

Electra

TRUST

2013 Annual Review

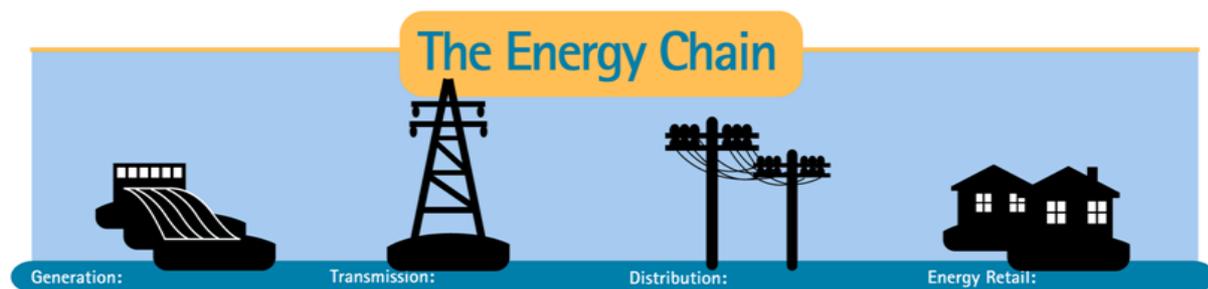
The Electra Trust is 100 percent owned by the 42,800 electricity consumers (beneficiaries) currently connected to the Electra network throughout Kapiti and Horowhenua.

The six elected Trustees hold the shares on behalf of the beneficiaries, ensure the terms of the Trust Deed are complied with, and ensure the benefits of ownership are distributed in the form of an annual sales discount.

The Trust appoints the Directors in Electra Limited which operates the lines network (including lines, transformers and sub-stations) and its subsidiary companies, and monitors performance.

More on Electra Trust: www.electratrust.co.nz

Where the Electra Network fits



Contact

Transpower



Contact

Meridian

Meridian

Genesis

Genesis

Mighty River Power

Energy On Line

Trustpower

Trustpower

Nova Energy

Energy Direct

Mighty River Power

Power Shop

Pulse Utilities NZ

Simply Energy

Trustees' Report

To be submitted to the Annual Meeting of the beneficiaries of Electra Trust to be held on Friday 26 July 2013 at the Salvation Army Centre, Durham Street, Levin.

Your Trustees submit the Annual Review of the Trust, together with an overview of the Trust's expenses for the year ended 31 March 2013.

The Electra Trust has reached a significant milestone – our 20th anniversary.

It's significant because when the Trust was established following the dissolution of Power Boards it was felt that local Trust ownership would simply be an interim step before full commercialisation. Instead, local ownership of Electra has become embedded in the social and economic fabric of our Kapiti and Horowhenua communities and Electra has one of the highest satisfaction levels in the country. Together with a difficult trading climate, it has been another year where prudence and consolidation have necessarily shaped the way Electra Ltd, the lines company we own on your behalf, has performed and the Trust believes it has achieved well.

The marker against which all our consumers can measure Electra is the annual discount – the share consumers get from any annual surplus the Company has after paying all costs, reinvesting in our lines network to ensure safety and reliability, and building for the future

This year the discount increased slightly to \$8 million. When shared between our 42,800 consumers that continues to amount to about one month's free power for each consumer and in these difficult economic times we receive many messages of appreciation. It's worth noting on our 20th anniversary that if Electra had been commercialised, any profits would be going to investors, many of whom might well live outside the district or overseas, and local control could be lost.

Like all other lines companies we have worked through frequent government regulatory intervention, particularly over the last decade, and the compliance costs for Electra Ltd are now running at an unacceptable \$350,000 a year. This is a matter the Trust has taken up with the Commerce Commission. It remains disappointing that despite many efforts, there is still no breakdown of power accounts to show exactly what we are paying for.

It is galling for lean-and-mean lines companies like ours to receive complaints about power price increases when, apart from small local movements, the significant increases come from the big retailers.

Electra Ltd's component of our power bill is 26 percent (21 percent after payment of the discount) for the cost of local distribution; the national grid power provider Transpower is eight percent, and the balance is charged by the retailers.

Over the last year the Trust has again been kept well-informed by the Company on how it was working through a difficult economic climate and we have approved the latest Statement of Corporate Intent which sets out future directions.

While the economy is showing some signs of recovery, our region continued to see the effects of subdued growth, with flat electricity consumption and new connections at half the numbers experienced prior to the recession.

The Company's exposure in the contracting market, which is expected to remain constrained outside Christchurch and Auckland, was reduced by selling Stones Electrical and Skycomms Australia.

Electra's network reliability was maintained at a high level with most power cuts nowadays due to tree growth along the routes of our lines – which the Company is working on as fast as it can - or occasional major outages on the main incoming supply lines.

The Trust itself finds continuing benefits from membership of our umbrella organisation, Energy Trusts New Zealand, which keeps us up to date on complex electricity opportunities and issues has brought all lines companies closer together.

I am grateful for the support of my five colleagues on the Trust who bring a wide range of knowledge and skills to our table and to our Secretary Heather Birrell. Over the last 20 years the elected Trust membership has remained very stable, which in turn has built a high level of experience and competence, and we work well together as a team.

This year one of that team, former MP Judy Keall of Manakau is retiring after nine years valuable service and I would like to record my appreciation for her strong consumer advocacy and attention to detail.

Finally, in response to interest shown at the last Annual Meeting, the Trust decided last year to provide opportunities for consumers to meet Trustees at advertised public forums at the start of some of our meetings to provide an opportunity to discuss matters of interest.

The response has so far been disappointing – either because consumers are generally happy with Electra's performance or we need to try harder to get the message out that we are there to listen.

On behalf of Trustees:
Chris Turver JP
Chairman Electra Trust

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting of beneficiaries of Electra Trust will be held at the Salvation Army Church Centre, 11 Durham Street, Levin, on Friday, 26 July 2013 commencing at 12 noon.

ORDINARY BUSINESS

1. Presentation of the following:
 - (a) Annual Report
 - (b) Financial Statements for the year ended 31st March 2013
 - (c) Report of the Auditor
2. To record the election of two Trustees.
3. To fix the remuneration of the Trustees for the coming year. Trust beneficiaries are asked to consider, and if thought fit, to pass the following resolution:

"THAT the remuneration of the Trustees be increased by \$14,500 and therefore the remuneration for the 12 months ending 31st March 2014 be an amount of \$84,000, such sum to be divided amongst the six trustees in such proportion and in such manner as they may agree."
4. To appoint an auditor for the Trust for the year ended 31st March 2014.

"THAT the Controller and Auditor General or his appointee be appointed as auditor for the Trust"
5. Authorise the Trustees to fix the remuneration of the Auditor of the Trust.

"THAT the Trustees be authorised to fix the remuneration of the Auditor of the Trust."
6. To review and discuss the Code of Practice for the Electra Trust.
7. Report on the company's compliance with the Statement of Corporate Intent.
8. To direct the Trustees as to:
 - adopting the annual report and financial statements of the Company for the year ended 31st March 2013
 - the recommended payment of a dividend of \$275,000 by Electra Limited for the year ended 31 March, 2013 to assist in meeting the expenses of the Trust
 - authorising the Directors of Electra Limited to fix the remuneration of the auditor of the Company.
9. Public forum.

By the order of the Trustees
P H Birrell
Trust Secretary

The Annual Report of Electra Trust, including the audited Financial Statements, is available on request from:

Electra Ltd, Cnr Bristol & Exeter Streets, Levin. Or telephone 06 368 7463 (Secretary).

Online at website: www.electratrust.co.nz

Overview of Electra Trust's Expenses

	2013	2012
	\$	\$
Annual Report Expenses	36,329	36,634
Audit Fees	5,647	4,534
Bank Fees	145	150
Conference	7,096	5,217
Corporate Trustee Fees	7,000	5,750
Depreciation	263	525
ETNZ Levy	8,085	12,690
Legal fees	1,906	4,535
Shareholder Meetings	724	860
Trust Secretary Expenses	28,283	50,803
Trustee Election Expenses	69,789	67,181
Nomination Expenses	20,506	20,173
Trustees' Expenses	2,523	2,360
Trustees' Fees (Total of 6)	69,500	69,500
Trustees' Insurance	6,133	5,750
Website Expenses	-	437
	\$263,929	\$287,099

These expenses are covered by a Dividend of \$275,000 received from Electra Limited.

Details of the discount are contained in the Electra Annual Report.

Directory

TRUSTEES

C R Turver JP, *Chairman* J M Keall
 L R Burnell QSM R J Latham
 A Chapman MNZM JP G Sue QSM JP

SECRETARY

P H Birrell, BBS CA (retired), Levin

ADVISORY TRUSTEE

Public Trust, Wellington

AUDITOR

Deloitte, Wellington,
 on behalf of the
 Controller and Auditor General

SOLICITORS

Quigg Partners, Wellington

WEBSITE

www.electratrust.co.nz

TRUSTEES



C R Turver JP, *Chairman*



A Chapman MNZM JP



G Sue QSM JP



L R Burnell QSM



R J Latham



J M Keall

MINUTES OF THE NINETEENTH ANNUAL MEETING OF ELECTRA TRUST HELD FRIDAY 27 JULY 2012 AT 12 NOON AT THE SALVATION ARMY CHURCH CENTRE, DURHAM STREET, LEVIN

PRESENT

Trustees: C Turver (Chairman), L Burnell, A Chapman, J Keall, R Latham, G Sue.

Directors: P McKelvey (Chair of Electra Limited), M Devlin, P Hamid, R Longuet, N McKay, I Wilson.

40 beneficiaries

In attendance: H Birrell (Secretary)

Ireen Muir (Representing Public Trust as Advisory Trustee)

Senior Management Electra Ltd.

The Chairman welcomed everyone to the meeting and introduced the Trustees and Directors.

The Chairman advised beneficiaries that voting papers were available if they had not already voted by postal vote.

APOLOGIES An apology was received from Nathan Guy.

RESOLVED THAT the apology be accepted. Carried

MINUTES

RESOLVED THAT the minutes of the previous Annual Beneficiary Meeting held on 29 July 2011, as circulated previously be taken as read, confirmed as a true and correct record and signed by the Chairman. Carried

ANNUAL REPORT OF ELECTRA TRUST AND FINANCIAL STATEMENTS

The Chairman presented and spoke to the 2012 Report and the overview of the Financial Statements which had been circulated with the notice of meeting.

The Chairman put the motion seconded by J Keall

RESOLVED THAT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE TRUST FOR THE YEAR ENDED 31 MARCH 2012 BE ADOPTED

The Chairman declared that 5005 postal votes for the motion and 29 against carried the motion.

ELECTION OF TRUSTEES

The Chairman stated that in accordance with the Trust Deed, Chris Turver and Ray Latham had retired by rotation and being eligible had been nominated for re-election.

The Chairman asked the returning officer Mrs V Wright, Company Secretary, to report on the Trustee election.

Mrs Wright read the results of the election and advised that the successful candidates from the Trustee election were Chris Turver and Ray Latham.

She declared C Turver and R Latham to be elected Trustees under the terms of the Trust Deed of Electra Trust.

C Turver and R Latham were congratulated

TRUSTEE REMUNERATION

The Chairman put the motion seconded by P Hamid.

RESOLVED THAT THE REMUNERATION OF THE TRUSTEES REMAIN UNCHANGED AND THEREFORE THE REMUNERATION FOR THE 12 MONTHS ENDING 31 MARCH 2013 BE AN AMOUNT OF \$69,500, SUCH SUM TO BE DIVIDED AMONGST THE SIX TRUSTEES IN SUCH PROPORTION AND IN SUCH MANNER AS THEY MAY AGREE.

The Chairman declared that 4983 postal votes for the motion and 55 against carried the motion.

APPOINTMENT OF AUDITOR

The Chairman put the motion seconded by A Chapman

RESOLVED THAT THE CONTROLLER AND AUDITOR GENERAL OR HIS APPOINTEE BE APPOINTED AS AUDITOR FOR THE TRUST.

The Chairman declared that 5004 postal votes for the motion and 29 against carried the motion.

REMUNERATION OF AUDITOR

The Chairman put the motion seconded by P Hamid

RESOLVED THAT THE TRUSTEES BE AUTHORISED TO FIX THE REMUNERATION OF THE AUDITOR OF THE TRUST

The Chairman declared that 4960 postal votes for the motion and 67 against carried the motion.

EXTRAORDINARY RESOLUTION

The Chairman spoke to the Resolution explaining the proposal not to hold a scheduled review next year of the current form of full consumer ownership. The Chairman put the motion seconded by I Wilson

RESOLVED THAT THE 2012 ANNUAL BENEFICIARY MEETING OF THE ELECTRA TRUST AUTHORISES THE TRUST TO:
REVOKE THE AUTOMATIC OWNERSHIP REVIEW PROCESS IN CLAUSE 4.7(b) OF THE ELECTRA TRUST DEED BY DELETING CLAUSE 4.7(b) AND INCORPORATE PROVISION FOR DISCUSSION ON OWNERSHIP REVIEWS TO BE HELD AT FUTURE ANNUAL BENEFICIARY MEETINGS AT SEVEN YEARLY INTERVALS, STARTING IN 2019 AS FOLLOWS, AS CLAUSE 4.8 OF THE TRUST DEED:

"THE TRUSTEES SHALL PROCURE THAT AT THE ANNUAL MEETING OF BENEFICIARIES HELD IN 2019 AND AT EVERY SEVENTH ANNUAL MEETING OF BENEFICIARIES FOLLOWING THAT (THE NEXT BEING 2026) AN ORDINARY RESOLUTION IS PUT TO THE BENEFICIARIES THAT THE OWNERSHIP STRUCTURE SHOULD BE REVIEWED. IF THIS RESOLUTION IS PASSED THE TRUSTEES MUST PROCURE A REVIEW OF THE OWNERSHIP OF THE TRUST IN ACCORDANCE WITH THE PROCEDURE SET OUT IN CLAUSES 4.1 TO 4.5."

The Chairman declared that 4554 postal votes for the motion and 365 against carried the motion.

CODE OF PRACTICE

The Chairman asked the Advisory Trustee representative, Ireen Muir to read the Public Trust's Annual Report to the Beneficiaries. This report confirmed that to the best of the Public Trust's knowledge the Trustees had complied with their obligations under the Trust Deed and the Code of Practice in all significant respects during the year ended 31 March 2012.

The Chairman put the motion seconded by L Burnell

RESOLVED THAT THE REPORT BE RECEIVED. Carried

STATEMENT OF CORPORATE INTENT

The Chairman reported that the Trustees had reviewed and monitored the Statement of Corporate Intent of the Company and that Trustees believed the Company had adhered to the document.

ANNUAL REPORT AND FINANCIAL STATEMENT OF ELECTRA LIMITED

The Chairman invited Miss P McKelvey, Chair of Directors of Electra Limited, to speak to the Annual Report of the Company.

Miss McKelvey welcomed everyone to the meeting. Together with John Yeoman, CEO they highlighted the following points in a power point presentation:

- Coverage area of Electra Limited and where the Company sits in the energy chain
- Key facts on size, employees and price
- Financial Performance and discount details
- Network Statistics
- Network Investment
- Subsidiary companies function and details
- Supporting the community
- Industry update

Miss McKelvey put the motion, seconded by P Hamid

RESOLVED THAT THE MEETING DIRECTS THE TRUSTEES TO ADOPT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31st MARCH 2012.

The Chairman declared that 5018 postal votes for the motion and 33 against carried the motion.

The Chairman thanked Miss McKelvey and John Yeoman for their presentation.

DIRECTION TO THE TRUSTEES AS TO AUTHORISING THE PAYMENT OF A DIVIDEND

Miss McKelvey put the motion, seconded by N McKay

RESOLVED THAT A DIVIDEND OF \$297,500 BE APPROVED.

The Chairman declared that 4997 postal votes for the motion and 54 against carried the motion.

DIRECTION TO THE TRUSTEES AS TO AUTHORISING DIRECTORS TO FIX THE REMUNERATION OF THE AUDITOR OF THE COMPANY

Miss McKelvey put the motion, seconded by M Devlin

RESOLVED THAT THE DIRECTORS BE AUTHORISED TO FIX THE REMUNERATION OF THE AUDITOR OF THE COMPANY.

The Chairman declared that 4965 postal votes for the motion and 74 against carried the motion.

PUBLIC FORUM

The Chairman called for questions or comments from the floor

Questions were asked regarding the company results and the discount paid to beneficiaries.

The questions were answered by the Company CEO and also Director Piers Hamid

• What was the reason for the company loss for the year ended 31 March 2012?

This was as a result of non cash items. Eg. Goodwill impairment and interest accrual

• With a profit forecast for next year why is the amount for discount held?

It is necessary to hold some profit back to maintain the network. \$ 76 million is to be spent on the network over the next 10 years. There is also a programme to reduce the risk from trees growing around power lines.

• Why has discount dropped and operating revenue increased?

Answers related to the economic downturn, competitive market, reduced margins, depreciation increase, transpower charges and requirements from the Government and the Commerce Commission for regulatory reporting.

The Chairman stressed that the discount level was being maintained.

Mr Green, President of Horowhenua Grey Power asked three questions.

1. Are beneficiaries able to attend and observe meetings of the Trustees?

2. Are minutes or agendas of such meetings available to beneficiaries?

3. Can beneficiaries view the 2012 Trustee candidate nomination forms, including the 20 seconders for each nomination?

The Chairman thanked Mr Green for his questions. The Trust Deed states that the meetings are Trustee meetings and therefore they are different from Local Body meetings. Often issues discussed are commercially sensitive.

Mr Turver said that Trustees would discuss these issues at their next meeting and report back to Mr Green and the beneficiaries. It is important that Trustees make every effort to inform beneficiaries of the operation and activities of the Trust.

Questions were asked on the ability of the subsidiaries (e.g contracting) to contribute to the income of the group. Mr Hutchison asked a question re the 2010 restructuring of Linework. Beneficiaries were assured that contracting will contribute in this financial year. Other subsidiaries continue to provide income.

A question was also asked on how much money was tied up in the Australian branch of Sky Communications. The CEO replied that the assets were in stock and vehicles.

Mrs Hutchison requested that the minutes record her view that open debate was not allowed and that a beneficiary question on the 2010 restructuring had been shut down.

The Chair stated he considered that questions had been answered appropriately, in an open and factual manner and that if anyone had any further questions they could ask them of the Directors, Officers of the Company or the Trustees after the meeting.

CLOSURE

The meeting closed at 1.10pm