

Counties Power Consumer Trust

Trustees' Report

For the year ended 31 March 2011

To the Beneficiaries (Connected Consumers of Counties Power Limited):

It is my privilege to present this report of the Counties Power Consumer Trust for the year ended 31 March 2011.

Trustees

Trustees retire by rotation with a biennial public election being held for two Trustee positions.

The next election is date is 6 August 2011 with Mrs Rupp and Mr Eyes retiring under terms of the Trust Deed. Both are eligible and are standing for re-election. Three other Consumers are also standing for election. The result will be known by the Annual Meeting.

The five Trustees continue to hold 100% of the shares of Counties Power Limited in trust for the present and future Consumers served by the company's lines network, who are the only beneficiaries.

During the year there were 9 meetings held with 91% attendance. In addition the Chairman, Secretary and one or more Trustees and/or Directors met/held discussions on numerous occasions to give attention to particular matters.

The Trust gratefully acknowledges that company chairman Keith Familton, other Directors and Management have been readily available for consultation. Mr Familton has announced his intention to retire from the Board at the close of the Annual Meeting of the Company being held on 27 July 2011.

Counties Power Consumer Trust

The Annual Report is an appropriate vehicle to re-state the foundation of the Trust. Beneficiaries of the Trust are, in generalised terms, those persons who have premises connected to the Counties Power Network. More specifically, a beneficiary of the Trust is a person (which includes individuals, corporations, partnerships, joint ventures, associations, trusts, organizations, government departments and local authorities) who:

at any appropriate date designated by the Trustees from time to time are named in the records of the Company and/or any Electricity Supply Business as persons whose premises are connected to the Company's lines network within the District and who are liable (whether alone or jointly or with any other person) for payments to any Electricity Supply Business for electricity conveyed in relation to those lines... ;

The Trustees hold in trust, 100% of shares in Counties Power Limited. Under this form of ownership only the Trustees can sell the shares. The advantage to you as a connected consumer is that the company is directed and managed so that you might receive the benefits.

Compare this with a private ownership structure (as occurs with several lines network companies in New Zealand) whereby the companies are managed so as to maximize profits for their owners, who frequently are from outside the region or even overseas.

Trust ownership of our network company therefore ensures the economic benefits remain in our area.

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Trustees' Functions

As the holders of all the shares in Counties Power Limited, Trustees have an important role:-

1. the Trustees appoint the Directors of Counties Power Limited;
2. the Trustees monitor the performance of the company;
3. the Trustees participate in the direction of the company by commenting on the annual Statement of Corporate Intent as it is developed. They also review (and report) on the performance of the Company against the previous years' Statements of Corporate Intent;
4. the Trustees are required by law to act as diligent shareholders. This duty includes being fully aware of the strategic long-term likely value of the Company to its consumers. Taking this into account, Trustees exercise their voting powers in respect of any matters proposed by the company which affect either the level of the shareholding or which propose modifications of the rights of the shareholders.

Examples of the Trustees acting as diligent shareholders include:-

- at intervals of no more than 10 years, prepare a report considering options for the future ownership of the shares;
 - make decisions on merger proposals;
 - decide upon any Company recommendations to alter the capital structure of the Company;
 - review and monitor the performance of Counties Power Limited on a quarterly basis.
5. the Trustees attend to the management of Trust affairs through monthly meetings and the engagement of a qualified Trust Secretary as primary adviser.
 6. the Trustees must prudently seek out independent qualified advice in regard of major issues.

In exercising these powers, the Trustees are required by law to hold the interests of the consumers paramount over the interests of other parties.

The Trustees have no power, no authority and no discretion to participate in the management of the Company.

Performance Measures of Counties Power Limited

Under section 44 of the Energy Companies Act 1992, the Company is required to report its performance against targets set out in the Statement of Corporate Intent.

The company, with the support of Trustees granted discounts of \$10 million (including GST) in the calendar year just passed. (The previous year saw \$9 million returned to consumers). These discounts reduced connected consumers' electricity bills in December 2010. The growth in the Franklin area has seen a further increase in the number of consumers to approximately 36,500 (2010: 36,000) with the result that each connection averaged

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approximately \$277. (2010: \$250).

Beneficiaries should be aware that such discounts can only be provided whilst the shares of the company remain in Trust ownership. If the Trust is ever wound up or its shareholding is diluted, a new form of ownership would be established and such distributions would cease.

The financial performance of Counties Power Ltd for the year ended 31 March 2011 is set out in the accompanying consolidated financial statements.

Strategic Considerations

A wide range of topics have been identified which Trustees consider to be of long term strategic importance to the Trust. A number of these have been discussed in depth. This included discussion with Directors on the electricity industry along with economic and political issues that may potentially impact on operations of the Company and/or Trust ownership of line distribution assets. The Trust takes an active part in considering broader industry and ownership issues through the forum of the Energy Trusts of New Zealand (ETNZ).

During the year, terms of reference were prepared with input from the Directors, for a high level effectiveness review of Company and Trust operations. In scoping the work to be undertaken, the Trustees were mindful of the now designated Consumer Owned Status of Counties Power Limited. This means it no longer comes under the price and quality monitoring provisions of the Commerce Commission.

PricewaterhouseCoopers was commissioned to undertake the review with a draft report having now been produced. It is expected to be finalised prior to the Annual Meeting.

Trust Finances

The audited Financial Statements of Counties Power Consumer Trust (which includes those of the Company, can be obtained from the Trust Secretary, P O Box 580, Pukekohe. They are also available on the Trust's web site www.countiespowertrust.org.nz

The Trust operated its affairs with costs a little over budget with a surplus of \$261,518 (Last year: \$248,073) being \$2,284 over budget. The largest variance to budget was for professional fees as a result of engaging PricewaterhouseCoopers to conduct a high level review of the company's operations.

While Australasian banks escaped the extremes of the 2009 financial crisis experienced in the northern hemisphere, the Trustees adopt a prudent approach and continue to spread cash assets across a minimum of three NZ registered banks with an S&P rating of AA or better.

Directors of Counties Power Limited

At the 2010 Annual Meeting of the Company, Mr Keith Familton and Mr Geoffrey Wilson were required to retire by rotation. The Trust reappointed them both for a further three years.

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Mr Peter Fitzsimmons and Mr Philip Blain retire by rotation at the 2011 Annual Meeting to be held on 27 July 2011.

The Directors of Counties Power Limited at 31 March 2011 were Messrs Keith Familton (Chairman), Paul Brown (Deputy Chairman), Malcolm Don, Jeffrey Wilson, Peter Fitzsimmons and Philip Blain.

Trustees of the Counties Power Consumer Trust

As at 31 March 2011, the Trustees of Counties Power Consumer Trust were Messrs Alan Eyes (Chairman), Phil Beston, Ganges Singh, Don Thomson and Mrs Christine Rupp.

Beneficiary Requests for Information

There have been no requests made by beneficiaries for information during the year.

Amendments to the Trust Deed

There have been no alterations to the Trust Deed in the year ended 31 March 2011.

Conclusion

Your Trustees will continue to monitor the investment in Counties Power Limited.

The mutual objectives we share with the Chairman and Directors of the Company will continue and will result in the best outcomes for consumers of the Counties Power Limited.

The major asset of the Trust, Counties Power Limited, has been governed by the Directors and managed by its executive. Thanks are accorded them and the staff who carry out the day to day functions of the business. The Trustees also pay tribute to the outgoing chair, Mr Keith Familton who has led the board well since his appointment in 2005.

I thank my fellow Trustees for their contributions to the various matters considered during the year regarding the Trust. My thanks also to the Trust Secretary Gail Riddell for her diligent attention to secretarial and accounting matters.



Alan Eyes

CHAIRMAN

14 July 2011

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TRUSTEES' STATEMENT

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Scheduled Meetings and Attendance

	SCHEDULED	ATTENDANCE
Alan Eyes (Chairman)	9	9
Phil Beston	9	9
Christine Rupp	9	6
Ganges Singh	9	9
Don Thomson	9	8

In addition there were 4 Quarterly Shareholder meetings (all attended except for one Trustee at one meeting) plus ad hoc meetings throughout the year.

Remuneration

Trustees' remuneration received or due and receivable during the year was as follows:-

	31 March 2011 \$	31 March 2010 \$
A D Eyes (Chairman)	25,369	25,842
P S Beston	14,012	15,197
C P Rupp	13,262	14,597
G Singh	14,012	15,047
D W Thomson	13,712	15,197

Employees

The Trust is not an employer. The Secretary is an independent contractor who is engaged as a primary adviser and to carry out the administrative tasks of the Trust on an 'as required' basis.

Trustee Insurance

The Trust Deed indemnifies its Trustees and Officers against any losses or liabilities which arise out of their normal duties as Trustees and Officers, unless the loss or liability relates to dishonesty or breach of trust. To manage this risk, the Trust carries Trustee Liability Insurance.

