



KING COUNTRY ELECTRIC POWER TRUST

MINUTES OF THE ANNUAL GENERAL MEETING OF CONSUMER BENEFICIARIES HELD AT THE TAUMARUNUI RSA UPSTAIRS CLUB ROOM, 10 MARAE STREET, TAUMARUNUI, ON WEDNESDAY 23RD AUGUST 2017 AT 5.30PM.

ATTENDANCE:

Adie Doyle (Chairman), Graeme Cosford, Uwe Kroll, Niel Groombridge and Robert Carter (Trustees), Tessa Jackson (Secretary) and eighteen consumer beneficiaries.

APOLOGY:

An apology was received from Brian Needham, Eric Clarke and Sandra Greenslade.

Resolved *"That the apology of Brian Needham, Eric Clarke and Sandra Greenslade are accepted"*

Alasdair McNab / Jacques Windell
Carried

INTRODUCTION

The Chairman introduced Trustees and Secretary and provided an outline of our meeting today; Rob Foster from KCE will be our guest speaker.

MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of 24th August 2016 were taken as read.

Eric Wilson asked when the decision was made not to proceed with the power station purchase; this will be discussed later in our meeting today.

Resolved *"That the minutes of the meeting of 24th August 2016 be confirmed as a true and correct record of the meeting"*

Robert Carter / Chad Haszard
Carried

CHAIRMAN'S REPORT

The Chairman noted that we will be presenting our annual report from the document provided today.

Key issues included:

- KCEPT retained its 19.98% shareholding in KCE.
- The Trust carried out a five yearly ownership review and as a result of this process, decided to retain the review shares held in KCE; during the process, KCEPT reviewed potential transactions from a legal, commercial and engineering perspective at a large cost to KCEPT.
- KCEPT's share and bond portfolio performed strongly throughout the year.
- During the year, Tessa Jackson suffered some serious health issues and was temporarily unable to carry out her duties; thanks to Carla Benefield, Anne Topham and the team at Balance Chartered Accountants for their backup support to the Trust during this time.

- Trustees continued to attend meetings throughout the year with few absences.
- 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. During the ownership review process, it became clear that there are large discrepancies between distributions; this will be addressed before our next distribution.
- KCEPT continues to monitor the performance of KCE and support the company in maintaining its successful operation.
- KCEPT has received one request for information.
- Trust funds have increased from 2016 along with expenses; distributions to consumer beneficiaries was \$1million in 2017 and dividend/interest income was down on the previous year.

FINANCIAL STATEMENTS

Anne Topham tabled the financial statements and presented a financial summary document for easier understanding. Key points were:

- KCEPT comes under IFRS which means the format of our financial statements differs from a small business set of accounts.
- The statement of comprehensive income includes dividends received of \$1.8million and interest received along with various other income types from the BNZ portfolio. Dividends are lower than 2016. Trust expenses are slightly increased from last year; strategic and consultancy expenses total \$722k reflecting the strategic investigations undertaken in 2017. The AFS financial asset revaluation has increased by \$505k based on the KCE share value as at the end of the financial year; distributions to consumer beneficiaries totalled \$1million and Trust funds at the end of the year totalled \$42million.
- Anne tabled a summary of financial performance graph along with a financial position graph and summarised the notes to the accounts particularly cash and current/term investments; net cash flows from operating activities totalled \$836k.
- Anne noted that there are changes due next year; this will mainly affect the KCE shares.

Resolved ***"That the Annual Report of the Chairman for the year ended 31st March 2017 is adopted"***

Robert Carter / Niel Groombridge
Carried

Resolved ***"That the annual financial statements presented for the year ended 31st March 2017 are adopted"***

Chad Haszard / Peter Topham
Carried

AUDITOR

The Chairman noted that our auditors have provided excellent service this year and recommended that Hood, Spooner & Redpath Ltd be appointed auditors for the next year.

Resolved ***"That Hood, Spooner & Redpath Ltd be appointed auditors for the period from the conclusion of this meeting until the next annual meeting of beneficiaries"***

Robert Carter / Graeme Cosford
Carried

Resolved ***"That the Trustees be empowered to fix the fees and expenses of the auditor for the period of appointment"***

Robert Carter / Chad Haszard
Carried

INFORMAL GENERAL BUSINESS

- Regarding the earlier question of when the decision was made not to proceed with the power station purchase; the final decision was made at the public Trust meeting held in early April 2017. A lengthy discussion was held regarding Project Utopia and the ownership review process; the process started in November 2015 but it wasn't until September 2016 that Trustees had figures presented by PwC which showed no significant loss or gain so at that point, Trustees had to gather more information and embark on the ownership review process. The PwC report was available to Trustees sometime in February 2017 which was then rolled out to consumer beneficiaries for the consultation period and subsequent decision.
- Mike Bowie asked if Trustees had changed their thinking after feedback from consumer beneficiaries and commented on Trustees performance throughout this process.
- **A Motion was put to the Floor:** That Trustees in their wisdom used \$750k of beneficiaries' funds and on that basis, all Trustees should collectively resign and seek re-election at our next election. It was moved by Mike Bowie and seconded by Alasdair McNab. It was explained by the Chairman that beneficiaries did not have the right to make such a motion at the AGM and that the correct place to indicate a vote of no confidence was at election time.
- The Chairman noted that a consumer beneficiary does not have the right to put a motion on the floor; this is an AGM so is not the place for this discussion. Attendees commented that it was sheer luck that they were able to attend tonight as advertisements in local publications are no longer sufficient to notify consumer beneficiaries of the AGM. The Chairman noted that it is our preference that notices go out with TLC accounts so that it reaches every household but unfortunately the timeframe was too tight for the AGM notification; it was noted that TLC must have an extensive email database which could be utilized.
- Jacques Windell asked how Trustees could not know specific distribution amounts credited to consumer beneficiaries on accounts; the Chairman commented that he asked TLC for a sample of the top and bottom 20% of distributions and was surprised at the disparity in amounts. Robert Carter noted that our distribution policy is currently under review; Jacques Windell asked if Trustees will consult with consumer beneficiaries on this issue? Trustees agreed that this would be prudent. Chad Haszard noted that the current policy was implemented when KCE was the main income source; this has now diversified into other types of income not directly linked to power so it is a good time to review our distribution policy.
- Jacques Windell noted that \$733k was spent on due diligence; if Trustees had made a decision earlier, a lot of these costs could have been avoided. Robert Carter explained that we had to spend funds on consultancy to find out if the project was viable or not, from a legal, commercial and engineering perspective and reiterated that Trustees are not happy with the costs. Our Trust Deed is written in such a way that we have to retain shares in KCE otherwise the Trust would have to be wound up; we sold our shares in TLC as we were not receiving a good level of return. Mike Bowie noted that the deal should have been obviously not viable from the outset; Trustees noted that we have agreements in place that locks in a floor price which de-risks the Trust.
- Jacques Windell asked if this will happen again? The Chairman stated that the strategic and consultancy expenses will be significantly less next year.
- Alasdair McNab asked for an explanation regarding the \$733k spending; another consumer beneficiary has asked for information and been told that it could be available if they are prepared to pay a fee for the research but he was not offered the same; the Chairman noted that the requests for information were different but will get back to Alasdair outside of this meeting regarding this issue.
- Eric Wilson asked about the requests for information; there have been more than one as stated in our annual report. The Chairman reiterated that all these latest requests fall into the current financial year so will be reflected in next year's report.
- Mike Bowie asked about the demographics of Trustees appointments; there is currently five Trustees – three from Taumarunui, one from Ohakune and one from Omori. Trustees reiterated that there are five Trustees in total and each area needs to be represented so the extra two spots can go to any consumer beneficiary within our area.

- Jacques Windell noted that he asked Tessa for Trust minutes and received a reply that it would be discussed at our next Trust meeting; this is a request for information so has to go through the formal channels of reply. Why can't minutes go onto the KCEPT website?
- It was noted that there is a negative connotation around the word "beneficiary" in association with government handouts; it was agreed that we really should be referring to beneficiaries as "consumer beneficiaries" so will do so from now on.
- The next election will be held later this year and consumer beneficiaries will be notified mid-November for nominations; it was suggested that KCEPT should investigate a Facebook page to enable easier communication with consumer beneficiaries.

CONCLUSION

- The Chairman thanked everyone for attending our AGM and special thanks to Rob Foster for guest speaking tonight. Our history book "Switching on the King Country" is available tonight if anyone would like a copy; it provides a good history of electricity in the King Country.

The meeting closed at 7.00pm.

Confirmed.....Chairman

/ /