

KING COUNTRY ELECTRIC POWER TRUST



ANNUAL REPORT 2016

The Trustees present this twenty second annual report to the consumer beneficiaries.

The year ended 31st March 2016 has been another year of changes and emerging issues to contend with for the Trust.

KING COUNTRY ENERGY LTD

The Trust retains its 19.98% shareholding in KCE. Late last year Nova (Todd Energy) announced that it is commencing a sale process for its 54% shareholding in the company.

The Trust was included in that process by Nova whereby we were interviewed by potential buyers under very controlled circumstances, managed by Goldman Sachs Ltd.

The eventual outcome was that Trustpower Ltd purchased the 54% stake and they were then required, under the Companies act takeovers code, to make an offer to all shareholders, thus increasing their holding to the present 64.9%.

KCEPT decided to retain our 19.98% shareholding in KCE.

Our intention is to work collaboratively with the new major shareholder to gain the best outcome for the company and the Trust in the future.

Traditionally the Trust has tended to factor in the needs of other minority shareholders with regard to major changes.

Minority shareholders would be well advised to take professional advice regarding any issues they have with their shares in KCE.

We sought and took independent legal and commercial advice from both Simpson Grierson and PricewaterhouseCoopers.

As we do not have the luxury of selling our shares (as our Trust Deed requires us to retain KCE shares) we have expended considerable time and funds looking at options for the future.

At this reporting date we have yet to settle on any particular changes that we may be considering in this regard.

Obviously as Trustpower now have a very effective majority occasioned by the sale of both major and minority shareholdings to them recently, it makes sense for the Trust to take this collaborative and collegial approach to the tasks ahead.

We have found that Trustpower have a very professional and user friendly approach as they understand our beneficial background, having a similar Trust shareholding (TECT 26%) in the company.

They also understand the connections between customers, the KCE brand and our consumer beneficiaries.

If and when there are to be changes, the Trust will commence an ownership review along with consumer beneficiary consultation with full disclosure of any proposal.

DISTRIBUTION POLICY

At the last AGM we signalled that we want to review the policy with input from our beneficiaries.

We are generating a draft new policy to encapsulate into the future ownership review.

SECRETARIAL SERVICES

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

TRUSTEE MEETING ATTENDANCES

Trustees continued to attend meetings throughout the year with few absences.

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 and growth in the investment strategy.

ACCESS TO INFORMATION GUIDELINES

One request for information under the guidelines has 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:

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|---|---------------------------------------------|----------|
| o | Number of requests for information | ONE |
| 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; Trust funds have increased by \$1.86million this year. Expenses have increased this financial year due to a range of cost increases. Information in detail is set out in the audited set of accounts.

	2016	2015
Trust Funds	\$41.53m	\$39.65m
Expenses	\$346k	\$193k
Distribution to Beneficiaries	\$1.31m	\$1.25m
Dividend and Interest Income	\$2.56m	\$2.56m

Signed on Trustees behalf,
Robert Carter
Chairman

