

Electra

TRUST

2019 Annual Review

The Electra Trust is 100 percent beneficially owned by the 45,600 electricity consumers currently connected to the Electra network through Kapiti and Horowhenua ("Beneficiaries").

The six elected Trustees of the Electra Trust hold the shares of Electra Limited ("Company") for the benefit of the Beneficiaries, ensure the terms of the Trust Deed are complied with, and the benefits of that shareholding are distributed to the Beneficiaries in the form of an annual sales discount.

The Trustees appoint and monitor the performance of the Company's Directors. The Company and its subsidiary companies are responsible for operating the lines network (including lines, transformers and sub-stations).

Ownership Review

As you will see from the accompanying papers, the Trustees are required under the Trust Deed to put to a vote by an ordinary resolution of Beneficiaries the matter of whether the Company's ownership structure should be reviewed.

The shares in the Company have been beneficially owned by Electra consumers since the Electra Trust was established in 1993.

Ownership reviews are required under the Trust Deed to allow the Beneficiaries the opportunity to consider other ownership options for the Company's shares including, without limitation, a share distribution to Beneficiaries, a sale of the shares to the public or a sale of the shares to an institutional investor.

The reviews are to be held at regular intervals and the next review is scheduled for 2020.

Since 1993, there have been three ownership reviews with each review showing increasingly strong support for retaining the current model of ownership.

In 2012, the Trustees considered and inquired of the Beneficiaries whether regular reviews were necessary against the following three factors:

Where the Electra Network fits

GENERATION



Contact
Meridian
Genesis
Mighty River Power
Trustpower

TRANSMISSION



Transpower

DISTRIBUTION



Electra

ENERGY RETAIL



Electra Energy
Contact
Meridian
Genesis
Energy On Line
Trustpower
Nova Energy
Energy Direct
Mighty River Power
Pulse Utilities NZ
Simply Energy
and others

- The last review in 2006 showed that 96.4 percent of Beneficiaries who voted wished for Electra consumers to retain 100 percent ownership of the Company.
- There had been no detectable change in opinion among Beneficiaries since the last review and no proposal has come forward for any other form of ownership.
- A review would cost approximately \$150,000 to commission, which cost would be incurred in forming necessary discussion papers, holding meetings, and polling all 45,600 Beneficiaries.

The 2012 Annual Beneficiaries Meeting voted overwhelmingly to retain the existing ownership structure and to consider again the need for an ownership review at the 2019 Annual Beneficiaries Meeting.

The attached papers for the 2019 Annual Beneficiaries Meeting contain the following resolution to be voted on: “That the Trustees shall procure a review of the ownership structure of Electra Limited in accordance with the procedure set out in clauses 4.1 to 4.5 of the Electra Trust Deed.”

If you agree that the Company’s current ownership structure should be reviewed then vote for this resolution.

If you are happy with the Company’s current ownership structure then vote against the resolution.

Results of Recent Informal Polls of Beneficiaries

Recent market research has shown continued support for retaining the Company’s current ownership structure.

During Annual Market Research, the Beneficiaries were asked:

“Do you agree or disagree with Electra being owned by a Trust?”

Results from:	2012	2013	2014	2015	2017	2018
Agree	86%	83%	82%	84%	85%	86%
Disagree	3%	3%	4%	5%	5%	4%
Don’t know	11%	14%	14%	11%	10%	10%

“If you were to vote on Electra’s Trust ownership tomorrow, how would you vote?”

Results from:	2012	2013	2014	2015	2017	2018
Keep Trust ownership	85%	78%	82%	84%	83%	82%
Sell Assets of Electra & receive value of shares	3%	6%	6%	5%	5%	4%
Don’t know	12%	16%	12%	11%	12%	14%

The Trustees recommend that, in view of the strong support for continuing Trust ownership, you vote against the above resolution.

The Trustees ask that you carefully consider and complete the accompanying voting papers. On behalf of the Electra Trustees:

Sharon Crosbie CNZM OBE

Chair
Electra Trust

Trustees Report

2018/19

The Trustees, on your behalf, have been following the Government's Electricity Pricing Review closely. At the time of writing this we await the panel's final proposals, due in May. Then, when we will have a better sense of the impact on beneficiaries of any revised pricing regulatory regime; the future for lines companies like ours - totally owned by the Kapiti-Horowhenua beneficiaries - and how the Government sees the electricity market in the light of the technology changes that will have an impact on all of us. We are more dependent on electricity than at any time in the last century. What is of concern is the price we pay for it and how that price is arrived at. Power has to be generated, distributed and then sold to us. The first two are straightforward enough, it's the retail price and how it is arrived at that baffles many people. Electra sits in the middle : as distributor getting the power to us and keeping the light and heat on through fire, flood and tempest. More and more at Electra, this is being helped by smart technology that pinpoints faults and fixes them faster than ever before. That costs us about a quarter of the total power bill. Not a bad deal considering.

The company has been able to increase the discount and plans to reduce its prices in the year ahead. As well Electra Ltd is has invested in its network and using cutting edge technology to improve operational efficiency. The current Asset Management Plan shows it intends to spend \$150 million over the next ten years on building and operating the network. At present we enjoy the lowest average lines bills in NZ and our reliability is in the best quartile. A result that the Trust is proud of.

Electra's, health and safety performance has leapt ahead over recent years.

They are also totally committed to supporting regional growth and well being by timely investment in telecommunications contracting, security monitoring and independent living support for older people. These investments will deliver a virtuous circle that helps the company deliver even better value to our Trust beneficiaries in the future. Your company is in good heart.

The Trust thanks the Board and company staff for another successful year. Sadly, we farewell Board Chair Neil MacKay who retires after 12 years of service. The warm and positive relationship between Trust and Board owes a great deal to Neil's commitment and keeping us informed as we enter a new technological era. My thanks to fellow trustees and especially to Viv Wright, our hard working secretary.

For more information about the Electra Trust please visit: www.electratrust.co.nz

Sharon Crosbie CNZM OBE
Chair
Electra Trust

Directory

TRUSTEES

S M Crosbie CNZM, OBE, Chair

L R Burnell QSM

R J Latham

J L Yeoman BBS, ACA, FCIS

B J Duffy ONZM, JP

J Holborow

SECRETARY

VM Wright, Waitarere

ADVISORY TRUSTEE

Public Trust, Wellington

AUDITOR

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

SOLICITORS

Quigg Partners, Wellington



YOUR ELECTRA TRUSTEES

From the top – John Yeoman BBS, ACA, FCIS of Paraparaumu, Brendan Duffy ONZM, JP of Levin, Lindsay Burnell QSM of Ohau, Janet Holborow of Paekakariki, Ray Latham of Paraparaumu and Sharon Crosbie CNZM, OBE of Manakau (Chair).

WEBSITE www.electratrust.co.nz
EMAIL secretary@electratrust.co.nz

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 8406 (Secretary). Online at website: www.electratrust.co.nz

Overview of Electra Trust’s Expenses

	2019	2018
	\$	\$
Annual Report Expenses	42,045	40,256
Audit Fees	5,940	6,000
Bank Fees	218	402
Conferences	3,189	7,548
Corporate Trustee Fees	8,050	8,050
Depreciation	1,832	8
Director Appointment	12,438	-
ETNZ Levy	7,994	9,994
Legal Fees	1,300	4,923
Beneficiary Meetings	1,200	445
Secretary and Accounting	33,811	34,021
Trustee Election Expenses	59,740	51,486
Nomination Expenses	4,825	16,665
Interest	-	26
Trustees’ Expenses	10,926	5,714
Trustees’ Fees (Total of 6)	87,499	83,333
Trustees’ Insurance	5,510	5,510
Website & Computer Expenses	1,161	32
Telephone Tolls	1,142	983
Loss on Disposal	8	
	\$288,828	\$275,397

These expenses are covered by a Dividend of \$300,000 received from Electra Limited.

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

Notice of Annual Meeting

Notice is hereby given that the Annual Meeting of beneficiaries of Electra Trust will be held at the Salvation Army Centre, Durham Street, Levin, on Friday, 26 July 2019 commencing at 12 noon.

ORDINARY BUSINESS

- I. Presentation of the following:
 - (a) Annual Report
 - (b) Financial Statements for the year ended 31st March 2019
 - (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 3% and therefore the remuneration for the 12 months ending 31st March 2020 be an amount of \$90,000, 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 2020.
 "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 2019
 - the recommended payment of a dividend of \$330,000 by Electra Limited for the year ended 31 March, 2019 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.
 - whether or not that the Trustees shall procure a review of the ownership structure of Electra Limited in accordance with the procedure set out in clause 4.1 to 4.5 of the Electra Trust Deed.

9. Public forum.

By the order of the Trustees

Vivien Wright

Trust Secretary

MINUTES OF THE TWENTY FIFTH ANNUAL BENEFICIARY MEETING OF ELECTRA TRUST

Held at the Salvation Army Centre, Durham Street, Levin on Friday, 27 July 2018 at 12.00 noon.

PRESENT

Trustees: S Crosbie (Chair), L Burnell, C Turver, R Latham, J Yeoman, B Duffy
 Directors: N Mackay (Chair of Electra Limited), C Dyhrberg, R Longuet, S Mitchell-Jenkins, J Boshier, A McCauley
 9 other beneficiaries

In attendance: V Wright (Secretary)
 Ireen Muir (Representing Public Trust as Advisory Trustee)
 Neil Simmonds (Chief Executive of Electra Ltd.)
 Senior Management Electra Ltd. (11)
 The Chair welcomed everyone to the meeting and introduced the Trustees and Directors.
 The Chair acknowledged that this was Chris Turver's last meeting as a Trustee and thanked him for his 18 years as a Trustee – 10 of them as Chair.
 The Chair advised beneficiaries that voting papers were available if they had not already voted by postal vote.

APOLOGIES

Apologies were received from:
 - Wayne Maxwell CE Kapiti Coast District Council,
 - Mayor Gurunathan – Kapiti Coast District Council
 - David Clapperton – CE Horowhenua District Council
 RESOLVED S Crosbie, seconded C Turver THAT the apologies be accepted Carried

MINUTES RESOLVED

S Crosbie, seconded J Yeoman THAT the minutes of the previous Annual Beneficiary Meeting held on 28 July 2017, 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 Chair presented the 2018 Annual Report.
 The Chair put the motion, seconded by C Turver:
 RESOLVED THAT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE TRUST FOR THE YEAR ENDED 31 MARCH 2018 BE ADOPTED
 The Chair declared that 3356 postal votes for the motion and 17 against carried the motion.

ELECTION OF TRUSTEES

The Chair stated that in accordance with the Trust Deed, C Turver and R Latham had retired by rotation. R Latham being eligible had been nominated for re-election. Mr C Turver, after being a Trustee for 18 years was retiring.
 The Chair read the returning officer, Warwick Lamm's, report on the Trustee election results and advised that the successful candidates from the Trustee election were Ray Latham and Janet Holborow.
 She declared Ray Latham and Janet Holborow to be elected Trustees under the terms of the Trust Deed of Electra Trust.

TRUSTEE REMUNERATION

The Chair put the motion, seconded by J Yeoman.
 RESOLVED THAT THE REMUNERATION OF THE TRUSTEES REMAIN THE SAME AND THEREFORE THE REMUNERATION FOR THE 12 MONTHS ENDING 31 MARCH 2019 BE AN AMOUNT OF \$87,500, SUCH SUM TO BE DIVIDED AMONGST THE SIX TRUSTEES IN SUCH PROPORTION AND IN SUCH MANNER AS THEY MAY AGREE.
 The Chair declared that 3332 postal votes for the motion and 53 against carried the motion.

APPOINTMENT OF AUDITOR

The Chair 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 Chair declared that 3346 postal votes for the motion and 39 against carried the motion.

REMUNERATION OF AUDITOR

The Chair put the motion, seconded by R Latham.

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

The Chair declared that 3332 postal votes for the motion and 52 against carried the motion.

CODE OF PRACTICE

The Chair 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 2018.

STATEMENT OF CORPORATE INTENT

The Chair 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.

DIRECTION TO THE TRUSTEES AS TO ADOPTION OF THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF ELECTRA LIMITED

The Chair put the motion, seconded by L Burnell:

RESOLVED THAT THE MEETING DIRECTS THE TRUSTEES TO ADOPT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31st MARCH 2018.

The Chair declared that 3365 postal votes for the motion and 11 against carried the motion.

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

This dividend covered the expenses of Electra Trust.

The Chair put the motion, seconded by C Turver:

RESOLVED THAT A DIVIDEND OF \$300,000 BE APPROVED.

The Chair declared that 3331 postal votes for the motion and 45 against carried the motion.

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

The Chair put the motion, seconded by J Yeoman.

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

The Chair declared that 3321 postal votes for the motion and 59 against carried the motion.

DIRECTION TO THE TRUSTEES AS TO ADOPTING THE SPECIAL RESOLUTION OF SHAREHOLDERS WITH REGARD TO AMENDING THE ELECTRA TRUST DEED TO BRING THE CANDIDATE NOMINATION PROCESS FOR TRUSTEE ELECTIONS INTO BETTER ALIGNMENT WITH COMMON PRACTICE. SCHEDULE ONE CLAUSE 2.6(C) TO READ "THE NOTICE SHALL ALSO STATE THAT ANY NOMINATIONS MUST BE MADE NO LATER THAN 1 MAY AND THAT EACH NOMINATION SHALL BE MADE IN WRITING AND SIGNED BY THE BENEFICIARY NOMINATING THE PERSON AND ONE (1) OTHER BENEFICIARY AND ALSO SIGNED BY THE PERSON NOMINATED AS TRUSTEE, INDICATING HIS OR HER WILLINGNESS TO BE ELECTED.

THE AMENDMENT APPLIES IN RELATION TO THE 2019 ELECTION OF TRUSTEES AND ALL FUTURE ELECTIONS.

The Chair put the motion seconded by L Burnell.

The Chair declared that 3312 postal votes for the motion and 32 against.

As the majority (96.6%) of those who voted for this special resolution voted FOR the special resolution.

The special resolution is carried.

The Trust Chair invited Electra Chair Neil MacKay, and Mr Simmonds, CE of Electra Limited to present the Annual Report of the Company.

The presentation highlighted the company's investment in:

- Emerging technologies,
- Engineering, IT and Financial resources added in the past year.
- Subsidiary companies review and performance
- The company is in very good heart and the future looks very good with
- Growth strategy that focuses on our local region
- Sales Discounts
- Reliability of electricity supply

These investments have all left the company in a strong financial position.

Mr MacKay thanked and congratulated Mr Turver on his 18 years' service to the Electra Trust.

CE Neil Simmonds gave a more detailed presentation of the company's results and showed a chart of the sales discounts given out over the past 20 years. He also explained the increase of electric vehicles and what it will mean to Electra and its beneficiaries.

Community support by way of sponsorship of the Business Awards and Business Breakfasts and After Five events to support local businesses.

Mr Simmonds praised the Electra team and thanked them for the exemplary service to beneficiaries both in the field and in supporting services.

PUBLIC FORUM

Sales Discounts

- The Chair read out questions from Mr Lill relating to the levels of sales discounts given out over the past 25 years and suggested that Mr Simmonds presentation had addressed his concerns regarding lack of growth.

Mr Lill agreed and thanked the meeting for the detailed response.

Mr Murray Williams asked about Electra's listed company – Horowhenua Wind Energy – Mr Simmonds responded that this was a company setup when Electra was investigating Wind Energy possibilities in the region. He then explained why the investigations had not progressed. Horowhenua Wind Energy is currently a non-trading entity.

Mr Williams then asked the Chair if the Trust would give direction to the Company in relation to local sponsorship and support.

The Chair explained that the Trust was not in a position to give direction to the company as it did not run the company. Mr Turver pointed out that the Trust worked closely with the company to develop the 2018 Statement of Corporate Intent but was not in a position to direct the company in relation to sponsorship and support of local community projects.

Mr Williams thanked the meeting for the responses.

There being no further questions the Chair declared the meeting closed and thanked everyone for their attendance and invited them to adjourn for a hot drink and finger food in the supper room.

CLOSURE

The meeting closed at 1.09pm