



KING COUNTRY ELECTRIC POWER TRUST (KCEPT)

ANNUAL REPORT 2021

The Trustees have great pleasure in presenting this twenty seventh annual report to the consumer beneficiaries of KCEPT.

THE TRUST

The 2020 AGM for the Trust was held in Taumarunui in August with an excellent turnout and discussion occurring.

Sixteen (16) Trust meetings were held in the year, either via zoom or in person and no apologies were received for any meeting. Trustee fees, which have remained unchanged since August 2015, were increased by 1.6% and will now be adjusted for inflation annually in accordance with the CPI.

Trustees constantly review costs of the Trust in order to maximize distributions. This year, there was a \$30,000 increase in regular administration expenses. Expenses have increased this financial year due to legal fees incurred reviewing the Trust Deed.

It was agreed that KCEPT was not benefiting from their membership of the Energy Trusts of New Zealand and have decided to resign from that organisation.

Trustees have continued their work on revising the Trust Deed, to bring it into line with the Trusts Act 2019 (which came into effect on January 2021) and present it in plain English. We have worked closely with our legal advisors Simpson & Grierson and will conduct public consultations across our three areas.

After years of confusion between King Country Energy, The Lines Company and Trustpower, in March 2021, Trustees unanimously decided to rename King Country Electric Power Trust, **King Country Trust**. The new name, along with a new logo, will be effective following this AGM.

WHERE THE INCOME IS GENERATED

The Trust received reports from the Trust appointed director of King Country Energy, Robert Carter, each month and a KCE General Manager's presentation every six months.

KCE's underlying operating performance continues to be strong. However, the revaluation of the hedges at balance date (which reflects the pricing inherent in the hedge relative to the market on 31st March 2021 in accordance with international

financial reporting standards) resulted in a significant loss. Hedges are used by KCE as a tool to stabilise business revenue (managing price risk). They are held to maturity date and mature over the next three years. This measurement at a point in time is not believed, by the directors, to represent the underlying long term economic value of the hedges as this non-cash adjustment will reverse over the life of the hedges.

As part of Trustpower's accounting practices, KCE was not revalued this year. The Trustees remain confident in the ongoing financial performance of KCE and the dividends that will result from that. The BNZ portfolio account is reviewed monthly, with our adviser visiting in July, October, January and February to review the portfolio in person. Principal documents were updated and the Trust moved to a balanced portfolio within the BNZ investment framework. We are pleased to report the annual return was 16.88% after tax and fees.

HOW THE INCOME IS DISTRIBUTED

The Trust continues with a distribution policy that provides a structured process to distributions and is reviewed annually.

The vision and goal of the distribution policy remains:

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

The Trust distributed \$2,230,614 last financial year, \$1,000,000 of which was an extraordinary one-off distribution to mitigate the effects of the Covid-19 lockdown for our consumer beneficiaries. We received positive feedback from the community over this initiative and were happy that the Trust was in a strong financial position to be able to support everyone.

A government announcement in the 2020 Budget meant that the Energy Efficient and Conservation Authority (EECA), was able to increase its support for home insulation from 67% to 90% as part of its post Covid-19 initiatives. That meant that for every \$1 contributed by KCEPT, \$10 of home insulation would occur within our area. This was too good an opportunity to miss and in addition to the annual \$50,000 contribution to the Maru Energy Trust for home insulation in the KCEPT area, the \$100,000 energy efficiency budget also went to home insulation. This is an excellent example of how the Trust Fund can be used as leverage to better the lives of residents in our district.

The St John Ambulance Turangi and the Taumarunui Mobility Van were funded in addition to a distribution to residents around Taumarunui. The Ohakune distribution partly funded the St John Ambulance project there whilst some of their payment was retained for future use by St John.

ACCESS TO INFORMATION GUIDELINES

No requests for information under the guidelines have been received.

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:

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

FINANCIAL PERFORMANCE DETAIL

Key information at a glance;

	2021	2020	2019	2018
Trust Funds	\$44.70m	\$47.60m	\$46.30m	\$46.48m
Operational expenses (exc finance costs and community projects)	\$291k	\$261k	\$255k	\$340k
Beneficiary distributions (direct)	\$1,383K	(14\$K)	\$1,300K	\$1,000k
Beneficiary distributions (indirect)	\$847K	\$95K	\$192K	-
Dividend and interest income (accounting)	\$525K	\$768K	\$710K	\$3,206K
KCE dividend received not reflected in above (gross)	\$3,910K	\$4,365K	\$2,532K	n/a
Share of surplus (deficit) in associate	(\$3,386K)	\$2,537K	\$2,026K	n/a
Investments	\$37,233	\$42,933	\$43,613	\$40,997

Trust funds have decreased by \$2,901k this year. The major drivers of this are:

Reason	Amount (\$000's)
Increase in investment portfolio value (revaluations)	\$2,632
Increase in value of KCE due to underlying profit (after tax)	\$1,922
Decrease in value of KCE due to revaluation of hedges (after tax)	(\$5,308)
Distributions to community & beneficiaries	(\$2,183)

The investment portfolio bounced back from the valuation at 31 March 2020 which reflected reaction to the COVID-19 pandemic.

The investment in associate (King Country Energy Limited) reflected in the financial statements decreased in value by \$6,499k. This is calculated by:

Reason	Amount (\$000's)
Opening Value	\$25,035
Increase in value of KCE due to underlying profit (after tax)	\$1,922
Decrease in value of KCE due to revaluation of hedges (after tax)	(\$5,308)
Dividend paid to KCEPT (net of ICA)	(\$3,123)
Closing Value	\$18,526

As at 31 March 2021 KCEPT's share of the unaudited balance sheet of KCE is \$21.505m (2020 \$28.036m). No asset revaluation was performed in 2021.

The financial statements are subject to a qualified audit. This will continue to be the case as King Country Energy Limited is a significant component of KCEPT's financial position and their accounts are unaudited. An agreed upon procedures engagement has been undertaken on the information provided which gives the Directors confidence in the results presented to their shareholders.

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

Signed on behalf of the Trustees:



Adie Doyle
Chairman