

# **KING COUNTRY ELECTRIC POWER TRUST**



## **ANNUAL REPORT 2018**

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

The year ended 31st March 2018 was a watershed, after one of the most challenging periods faced by the Trust. For many years, the Trust had been grappling with issues that emerged ever since Todd's became a cornerstone shareholder in KCE. This joint form of ownership had meant that KCEPT was continuously buffeted by larger shareholders wishing to attain 100% ownership.

That situation had now changed. In a joint takeover bid, Trustpower and KCEPT successfully purchased all minority shares, leaving KCE with just two shareholders. By doing this, the independent valuer's report indicated a saving to KCE of \$400,000 p.a.; delisting from the secondary market added value to KCE of \$4,320,000. KCEPT's share of that gain was \$864,000 (at 20%). In that process, it was agreed that KCE Retail could be sold to Trustpower.

The takeovers code now no longer applies. The spectre of a larger shareholder wishing to take over the company and the continuing struggle of KCE Retail to maintain margins has now transformed into a working partnership, devoid of retail competition but not immune to market risk. Whilst the sale of retail was a difficult decision from a personal perspective, from a business perspective, the argument was compelling. KCE Retail required substantial capital in order to modernize both its offices and its billing system. The Taumarunui building is an earthquake risk and needs substantial strengthening work to meet the new code. The Gentrack billing system was at full capacity and upgrades were necessary. At the same time, both market share and margins were under downward pressure, retail sales volumes declining by 5.6% year on year. The board of KCE were unwilling to invest further capital, and at some point in the future, it was highly likely that KCE Retail would have been sold on the open market. Had that occurred, there was no guarantee that community sponsorships would have been retained or staff redundancy packages made available. By working with Trustpower instead of against them, both of those advantages to our community were made possible.

## **KING COUNTRY ENERGY LTD**

The Trust retained its 19.98% shareholding in KCE.

## **DIVERSIFIED PORTFOLIO**

Our share and bond portfolio performed strongly throughout the year, making a 6.34% return before tax and after fees. The Trust is cognizant of the fact that the market cycle is nearing maturity that that these gains may not be sustainable in the future.

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

## **TRUSTEE MEETING ATTENDANCES**

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

## **THE FUTURE**

Since the end of the financial year, the Trust has purchased a further 5% of KCE, raising its shareholding to 25%. The emphasis now is to maximize returns from our assets and to look for any growth opportunities that may present themselves. The Trust continues to monitor the performance of King Country Energy and also to support the company in maintaining its successful operation.

In line with a collaborative approach, 50% of the 2019 distribution will be allotted to former KCE customers who remain with Trustpower. This was decided in order to reduce churn and announced earlier in 2018 as part of Trustpower's communication with their new clients.

## ACCESS TO INFORMATION GUIDELINES

Twenty two requests 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:

- o Number of requests for information 22
- 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 \$4.29million this year and expenses have reduced this financial year. Information in detail is set out in the audited set of accounts.

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Trust Funds	\$46.48m	\$42.19m	\$41.53m
Expenses	\$340k	\$1.01m	\$346k
Distribution to Beneficiaries	\$1.00m	\$1.00m	\$1.31m
Dividend and Interest Income	\$3.20m	\$2.44m	\$2.56m

Signed on Trustees behalf,  
Adie Doyle  
Chairman

