

KING COUNTRY ELECTRIC POWER TRUST



ANNUAL REPORT 2014

The Trustees present this twentieth annual report to the consumer beneficiaries.

The year ended 31st March 2014 has seen some major decisions made by Trustees to implement the following:

- Ownership review 2012 outcomes, including the sale of the 10% shareholding in The Lines Company Ltd (TLC)
- Rebuilding shareholding in King Country Energy Ltd (KCE) to 20% following Mangahao purchase
- Effects of the Trustees Election
- Adoption of new Investment Policy Statement

THE 2012 OWNERSHIP REVIEW OUTCOMES

An ownership review process delivered some outcomes that were perhaps expected after what may be termed as a long gestation.

The review was carried out professionally with the Trust employing PricewaterhouseCoopers (PwC) to assist.

Twenty three packs advising the recommendations of the Trustees were uplifted by beneficiaries; however no submissions were received by the Trust as part of the process.

The main outcomes of the review for the Trust were;

1. To adopt the report's analysis of the performance of KCE and grow the principal Trust investment in the company. To date the Trust is re-approaching a 20% stake in the company with just a small number of shares remaining to be purchased. The shareholding is being maintained following the dilution of shareholding following the purchase of the second 50% shareholding in Mangahao Hydro Power Station by the company.

2. Following the ownership review, TLC shareholding became regarded as a non strategic investment and the opportunity presented, so that funds were reinvested in assets providing better returns and growth prospects for the Trust. The Trust concluded the sale of the TLC shares on the 17th of January 2014.
3. Cash investments; Trustees have determined that sufficient liquid funds be maintained to cover operating costs plus some flexibility for investment opportunities as they arise.

INVESTMENT POLICY STATEMENT

As a result of the TLC share sale and a reappraisal of the Trust's Investment Policy Statement, the Trust has adopted a wide ranging portfolio of investments arranged by BNZ Private Banking, this taking effect in the current financial year 2014-2015.

TRUSTEE ELECTIONS

In January 2014 elections of Trustees were held. M/s Gurney and Carter retired by rotation. Mr Brian Gurney retired from the Trust after 22 years service representing the Turangi area and Mr Niel Groombridge was elected in his place. Mr Robert Carter contested the Taumarunui vacancy and was re-elected.

Mr Gurney gave the Trust many years of exemplary service and he was thanked recently for his service with a special dinner and presentation from the Trust on behalf of all beneficiaries.

SECRETARIAL SERVICES

Mrs Tessa Stewart continues to provide very good comprehensive secretarial services to the Trust. We appreciate her work and attention to detail.

TRUSTEE MEETING ATTENDANCE

Trustees continued to attend meetings throughout the year with few absences except that Mr Norman Annand suffered some ill health. Mr Annand is back in good shape once again and he is continuing to carry out financial oversight of the Trust's affairs.

THE FUTURE

The Trust will continue to monitor and review investments held with a view to growing the capital and maintaining, if not increasing distributions to beneficiaries.

The Trust takes a conservative approach to investment, looking for safety and reliability in the investment strategy.

Following the sale of the TLC shareholding, the Trust will be reviewing the Trust Deed to recommend to beneficiaries any changes considered necessary for future needs.

The Trust also signals that the Distribution Policy will be reviewed for a number of reasons;

1. Sources of income from Trust funds given that the TLC shares have been sold.
2. Reviewing the current practice of distributions by means of power bill credits. The Trust may well stay with the status quo but we would like to hear from beneficiaries if there are other community based things or initiatives that could or should be supported by the Trust distributions. This will be a formal process.
3. Making sure that the Trust is reflecting the wishes of the beneficiaries.

THE LINES COMPANY

The Trust will continue to review and comment on the performance of our local electricity distribution business, as a well informed group.

We see the network as an important part of our local infrastructure even though we have sold our 10% interest in the company. We therefore believe the way forward is to work with the personnel working in that business to achieve better customer outcomes, without the hindrance of having to act as a responsible shareholder in any criticism we may make.

We also note the action being taken by a group of Turangi consumers who wish to transfer the Turangi grid exit point away from TLC to another distributor.

This is an action taken because of customer dissatisfaction with the charging and business model adopted by TLC.

KCEPT believes that the way forward is for TLC to seek partnerships with neighbouring distributors to gain efficiencies through scale and expertise.

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:

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

FINANCIAL PERFORMANCE DETAIL

KEY INFORMATION AT A GLANCE

	2014	2013
Trust Funds	\$37.867m	\$38.167m
Expenses	\$304k	\$232k

Extraordinary Expenses were:

Legal	\$44k
Consultancy	\$76k
Relating to the disposal of investment in TLC	

Distribution to Beneficiaries	\$960k	\$931k
Dividend and Interest Income	\$2.64m	\$2.02m
Profit on Disposal of Investments in TLC	\$1.1m	

Information in detail is set out in the audited set of accounts.

Signed on Trustees behalf,
Robert Carter
Chairman

