

Electra

TRUST

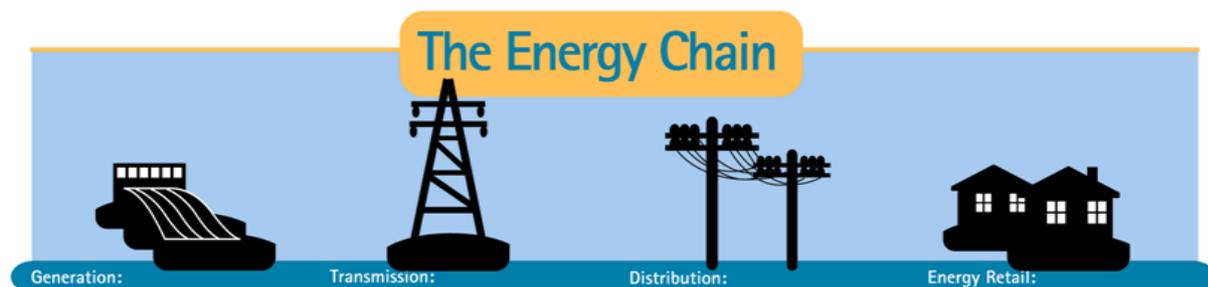
2011 Annual Review

The Electra Trust is 100 percent owned by the 42,500 electricity consumers (beneficiaries) currently connected to the Electra network through 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 five subsidiary commercial companies.

Where the Electra Network fits



Contact

Transpower



Meridian

Genesis

Mighty River Power

Trustpower

Contact

Meridian

Genesis

Energy On Line

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 29 July 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 2011.

Trustees were pleased that, despite another tough trading year, Electra maintained a strong financial position and enabled payment of a slightly-reduced \$7.9 million in annual discounts to our consumers.

The reduction came through a combination of a warmer winter (less power demand), slower regional growth, and the recessionary effects on the company.

The benefit of full community ownership has meant that over the last 17 years \$120 million has been injected back into our Kapiti-Horowhenua districts.

We are, however, going through a difficult economic cycle and to meet increasing costs, Trustees accepted that Electra had to raise its variable prices on 1 April 2011 by 8 percent to cover:

- a pass-through increase in Transpower's costs to help fund significant improvements on the national grid
- an Electra network increase to cover a CPI and higher maintenance costs on our own network
- an increased level of investment in our network to meet customer expectations of reliability and quality of supply.

The basic line charge remains fixed at 15-cents-a-day, unchanged since 2002.

Electra continues to maintain its position among 22 community-owned lines companies as one of the most efficient and cost-effective in the country as measured by the Commerce Commission.

It is the ninth largest lines company in terms of number of consumers.

It has the lowest electricity consumption per consumer of all electricity network companies at 9859KWh compared to the national average of 15544KWh.

During the year Kapiti Coast District Council and Horowhenua District Council approached the Trust to seek a proportion of the discount to be used to assist funding of civic and community projects.

The Trust Deed is clear that all surplus funds each year must be used to provide a discount to its own consumers and that any change to the Deed would require 75 percent approval by those consumers.

The Board of Electra Limited has spent a great deal of time reviewing its strategic plan to ensure its forward-looking approach is matched by the realism in coping with a long-term recession.

With input from the Electra Trust, this will be reflected in the 2011 Statement of Corporate Intent.

An example of this 'realism' came in March with a decision by the Board to withdraw our subsidiary Oxford Finance from its popular debenture market and replace it with Bank funding for its loan operations.

The issue was that the costs of compliance with an increasingly complex financial and accounting regime for offering debt securities had reached around \$500,000 a year – and rising!

The Trust itself, as a member of Energy Trusts of New Zealand, is represented by Trustees at two conferences a year where the agendas are increasingly geared to broadening knowledge of the industry, the changing regulatory regime we have to work under, and emerging opportunities like broadband and smart meters.

While disappointing that the government did not accept Electra's bid for providing broadband in Kapiti and Horowhenua, it meant the high cost of developing fibre lines will not have to be carried by Electra.

As a means of improving access for our customers to the work of the Trust, we have established a web site which will be online by the time this annual report is published (www.electratrust.co.nz).

I would like to publicly thank my colleagues on the Trust, and our Secretary Heather Birrell, for their commitment, knowledge, and experience in helping to oversee an increasingly complex business.

On behalf of Trustees:

Chris Turver JP
Chairman
Electra Trust



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

Colbert Cooper Ltd, 275 Oxford Street, Levin. Telephone 06 368 8059.

Overview of Electra Trust's Expenses

	2011	2010
	\$	\$
Annual Report Expenses	36,598	34,634
Audit Fees	3,729	3,715
Bank Fees	163	164
Conference	6,522	5,210
Corporate Trustee Fees	6,770	5,625
ETNZ Levy	3,479	2,552
Legal fees	689	3,302
Shareholder Meetings	995	701
Trust Secretary Expenses	53,622	44,966
Trustee Election – 2009	-	67,336
Trustee Election – 2010	66,804	19,449
Trustee Election – 2011	19,856	-
Trustees' Expenses	2,162	2,207
Trustees' Fees (Total of 6)	59,500	59,500
Trustees' Insurance	5,625	5,625
	\$266,514	\$254,986

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, <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 SEVENTEENTH ANNUAL MEETING OF ELECTRA TRUST HELD FRIDAY 30 JULY 2010 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, I Wilson.

43 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.

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

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

MINUTES

RESOLVED THAT the minutes of the previous Annual Meeting held on 31 July 2009, 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 2010 Report and the summary Financial Statements which had been circulated with the notice of meeting.

The Chairman put the motion seconded by R Latham

RESOLVED THAT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE TRUST FOR THE YEAR ENDED 31 MARCH 2010 BE ADOPTED

The Chairman declared that 5133 postal votes for the motion and 29 against carried the motion.

ELECTION OF TRUSTEES

The Chairman stated that in accordance with the Trust Deed, Judy Keall and Ann Chapman 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 Judy Keall and Ann Chapman. She declared J Keall and A Chapman to be elected Trustees under the terms of the Trust Deed of Electra Trust.

The Chairman congratulated Mrs Keall and Mrs Chapman.

TRUSTEE REMUNERATION

The Chairman put the motion, seconded by V Wright.

RESOLVED THAT THE REMUNERATION OF THE TRUSTEES REMAIN UNCHANGED AND THEREFORE THE REMUNERATION FOR THE 12 MONTHS ENDING 31 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.

The Chairman declared that 5096 postal votes for the motion and 71 against carried the motion.

APPOINTMENT OF AUDITOR

The Chairman put the motion, seconded by G Eddie

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

The Chairman declared that 5123 postal votes for the motion and 41 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 5080 postal votes for the motion and 72 against carried the motion.

CODE OF PRACTICE

The Chairman asked the Advisory Trustee, 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 2010.

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 STATEMENT 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 Judy Keall and Ann Chapman on their re-appointment as Trustees.

Miss McKelvey and John Yeoman, CEO highlighted the following points in a power point presentation:

Coverage area of Electra Limited

Where the network fits in the energy chain

Key Facts on size, discount and price (Electra 6th cheapest for price after discount)

Financial Performance - discount to customers \$8.14million

Network Statistics

Supporting the Community

Subsidiary companies function and details

Regulatory and Industry Issues

Lou Rohloff representing Levin Grey Power congratulated Miss McKelvey and John Yeoman for their excellent presentation and commented that the information received was appreciated. He noted that Grey Power, Levin were concerned with the Council's proposition to divert some of the discount beneficiaries receive to a Community Chest.

Miss McKelvey put the motion, seconded by L Rohloff.

RESOLVED THAT THE MEETING DIRECTS THE TRUSTEES TO ADOPT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2010.

The Chairman declared that 5140 postal votes for the motion and 27 against carried the motion.

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

Miss McKelvey put the motion, seconded by M Devlin.

RESOLVED THAT A DIVIDEND OF \$235,000 BE APPROVED.

The Chairman declared that 5085 postal votes for the motion and 75 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 P Hamid

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

The Chairman declared that 5069 postal votes for the motion and 92 against carried the motion.

PUBLIC FORUM

The Chairman called for questions or comments from the floor.

Discount

Beneficiaries were concerned that the Trust was being asked by the District Councils to direct some of the discount to a Community Fund. It was made clear by those present that the beneficiaries value the discount and did not want to extend any further funds to the Councils.

IT WAS RESOLVED B BARKER SECONDED L ROHLOFF THAT THE TWO DISTRICT COUNCILS BE INFORMED THAT NO FURTHER DISCOUNT IS AVAILABLE FOR THEM FROM ELECTRA LIMITED APART FROM THEIR ANNUAL ENTITLEMENT.

The motion was carried unanimously.

The Chairman advised beneficiaries that the profit from the Company would not be able to be invested in civic infrastructure or a community chest under the current terms of the Trust Deed.

The Trust Deed can only be amended by resolution of beneficiaries that have received an affirmative vote of not less than 75% in number of the beneficiaries voting on a poll.

This has been confirmed by a legal opinion.

Any further discussion with the Councils had been deferred until after the local body elections.

Electricity Retailer

A question was asked whether the company was considering returning to retail. Mr Yeoman replied that the company was not rushing in to making a decision but was assessing the situation. The retail business costs money and Electra would rather look after business that its subsidiaries could do e.g. broadband and smart meters.

Mr Rohloff commented that it was a complex business and Grey Power would like to learn more about it before taking a public stance.

Annual Voting papers

The Secretary had advised that there were a high number of invalid votes for the Annual votes (463) and this was mainly due to people not signing the voting paper. It was suggested that it be highlighted on the voting paper that the Trust Deed states that voting papers must be signed.

Solicitor

The Chairman was asked why the Trust did not use a local solicitor. He advised that David Quigg had expertise in relation to Energy Trusts and that local solicitors had been used in some situations.

Tree Cutting

Mrs Keall queried Mr Yeoman about the wording of the form which the company required tree trimming contractors to sign when a safety observer was in attendance. Mr Yeoman advised that this was required under the Electricity Regulations where anyone was working in close proximity to live lines.

CLOSURE

The meeting closed at 1.20pm

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, 29 July 2011 commencing at 12 noon.

ORDINARY BUSINESS

Presentation of the following:

- (a) Annual Report
- (b) Financial Statements for the year ended 31st March 2011
- (c) Report of the Auditor

To record the election of two Trustees.

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 \$10,000 and therefore the remuneration for the 12 months ending 31st March 2012 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."

To appoint an auditor for the Trust for the year ended 31st March 2012.

"THAT the Controller and Auditor General or his appointee be appointed as auditor for the Trust"

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."

To review and discuss the Code of Practice for the Electra Trust.

Report on the company's compliance with the Statement of Corporate Intent.

To direct the Trustees as to:

- adopting the annual report and financial statements of the Company for the year ended 31st March 2011
- the recommended payment of a dividend of \$275,000 by Electra Limited for the year ended 31 March, 2011 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.

Public forum.

By the order of the Trustees
P H Birrell
Trust Secretary