

# **KING COUNTRY ELECTRIC POWER TRUST**



## **ANNUAL REPORT 2011**

The Trustees have pleasure in presenting the seventeenth annual report to the consumer beneficiaries.

### **ADMINISTRATION**

The year ended the 31st March 2011 has been one in which Trustees have reviewed the Trust's operations and sought to both consolidate its administration and seek ways in which to improve the efficiency of its management.

In particular;

An Investment Policy has been developed with the assistance of a financial adviser to ensure the most efficient investment of cash resources.

The Trust Deed has been reviewed and is ready for beneficiaries to consider the proposed amendments.

Trust systems have been improved by using dedicated computers so that "paperless meetings" are now possible reducing costs and making secretarial functions more efficient.

Electronic banking has almost completely eliminated cheque writing and mail to settle accounts.

“Switching on the King Country” a record of the development of electricity supply in our district was successfully launched and some 900 books sold during the initial marketing campaign. The book was well received by locals and its quality commended by the Rt Honourable Jim Bolger when he spoke at the official launch. King Country Energy Ltd’s generous sponsorship contributed to a successful project led by Mr Michael Turner, a Trustee, now retired. Although an expensive project Trustees believed only the Trust had the resources to record the history appropriately and that it was a worthwhile investment for the community.

During the latter part of the period, Trustees have initiated a \$500.00 sponsorship per household to encourage “clean air heating and warm homes” in a joint programme with Energy Efficiency Conservation Agency and Easy Insulation by assisting with the purchase of a heat pump. Trustee, Mr Graeme Cosford, is leading the project.

In the latter half of 2010, Trustees had a continued concern with the “Demand Charging” tariff being used by The Lines Company and in partnership with the Ruapehu District Council commissioned an independent report on the system to identify its effectiveness, efficiency, fairness and impact on our communities. The report was completed and published in May 2011; a copy is available from our website: [kcpowertrust.co.nz](http://kcpowertrust.co.nz).

There has been no election of Trustees in the past year and Tessa Stewart continues as our efficient Secretary, Trust personnel is therefore stable with meeting attendances as follows;

Brian Gurney	Omori	17 meetings
Graeme Cosford	Taumarunui	16 meetings
Robert Carter	Taumarunui	16 meetings
Uwe Kroll	Ohakune	16 meetings
Norman Annand	Taumarunui	15 meetings

Your Trust continues to contribute to the wider electricity industry through the Energy Trusts of NZ, your Chairman is the Vice Chairman of the national organisation and Trustee Uwe Kroll presented a paper to the members at the May 2011 conference.

## **Distribution to Beneficiaries**

Although surpluses were less than 2010 due to lower interest rates, a distribution was made during March and April 2011.

The Lines Company distributed;	\$ 495,000.00
King Country Energy Ltd distributed;	<u>\$ 700,000.00</u>
Total of;	\$1,195,000.00

## **Financial Results**

A summary of the years result compared with 2010 is as follows;

	2011	2010	Change
Income	\$2,239million	\$2,157million	+3.8%
Expenses	\$318,845.00	\$168,701.00	+ 89%
			(excl books +7%)
After Tax surplus	\$ 1.286 million	\$1.332million	

## **Investments**

### **King Country Energy Ltd – 20% shareholding**

The company, after clearing the balance sheet of resource consent accrued costs in 2010, had a successful trading performance in 2011 with net profit after tax increasing to \$4.4 million from \$1.6 million in 2010.

Sales remained steady at \$32 million and expenses slightly reduced to \$27 million. Cash flow is positive at \$6.1 million and with an independent asset revaluation of \$8.2 increase, the balance sheet has been strengthened; overall a solid performance that enabled the maintenance of share holder dividends at 24 cents per share before tax credits.

Share holders will not receive tax credits going forward until the prepayment of tax to provide for them reduces to an acceptable level.

### **The Lines Company – 10% shareholding**

The company has increased its revenue by \$3 million to \$43.5 million and the profit after tax to \$7.7 million; up \$1.7 million on 2010.

The increase has been on the back of a \$3 million increase in network income yielding a \$2.6 million increase in earnings before tax for this division.

The escalating costs to consumers and the inconsistencies within the charging is giving concern and as mentioned previously, the Trust participated in funding an independent study and has made submissions at the Directors invitation on the system. A copy of the submission is at the rear of this report.

The Director's strategy of diversifying in to unregulated businesses through subsidiaries has not yet provided adequate returns for the business risk assumed and Trustees are concerned that some of these business activities may be destroying the Trust's share value in this business.

### **Access to Information Guidelines**

No requests for information under the guidelines have been received. Any information informally requested has been freely supplied where it was available.

The Trust, under section 10.1 of its guidelines for access to information by beneficiaries, is required to include in this report the outcomes of requests made under the Guidelines. Trustees report:

- |   |   |          |
|---|---|----------|
| ○ | Number of requests for information          | NIL      |
| ○ | Costs incurred to process requests          | NIL      |
| ○ | Number of Trust decisions subject to review | NIL      |
| ○ | A summary of the outcome of reviews         | NOT REQD |
| ○ | Costs incurred in respect to reviews        | NIL      |

## **Conclusion**

The year has been a busy one with Trustees applying themselves diligently to Trust affairs in an effort to resolve the challenges of electricity supply to a largely rural district at an affordable cost.

Both the network system and the retail/generation businesses must be sustainable in the long term as electricity will be a major driver for the districts economy for the foreseeable future.

Tax earnings have reduced, for the reasons explained, but the fundamental investments are sound and Trustees believe well managed, income will increase with the improvement of the economy generally and as more profitable opportunities eventuate.

My sincere thanks to my fellow Trustees and Tessa for their hard work, wise counsel and support during 2011.

Signed on Trustees behalf,

Brian J Gurney

A handwritten signature in black ink, appearing to read "B. J. Gurney". The signature is stylized with a large, sweeping initial "B" and a long horizontal stroke extending to the right.