

Electra

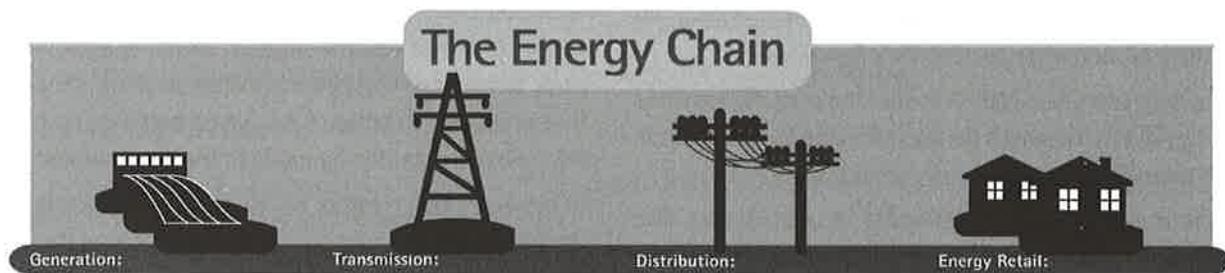
TRUST

2009 Annual Review

Electra Trust is 100 percent owned by those connected to the Electra network. Through its company Electra Limited, it carries power to the 41,761 householders and business owners in Kapiti and Horowhenua who benefit from a significant annual discount.

Electra Limited is a line company owning and controlling the lines, transformers, substations etc, and charging electricity suppliers for the use of these. Beneficiaries of the Trust will continue to benefit from this ownership of the "family silver" as the shareholding is fully maintained under Trust ownership.

Where the Electra Network fits



Generation:
Contact
Meridian
Genesis
Mighty River Power
Trustpower

Transmission:
Transpower



Distribution:
Energy Retail:
Contact
Meridian
Genesis
Energy On Line
Mercury
Trustpower

TRUSTEES' REPORT

To be submitted to the Annual Meeting of the beneficiaries of Electra Trust to be held on Friday 31 July at the Salvation Army Centre, Durham Street, Levin.

Your Trustees submit the Annual Review of the Trust, together with a Summary of the Statement of Financial Performance, covering the year ended 31 March 2009.

Electra is one of the most efficient and lowest-cost lines companies in the country, delivering power to 41,761 households and businesses in Kapiti and Horowhenua.

As a 100 percent community-owned asset, your elected six-person Trust takes very seriously its core job of ensuring that the value of our "family silver", in which you are a shareholding owner, is maintained.

Over the last year your Trust has been active in dealing with challenges and opportunities in a changing electricity supply environment.

These have included a growing awareness that lines companies like Electra Limited – even though successful - are vulnerable to external pressures including potential moves towards mergers or takeovers.

In turn, we have recognised that Electra itself may have future opportunities and, as they have presented themselves, the Trust has worked closely with our appointed Board to ensure shared understanding in dealing with them.

For some years the Board has regularly briefed the Trust on at least a quarterly basis, and the shared confidence that has developed has proved invaluable.

The strength of the company can be gauged from the facts that:

the company's daily charge for delivering power to each home and business in Kapiti and Horowhenua is just 15c-a-day (including 10c day to Transpower.)

the daily charge has not increased since 2002

the company continues to deliver annual surpluses, often worth the equivalent of more than one month's free power

To hold the daily charge and still provide an annual discount has meant a high level of business decision-making by the Board in investments which add value to our core business.

Electra has made shrewd investments in subsidiaries like **Lineworks** (the linesmen are so good they not only fix the lines in Kapiti-Horowhenua but around the country); **Stones**, the electrical equipment installer which is building business in the Greater Wellington market; **Oxford Finance**, one of the most solid finance companies in the country; **Datacol New Zealand**, a growing meter reading and meter installation business; and **Multi Media Communications**, a fibre optics installer.

The surpluses from these subsidiaries and the parent company combine to provide the annual discount we all receive.

Electra is fortunate to have a Board and management with a

level of professionalism and responsibility which have put the company into such a strong position.

The Trust was particularly pleased by two developments during the year.

The first was confirmation through an amendment to the Commerce Act that the huge regulatory costs Electra was facing (\$430,000 in the last year) would be dropped for wholly community owned trusts like Electra who distribute their surpluses to their consumers.

The second was the resilience of the company, when insurance cover was not available, to meet the full \$1 million cost of repair work following the massive gales in July 2008 which cut power to most homes in our region from anywhere between several hours to several days.

Still unresolved is the failure of the big power supply retailers to split out the costs of generation, supply, and delivery so that you know exactly what you are paying for when the power bill arrives.

When prices go up, lines companies like Electra which deliver your power, are tarred with the same brush - even though Electra has not increased its delivery charge since 2002.

Electra is one of 29 line companies around the country which have been pushing successive governments for a ruling that power bills, issued by the big retailers, must differentiate the various costs.

The latest Commerce Commission report on price gouging properly sheets home the blame for recent large power price increases to the big generating/retailing companies.

On the home front our thanks go to our two MPs, Nathan Guy and Darren Hughes, who have consistently supported Electra.

It was a pleasure last year to welcome to the Trust George Sue JP of Levin who was elected as successor to long-serving Trevor Hayward of Paraparaumu who retired.

As this report was being prepared, the longest-serving Director on the Board of Electra Limited, which is appointed by the Trust, announced his retirement after 20 years' service. Warren Thessman was chairman for 15 years and the Trust recognises the major contribution he made to the development of Electra.

To our Secretary, Heather Birrell, our deep appreciation for her commitment and professionalism in supporting the Trust.

For the future, "change" is a fact of life in the electricity industry as anywhere else, but your Trust remains committed to safeguarding local ownership of Electra so that the decisions taken are in the best interests of our own Kapiti and Horowhenua communities.

On behalf of Trustees

Chris Turver JP
Chairman, Electra Trust

2009 ANNUAL REVIEW

The following are extracted from the consolidated accounts of Electra Trust for the year ended 31st March 2009. The audited annual report and financial statements are available at the Secretary's office – Colbert Cooper Ltd, 275 Oxford Street, Levin.

The Trustees advise that the Investment figure of \$18 million reflects the 'cost' of the shares held in Electra

Ltd. Originally transferred at \$30 million, the company returned \$12 million to the Trust in April 1999 and this was distributed to the beneficiaries in June 1999.

In the financial statements of the Company shareholders' equity is recorded at \$81 million, and asset value at \$190 million.

Summary of Financial Performance and Equity

	2009 \$	2008 \$
Dividend Revenue	220,000	230,000
Interest Revenue	1,331	2,250
	<u>221,331</u>	<u>232,250</u>
Less Expenses	254,245	204,509
Net (Loss) Profit after Tax	(32,914)	27,741
Equity at start of year	18,018,112	17,990,371
Capital distribution to beneficiaries	-	-
Equity at end of year	<u>\$17,985,198</u>	<u>\$18,018,112</u>

Summary of Expenses

	2009 \$	2008 \$
Annual Report Expenses	34,453	29,747
Audit Fees	2,475	2,475
Bank Fees	186	157
Conference	2,264	1,698
Corporate Trustee Fees	5,625	7,419
ETNZ Levy	2,552	2,552
Interest	15	-
Legal Fees	1,193	1,688
Shareholder Meetings	582	476
Trust Secretariat	42,958	37,788
Trustee Election – 2007	-	56,677
Trustee Election – 2008	76,408	1,974
Trustee Election – 2009	18,689	-
Trustees' Expenses	1,720	8,733
Trustees' Fees	59,500	47,500
Trustees' Insurance	5,625	5,625
	<u>\$254,245</u>	<u>\$204,509</u>

Summary of Financial Position

	2009 \$	2008 \$
Current Assets	12,424	28,527
Investment	18,000,000	18,000,000
Current Liabilities	27,226	10,415
Trust Equity	<u>\$17,985,198</u>	<u>\$18,018,112</u>

DIRECTORY

TRUSTEES

C R Turver JP, <i>Chairman</i>	J M Keall
L R Burnell	R J Latham
A Chapman MNZM JP	G Sue JP

SECRETARY

P H Birrell, BBS CA, Colbert Cooper Limited
Chartered Accountants, Levin

ADVISORY TRUSTEE

Public Trust, Wellington

AUDITOR

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

SOLICITORS

Quigg Partners, Wellington

MINUTES OF THE FIFTEENTH GENERAL MEETING OF ELECTRA TRUST HELD FRIDAY 25 JULY 2008 AT 12 NOON AT THE SALVATION ARMY CENTRE, DURHAM STREET, LEVIN.

PRESENT:

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

Directors: P McKelvey (Chair of Electra Ltd), M Devlin, P Hamid, N Mcay, W Thessman.

30 beneficiaries

In attendance: H Birrell (Secretary), J Yeoman (CEO Electra Ltd.), Senior management Electra Ltd

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

APOLOGIES

Apologies received from Nathan Guy, Dennis Church (Public Trust) and Darren Hughes. RESOLVED THAT the apologies be accepted.

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

MINUTES

RESOLVED THAT the minutes of the previous Annual Meeting held on 27 July 2007, as circulated previously were 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 referred beneficiaries to the 2008 Report and the summary Financial Statements which had been circulated with the notice of meeting. He reminded beneficiaries they would have a chance in the Public Forum to ask any questions they had. The Secretary reviewed the Financial Summary. The Trust expenses for the year totalled \$204,509. This was an increase from last year's expenses as a result of the Trustee election and a new method of voting for the annual resolutions. The cost to the beneficiaries for the Trust was \$4.92 per beneficiary.

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 2008 BE ADOPTED.

The Chairman declared that 4828 postal votes for the motion and 24 against carried the motion.

ELECTION OF TRUSTEES

The Chairman stated that in accordance with the Trust Deed, Mr L Burnell had retired by rotation and being eligible had been nominated for re-election. Mr T Hayward had advised that he was not standing for re-election. The Chairman asked the returning officer Mrs V Wright, Company Secretary, to read the results of the Trustee election. Mrs Wright read the results of the election and advised that the successful candidates from the Trustee election were Mr Lindsay Burnell and Mr George Sue. She declared L Burnell and G Sue elected Trustees under the terms of the Trust Deed of Electra Trust. The Chairman congratulated the two trustees and welcomed Mr Sue as a new Trustee.

TRUSTEE REMUNERATION

The Chairman advised that this year the Trustees were requesting an increase of fees of \$12,000. J Keall asked the Chairman to explain the reason. Mr Turver responded that the Trustees were in the lower quartile of fees paid by Energy Trusts to their Trustees. This increase would bring the Trustee fees up to the median. The Chairman put the motion, seconded by P McKelvey.

RESOLVED THAT THE REMUNERATION OF THE TRUSTEES BE INCREASED BY \$12,000 AND THEREFORE THE REMUNERATION FOR THE 12 MONTHS ENDING 31 MARCH 2009 BE AN AMOUNT OF \$59,500, SUCH SUM TO BE DIVIDED AMONGST THE SIX TRUSTEES IN SUCH PROPORTION AND IN SUCH MANNER AS THEY MAY AGREE.

The Chairman declared that 4033 postal votes for the motion and 791 against carried the motion.

APPOINTMENT OF AUDITOR

The Chairman put the motion, seconded by P Hamid.

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

The Chairman declared that 4801 postal votes for the motion and 46 against carried the motion.

REMUNERATION OF AUDITOR

The Chairman put the motion, seconded by L Burnell.

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

The Chairman declared that 4665 postal votes for the motion and 143 against carried the motion.

CODE OF PRACTICE

The Chairman advised that no formal complaints had been made to the Trust during the year. He then read the Public Trust's Annual Report to the Beneficiaries of the Trust. This report confirmed that to the best of their

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 2008.

STATEMENT OF CORPORATE INTENT

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

ANNUAL REPORT AND FINANCIAL STATEMENTS OF ELECTRA LIMITED

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

Miss McKelvey welcomed everyone to the meeting. She congratulated L Burnell and G Sue on their appointment as Trustees and thanked retiring Trustee Trevor Hayward for his contribution to the Trust and the wealth of experience he had given the Trust over his years as Trustee.

The power point presentation given by Miss McKelvey and John Yeoman the CEO, highlighted the following points:

- An explanation of where the Electra Network fits
- Power Bill components
- Excellent year end results
- Total assets \$187million
- Discount to customers of \$7.4million (\$8.3 incl GST)
- Electra still lowest line charge per connection
- Linework staff of 100 includes 26 apprentices
- Explanation of Datacol and Multimedia subsidiary companies
- Oxford Finance continuing to deliver solid results. Investments Electra Guaranteed.

Miss McKelvey put the motion, seconded by N McKay.

RESOLVED THAT THE MEETING DIRECTS THE TRUSTEES TO ADOPT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2008.

The Chairman declared that 4813 postal votes for the motion and 32 against carried the motion.

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

Miss McKelvey put the motion, seconded by P Hamid.

RESOLVED THAT A DIVIDEND OF \$230,000 BE APPROVED.

The Chairman declared that 4733 postal votes for the motion and 103 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 W Thessman.

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

The Chairman declared that 4685 postal votes for the motion and 149 against carried the motion.

PUBLIC FORUM

The Chairman called for questions or comments from the floor.

Rose Couling thanked the Board and the Trustees for working so well together for the benefit of the beneficiaries.

A beneficiary asked for details on the guarantee that the Company has given the investors in Oxford Finance Ltd. He was assured by the CEO that the guarantee is a registered document and that all debenture holders would be treated equally.

A question was asked on the financing of the purchase of subsidiary companies. The CEO replied that these were financed with Bank Finance always ensuring that Electra's equity was maintained as per the Statement of Corporate Intent.

A further question on how control was exerted over the subsidiaries was answered by the CEO. The subsidiary general managers report to the CEO and the Directors of the Subsidiary companies all report to the Electra Board who has the overall responsibility.

The company was thanked for their efforts in maintaining power in bad weather and were congratulated for supporting the training of apprentices in the Linework business.

Thanks to T Hayward. The Chairman gave special thanks to Trevor Hayward, the retiring Trustee. He thanked him sincerely for his extraordinary contribution to the Trust, for his detailed knowledge and sound common sense advice. Mr Hayward thanked everyone for their comments. He had enjoyed his 15 years working on the Trust and his association with capable and competent people.

CLOSURE

The meeting closed at 1.00 pm.

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, 31 July 2009 commencing at 12 noon.

ORDINARY BUSINESS

1. Presentation of the following:
 - (a) Annual Report
 - (b) Financial Statements for the year ended 31st March 2009
 - (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 remain unchanged and therefore the remuneration for the 12 months ending 31st March 2010 be an amount of \$59,500, 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 2010.

“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 make a technical amendment to the Trust Deed. On the advice of the Trust Lawyer to amend Clause 2.5 of Schedule 1 of the rules governing the appointment, retirement and proceedings of the Trustees.

The rule currently reads:

“Any Trustee appointed in accordance with Rule 2.8 shall hold office only until the next following election and shall then be eligible for re-election but shall not be taken into account in determining the Trustees who are to retire by rotation at that election.”

The rule shall read:

“Any Trustee appointed in accordance with Rule 2.11 shall hold office only until the next following election and shall then be eligible for re-election but shall not be taken into account in determining the Trustees who are to retire by rotation at that election.”
7. To review and discuss the Code of Practice for the Electra Trust.
8. Report on the company’s compliance with the Statement of Corporate Intent.
9. To direct the Trustees as to:
 - the recommended payment of a dividend of \$220,000 by Electra Limited for the year ended 31 March, 2009 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.
10. Public forum.

By the order of the Trustees

PH Birrell
Trust Secretary