

Electra

TRUST

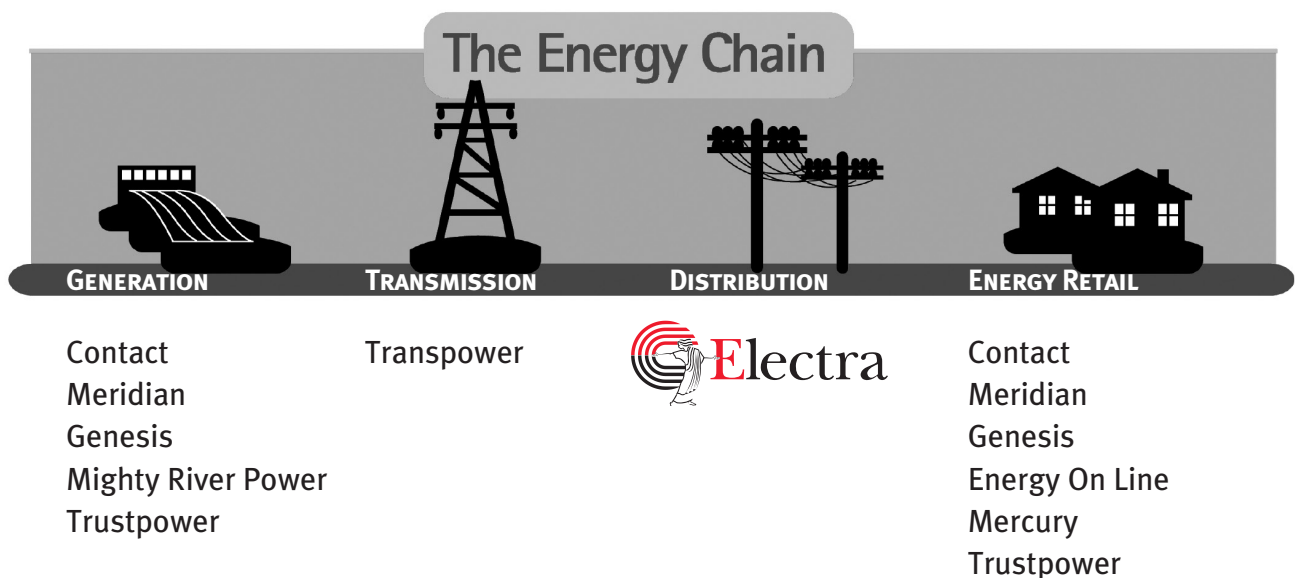
2010 Annual Review

The Electra Trust holds 100 percent of the shares in Electra Limited on behalf of the 42,200 customers (beneficiaries) currently connected to the Electra network through Kapiti and Horowhenua.

The six elected Trustees act on behalf of the beneficiaries, appointing the Directors of Electra Limited which operates the lines network (including lines, transformers and sub-stations) and its four subsidiary commercial companies.

The Trustees ensure that the terms of the Trust Deed are complied with and that the benefits of ownership are distributed in the form of an annual discount.

Where the Electra Network fits



TRUSTEES' REPORT

To be submitted to the Annual Meeting of the beneficiaries of Electra Trust to be held on Friday 30 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 2010.

It's been a good year.

Electra Limited (the Company) has weathered the recession and is in a strong position.

The discount distributed to beneficiaries via a credit on power bills was a record \$8.14 million which, on average, amounted to one month or more of free power.

The total amount returned to our Kapiti-Horowhenua community over the last 16 years is \$112 million.

It bears stressing that, before paying out an annual discount, Electra Limited generates sufficient income to maintain the high cost of maintaining its network, and make significant provision for re-investment.

The Company has maintained its position among 22 community-based lines companies as one of the most efficient and cost-effective in the country.

One of the strongest indicators of this is that Electra Limited's basic fixed line charge of 15-cents per day for delivering power has not been increased since 2002.

This is made possible by the significant income generated from the Company's commercial subsidiaries including Linework and Stones, Oxford Finance, Sky Communications, and Datacol.

Our Company's ability to hold the fixed line charge is in sharp contrast to many of the major generating/retailing power companies who continue to find opportunities for increasing their income by raising household and business power charges.

For several years Electra Limited, and many other lines companies, have asked the politicians for a mandatory separation in household power accounts to transparently show the cost of supply by the major retailers and the cost of delivery by lines companies.

To date, this has still not happened.

While making sure power gets to your home or business efficiently, and at least cost, your Trustees look for positive opportunities for our beneficiaries.

Through its membership of the Energy Trusts of New Zealand, the Trust has kept up-to-date with technological and communications advances including the proposed fibre network which would open the way for more comprehensive and interactive communications.

Our Board is closely following development opportunities for Electra Limited, together with smart metering options, including the emerging ability for individual households and businesses to monitor and control their own use of power.

Once developments like these are perfected, they will provide opportunities to reduce power consumption and save costs and our Board is taking a positive approach in weighing up the best directions to take.

The Board of Electra Limited has continued with a forward-looking but prudent approach to both enhancing and protecting the business interests of the company and Trustees appreciate the commitment and professionalism of the Directors and Management.

An illustration of this approach came during the last year with the award by Standard & Poor's of a BBB- rating for the Electra subsidiary, Oxford Finance, putting it into the highest ranking category for non-bank financial institutions.

Following the retirement last year of Director and former Board Chairman Warren Thessman, the Trustees took pleasure in appointing Ian Wilson to fill the vacancy. Mr Wilson is a former Mid-Central District Health Board Chairman and has a considerable background in the energy sector, commercial management, and governance.

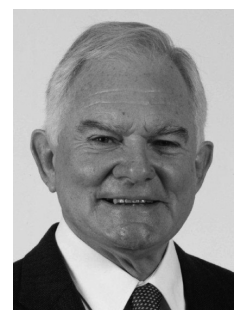
When the originally-appointed Trustees set out in 1993 to protect the interests of the beneficial owners of the newly-established Electra Trust with a Trust Deed, they could not have envisaged some of the changes that would come.

It is to their great credit that the Trust Deed, with little amendment over the years, has provided sufficient flexibility to allow Electra Limited to keep up with a changing energy world.

To my colleagues on the Trust, and our Secretary Heather Birrell, my deep appreciation for their commitment, knowledge, and experience in helping to oversee an increasingly complex business.

On behalf of Trustees

Chris Turver JP
Chairman
Electra Trust



2010 Annual Review for the Consolidated Electra Trust Group

The following are extracted from the full Consolidated Financial Statements of Electra Trust for the year ended 31st March 2010 which comply with the New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and with International Financial Reporting Standards ('IFRS'). These Financial Statements are reported in New Zealand Dollars. The full Financial Statements were authorised for issue by the Trustees on 14 June 2010. An unqualified audit report was issued for the full financial statements on 14 June 2010.

As the summary Financial Statements do not include all the disclosures that are in the full Financial Statements, it cannot be expected to provide as complete an understanding of the Financial Performance, Financial Position and Cash Flows of the entity as provided by the full Financial Statements. These summary Financial Statements are in compliance with FRS-43: Summary Financial Statements. The full Financial Statements are available from the Secretary's office – Colbert Cooper Ltd, 275 Oxford Street, Levin.

Summary of Comprehensive Income for the Consolidated Electra Trust Group

	2010	2009
	\$000	\$000
Sales and Interest (note 1)	68,836	63,401
	<u>68,836</u>	<u>63,401</u>
Less Expenses (note 2)	66,380	61,093
Profit/(Loss) before taxation	2,456	2,308
Income tax (expense)/benefit	(676)	(724)
Profit from continued activities	1,780	1,584
Profit from discontinued activities	13	-
Profit/(Loss) for the year	<u>1,793</u>	<u>1,584</u>
Other Comprehensive Income		
Asset Revaluation	71,992	-
Income tax relating to components of other comprehensive income	(21,284)	-
Other comprehensive income net of tax	<u>50,708</u>	<u>-</u>
Total comprehensive income net of tax	<u>\$52,501</u>	<u>\$1,584</u>

Summary of Changes in Equity for the Consolidated Electra Trust Group

	2010	2009
	\$000	\$000
Opening Equity	81,237	79,653
Net profit/(loss) after taxation	1,793	1,584
Other comprehensive income	50,708	-
Sale of subsidiary	(1,421)	-
Closing Equity	<u>\$132,317</u>	<u>\$81,237</u>

Summary of Cash Flows for the Consolidated Electra Trust Group

	2010	2009
	\$000	\$000
Net cash flows from operating activities	5,607	9,989
Net cash flows to investing activities	(12,613)	-
Net cash flows (to)/from financing activities	6,755	(11,176)

Summary of Financial Position for the Consolidated Electra Trust Group

	2010	2009
	\$000	\$000
Current Assets	44,604	39,923
Non Current Assets	<u>224,680</u>	<u>150,152</u>
	269,284	190,075
Less		
Current Liabilities	62,256	51,722
Non Current Liabilities	<u>74,711</u>	<u>57,116</u>
Total Equity	<u>\$132,317</u>	<u>\$81,237</u>

Notes:

	2010	2009
	\$000	\$000
Note 1: Operating Revenue		
Sales – distribution	28,544	27,115
Sales – contracting	30,685	26,911
Interest revenue	7,156	7,014
Other revenue	2,451	2,361
Total Operating Revenue	<u>\$68,836</u>	<u>\$63,401</u>

Note 2: Expenses

Auditors remuneration		
Audit services	196	249
Other services	101	75
Bad debts	1,133	1,243
Change in provision to doubtful debts	295	354
Depreciation	5,127	4,997
Intangible assets amortisation	220	243
Goodwill impairment	-	285
Directors' fees (Total)	206	226
Trustees' fees (Total of 6)	59	59
Defined contribution plan expense	249	196
Employee costs	13,872	11,702
Interest	6,378	6,871
(Gain)/Loss on sale of property, plant & equipment	670	428
Inventory expense	4,115	3,581
Rental and lease costs	1,112	763
Repairs and maintenance	1,575	1,610
Vehicle	1,018	997
Contractors	8,624	8,840
Discount to consumers	7,208	6,448
Other expenses	14,222	11,926
Total Expenses	<u>\$66,380</u>	<u>\$61,093</u>

2010 Annual Review for Electra Trust

The following are extracted from the accounts of Electra Trust (the Parent only) for the year ended 31st March 2010. 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.

Summary of Financial Performance and Equity for Electra Trust

	2010 \$	2009 \$
Dividend Revenue	235,000	220,000
Interest Revenue	647	1,331
	<u>235,647</u>	<u>221,331</u>
Less Expenses	254,986	254,245
Net (Loss) Profit after Tax	(19,339)	(32,914)
Equity at start of year	17,985,198	18,018,112
Equity at end of year	<u>\$17,965,859</u>	<u>\$17,985,198</u>

Summary of Financial Position for Electra Trust

	2010 \$	2009 \$
Current Assets	4,617	12,424
Investment	18,000,000	18,000,000
	<u>18,004,617</u>	<u>18,012,424</u>
Less Current Liabilities	38,758	27,226
Trust Equity	<u>\$17,965,859</u>	<u>\$17,985,198</u>

Summary of Expenses for Electra Trust

	2010 \$	2009 \$
Annual Report Expenses	34,634	34,453
Audit Fees	3,715	2,475
Bank Fees	164	186
Conference	5210	2,264
Corporate Trustee Fees	5,625	5,625
ETNZ Levy	2,552	2,552
Interest	-	15
Legal Fees	3302	1,193
Shareholder Meetings	701	582
Trust Secretary Expenses	44,966	42,958
Trustee Election – 2008	-	76,408
Trustee Election – 2009	67,336	18,689
Trustee Election – 2010	19,449	-
Trustees' Expenses	2,207	1,720
Trustees' Fees (total of 6)	59,500	59,500
Trustees' Insurance	5,625	5,625
	<u>\$254,986</u>	<u>\$254,245</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

AUDIT REPORT

TO THE READERS OF ELECTRA TRUST FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

We have audited the summary financial statements of Electra Trust for the year ended 31 March 2010 as set out on pages 3 and 4.

Trustees' Responsibilities

The Trustees are responsible for the preparation of summary financial statements, in accordance with New Zealand law and generally accepted accounting practice.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the summary financial statements.

Basis of Opinion

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed procedures to ensure the summary financial statements are consistent with the full financial statements on which the summary financial statements are based. We also evaluated the overall adequacy of the presentation of information in the summary financial statements against the requirements of FRS-43: Summary Financial Statements.

Other than in our capacity as auditor, we have no relationship with or interests in Electra Trust.

Unqualified Opinion

In our opinion, the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements from which it is derived and upon which we expressed an unqualified audit opinion in our report dated 14 June 2010.

For a better understanding of the scope of our audit of Electra Trust's financial statements and of Electra Trust's financial position, financial performance and cash flows for the year ended 31 March 2010, this report should be read in conjunction with Electra Trust's audited financial statements for that period.

Our examination of the summary financial statements was completed on 14 June 2010 and our unqualified opinion is expressed as at that date.

Trevor Deed

Deloitte

On behalf of the Auditor-General, Wellington, New Zealand

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, 30 July 2010 commencing at 12 noon.

ORDINARY BUSINESS

1. Presentation of the following:
 - (a) Annual Report
 - (b) Financial Statements for the year ended 31st March 2010
 - (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 2011 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 2011.

"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 2010.
 - the recommended payment of a dividend of \$235,000 by Electra Limited for the year ended 31st March 2010 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

MINUTES OF THE SIXTEENTH GENERAL MEETING OF ELECTRA TRUST HELD FRIDAY 31 JULY 2009 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 Ltd), M Devlin, P Hamid, R Longuet, N McKay, W Thessman.

37 beneficiaries

In attendance: H Birrell (Secretary), J Yeoman (CEO Electra Ltd.), Robert Gatward (Representing Public Trust as Advisory Trustee)

Senior Management Electra Ltd

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

APOLOGIES Apologies were received from Nathan Guy and Darren Hughes. **RESOLVED THAT** the apologies be accepted.

MINUTES

RESOLVED THAT the minutes of the previous Annual Meeting held on 25 July 2008, 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 presented and spoke to the 2009 Report and the summary 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 2009 BE ADOPTED.

The Chairman declared that 5278 postal votes for the motion and 20 against carried the motion.

ELECTION OF TRUSTEES

The Chairman stated that in accordance with the Trust Deed, Mr C Turver and Mr R 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 Mr Chris Turver and Mr Ray Latham. She declared C Turver and R Latham to be elected Trustees under the terms of the Trust Deed of Electra Trust.

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 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.

The Chairman declared 5239 postal votes for the motion and 68 against carried the motion.

APPOINTMENT OF AUDITOR

The Chairman put the motion, seconded by L Burnell.

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

The Chairman declared that 5262 postal votes for the motion and 41 against carried the motion

REMUNERATION OF AUDITOR

The Chairman put the motion, seconded by R Latham.

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

The Chairman declared that 5205 postal votes for the motion and 82 against carried the motion.

AMENDMENT TO TRUST DEED

The Secretary explained that a numbering error in the Trust Deed had been identified by the Trust Lawyer. To correct the error a change to clause 2.5 of Schedule 1 of the rules governing the appointment, retirement and proceedings of the Trustees was required. Where Clause 2.5 records Rule 2.8 this should read Rule 2.11.

Rule 2.8 would mean that all Trustees would only be elected for 1 year negating the rotation policy. Rule 2.11 relates to the appointment of a temporary Trustee in the event that there is a vacancy.

The Chairman put the motion, seconded by P McKelvey.

RESOLVED THAT THE TRUST DEED CLAUSE 2.5 OF SCHEDULE 1 OF THE RULES GOVERNING THE APPOINTMENT, RETIREMENT AND PROCEEDINGS OF THE TRUSTEES BE AMENDED TO 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.'

The Chairman declared that 5141 postal votes for the motion and 67 against carried the motion.

CODE OF PRACTICE

The Chairman asked the Advisory Trustee Mr Robert Gatward 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 2009.

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 Chris Turver and Ray Latham on their re-appointment as Trustees.

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

- Explanation of where the Electra Network fits and the area it covers
- The subsidiary companies and their function
- Key facts – Electra 9th Largest network company (41,761 consumers)
- Year end results – discount to customers \$7.1m
- Total assets \$190 million
- Lowest line charge per connection
- Lowest operating expense per connection
- Severe storms in July \$1m in repair costs
- Supporting the community
- Linework 32 apprentices (109 staff)
- Industry issues

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 2009.

The Chairman declared that 5278 postal votes for the motion and 23 against carried the motion.

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

W Thessman put the motion, seconded by M Devlin

RESOLVED THAT A DIVIDEND OF \$220,000 BE APPROVED.

The Chairman declared that 5195 postal votes for the motion and 84 against carried the motion.

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

M Devlin put the motion, seconded by R Longuet.

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

The Chairman declared that 5190 postal votes for the motion and 95 against carried the motion.

PUBLIC FORUM

The Chairman called for questions or comments from the floor.

Judy Keall congratulated Electra Ltd and thanked them for the long hours of work during the storm in July. She asked about the tree cutting programme to reduce the risk in future storms. John Yeoman replied that Linework were now carrying out this work and developing a programme of tree cutting to ensure that hazards were cleared earlier. The company was working with property owners to minimise the risk.

The CEO was asked whether costs would reduce with the lower interest rate. He replied that bank loans were locked in but once they rolled over they would be at the lower rate and this would be beneficial to the company.

David Green asked if the distribution area could be expanded and was the company vulnerable to other parties? The CEO replied that the company has been taking opportunities to expand with subsidiary businesses when the opportunity arose.

A beneficiary asked if they could change retailers. He was assured he could and he would get the discount no matter which retailer he used.

In answer to a question re a subsidiary company, Horowhenua Wind Energy Ltd, the CEO replied that this company was not trading but was available for future development.

Thanks to W Thessman

The Chairman advised the meeting that Director Warren Thessman was retiring at the Annual General Meeting of the company.

He wished to recognise a man who has helped build the company Electra Limited. Mr Thessman had been a Director for 20 years and until recently The Chairman of the Board for 15 years. In that time he was at the forefront of change, both business development and politics and he helped put Electra into the strong business and commercial position it holds today.

Warren Thessman had a deep and abiding commitment to the role of Electra as a community-owned power distribution company.

The Chairman thanked him for a job extraordinarily well done and wished him well in his retirement.

Mr Thessman thanked the Chairman for his words of appreciation. His time on the Board and as Chairman had been a fulfilling and enjoyable time. He was proud of the accomplishments of Electra and the successful company it had become.

CLOSURE

The meeting closed at 1.00 pm.