

# **KING COUNTRY ELECTRIC POWER TRUST (KCEPT)**



## **ANNUAL REPORT 2020**

The Trustees present this twenty sixth annual report to its consumer beneficiaries.

### **THE TRUST**

The AGM for the Trust was held in Pukawa in August with an excellent turnout and discussion occurring.

Trust meetings were held in all months except December, either via telephone conference or in person. Four apologies were received from Robert Carter and three from Uwe Kroll. In October, Electionz.com was appointed to run the February election, with long standing Trustee Graeme Cosford subsequently being replaced by Jo Bransgrove. Trustee fees remained unchanged since August 2015. Trustees constantly reviewed costs of the Trust in order to minimize expenses and maximize distributions. This year, operating expenses of the Trust were relatively static. Further reductions are unlikely, unless KCEPT adopts a greater appetite for risk with the Trust's insurances.

### **WHERE THE INCOME IS GENERATED**

The Trust received reports from the Trust appointed director of KCE each month and a KCE General Manager's presentation in January. KCE continued to perform strongly and above budget for the year. As part of Trustpower's accounting practices, KCE was revalued, taking into account the projected future price path of electricity. The asset value of KCE shown in these accounts reflects the purchase price at \$5.00 +/- earnings and dividends. The value of KCE has improved significantly since purchase. KCEPT's share in KCE is now closer to \$28.04m rather than \$25.00m shown, a \$3.03m increase, culminating in the total value of the Trust fund being closer to \$50.63m rather than \$47.60m as shown in the annual accounts.

The BNZ portfolio is reviewed monthly, with our adviser visiting in August and February to review the portfolio in person. The Trust moved from individual shareholdings to actively managed funds in order to be more responsive to markets. The annual return in February was tracking at 13.82%p.a. before the Covid-19 pandemic reduced the annual return to a year ending -1.88%p.a. Trustees were unanimous in their view that, given the long term nature of the Trust, panic selling was not in the best interest of its consumer beneficiaries.

Alternative opportunities were investigated but there were no major changes to its investment strategy.

## HOW THE INCOME IS DISTRIBUTED

Between September and November, the Trust developed a distribution policy in order to provide a structured process to distributions as opposed to the ad hoc basis previously employed.

The vision and goal of the distribution policy is as follows:

***Vision - To Make a Significant Difference to the Lives of Our Consumer Beneficiaries***

***Goal - To increase distributions on \$1.3M by 5% p.a. from 2019 and for the foreseeable future***

April 2019 saw KCEPT supported funding of \$50,000 to the Maru Charitable Trust in order to insulate homes within our area. In November, the Trust decided to support the construction of the St John ambulance garaging project in Turangi (for the 2020/2021 year) in lieu of an annual distribution to that area. \$25,000 was distributed to 10 organisations whilst an emergency \$20,000 was distributed to local foodbanks in March.

## ACCESS TO INFORMATION GUIDELINES

Six 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	SIX
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 REQUIRED
o	Costs incurred in respect to reviews	NIL

## FINANCIAL PERFORMANCE DETAIL

Key information at a glance:

- Trust funds have increased by \$1.3m.
- The value of the managed portfolio was impacted by the drop in the sharemarkets at the end of March 2020 with uncertainty relating to the COVID-19 pandemic. The increase in value of \$398k is due to reinvested earnings.
- KCE dividends received were \$4.365m gross. KCEPT's share of comprehensive income recognised was \$2.537m.

- The value of the KCE investment is based upon purchase price plus share of earnings per financial statements less dividends received and resulted in a value at 31 March 2020 of \$25.035m. KCEPT's share of the unaudited balance sheet of KCE is \$28.036m.
- The distribution to beneficiaries happened after balance date. Indirect beneficiary distributions during the financial year totaled \$95k.
- Distribution amounts not distributed to beneficiaries in the prior year were returned to the Trust. Some payments were made to beneficiaries that did not receive a distribution in error.

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

	2020	2019	2018	2017
Trust Funds	\$47.60m	\$46.30m	\$46.48m	\$42.19m
Operational expenses (exc finance costs and community projects)	\$261k	\$255k	\$340k	\$1,010k
Cash distributions to beneficiaries	(\$14K)	\$1,300K	\$1,000K	\$1,000k
Beneficiary distributions including community projects	\$95K	\$1,492K	\$1,000K	\$1,000K
Dividend and interest income (accounting)	\$768K	\$710K	\$3,206K	\$2,444K
Total dividend and interest income received (including KCE)	\$5,133K	\$3,242K	\$3,206K	\$3,444K
Share of surplus in associate	\$2,537K	\$2,026K	n/a	n/a

The auditor has issued a qualified audit report as King Country Energy Limited accounts are unaudited and this investment represents a significant part of the Trust's assets (an explanation is provided in the audit report). An agreed upon procedures has been undertaken on the information which gives the Directors confidence in the results presented to their shareholders. This does not, however, meet the threshold that enables the auditor (under audit standards) to issue an unqualified report.

Signed on Trustees behalf,

Adie Doyle  
Chairman