worth this value – who would we believe would consider buying a minority shareholding in a company that cannot return a dividend?

Minority share sales are common with specific provisions in the Companies Act 1993 to guide such transactions. Minority shareholdings are factored into valuations by way of various methodologies, some which apply minority discounts, some which do not. In the event another party wished to purchase these shares, an independent valuation process would be undertaken considering all factors relevant to the valuation. There are other industry participants that may be interested in such a purchase as may Skills itself or one of its group entities.

6. Appointments Advisory Committee

a) Can you please explain how the appointments committee is set up, who appoints members, on what basis, and their tenure?

The appointments committee (AAC) is established as an independent screening and recommendation body for vacant board positions. The

committee is carefully composed to ensure there are no conflicts of interest and to maintain its independence. There is a procedural policy that the AAC adheres to (Appendix 2).


The composition typically includes:

- A representative from the NPAF (National President's Advisory Forum) to ensure the membership is represented.
- Where possible, an officer of the association to provide insight into the association's operations.
- Two other board members to bring in understanding of the industry and the governance required by the association.

It's important to note that board members are not allowed to sit on the committee when their own positions are under consideration, ensuring they cannot select themselves for the board.

b) Is it possible that the committee could be in a situation where "the board is effectively selecting the Board?"

The structure of the appointments committee is designed to prevent a situation where "the board is effectively selecting the Board." By excluding board members from the committee when their positions are being considered, the independence of the selection process is upheld, and self-selection is avoided. This separation ensures that the appointments process remains fair and unbiased.



Alex Vranjac-Wheeler

Chief Executive