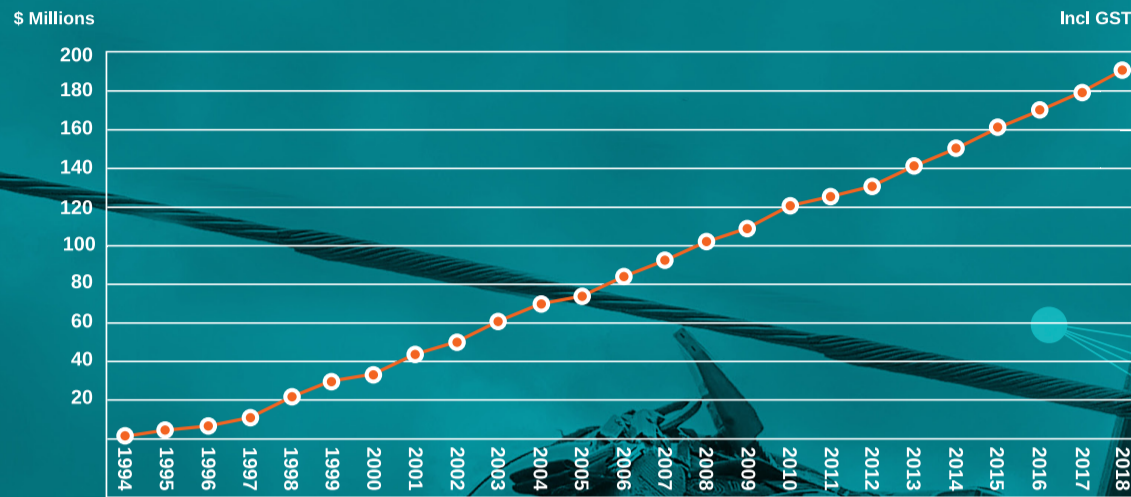


COMMITTED TO OUR COMMUNITIES

As your elected representatives, we are committed to ensuring power is delivered safely and reliably to every home, business, school and organisation that we represent.

We're also focused on providing this power at a fair price. We do this by working with the Board and senior leadership team to maximise the annual Electra sales discount that is credited to each electricity account on the Electra network.

Over the last 25 years we are proud to have delivered more than **\$187m** in sales discounts to the consumers on the Electra network.



The Trust is encouraged by the company's work in further developing a forward looking strategy to focus on and invest in our region. This builds on the already excellent reputation Electra has established. At a time of change and challenge in the energy sector our owners can be assured their interests continue to be paramount.

SHARON CROSBIE CNZM OBE CHAIR ELECTRA TRUST



ELECTRA - Registered Office
 Corner Bristol and Exeter Streets - PO Box 244, Levin 5540
 Phone 0800 ELECTRA (0800 353 2872) - www.electra.co.nz



Annual Review

For the year ended
31 March 2018

Our Results

Highlights

| For years ended 31 March | 2018 | 2017 | 2016 |
|---|--------|--------|--------|
| Electricity sold (GWh) | 405 | 404 | 409 |
| Revenue (\$'000) | 64,394 | 66,440 | 64,626 |
| Sales discount issued, excl GST (\$'000) | 7,700 | 7,500 | 7,711 |
| Total shareholders' funds to total assets | 65% | 65% | 66% |

Network Company Only

| For years ended 31 March | 2018 | 2017 | 2016 |
|--|-------|-------|-------|
| Electricity operating costs per consumer | \$277 | \$253 | \$247 |
| Capital expenditure costs per consumer | \$281 | \$283 | \$338 |
| Reliability average outage minutes per consumer per year | 122 | 89 | 100 |



It's been a positive year for the Electra Group. While this year's operating revenue of \$64.4m was down slightly on the previous year (\$66.4m) due to the sale of Datacol, profit before tax for the Group was \$4.8m, an increase of \$3.3m on the previous year.



Neil Simmonds (Chief Executive) and Neil Mackay (Chair)

Financial Performance Highlights

| In thousands of dollars | NZ IFRS | |
|---|---------|---------|
| | 2018 | 2017 |
| Total revenue earned by the Group | | |
| Operating revenue | 64,394 | 66,440 |
| The discount for each individual consumer was based on the amount of network charges paid | | |
| Discount issued to consumers (excl. GST) | (7,700) | (7,500) |
| Operating surplus | 4,774 | 1,518 |
| Taxation | (1,035) | (726) |
| After sales discount and then deducting costs of running the business we're left with this figure | | |
| Net profit after taxation | 3,739* | 792** |
| We paid a dividend to the Electra Trust to cover the Trust's expenses. | | |
| Dividends | (300) | (300) |

| | | |
|------------------------------|----------------|---------|
| Equity at start of year | 137,760 | 138,099 |
| Equity at end of year | 141,085 | 137,760 |

Financial Position Highlights

| In thousands of dollars | 2018 | 2017 |
|-------------------------|--------|--------|
| Share capital | 18,000 | 18,000 |
| Retained earnings | 73,737 | 70,298 |
| Reserves | 49,348 | 49,462 |

| | | |
|-----------------------------------|----------------|---------|
| Total shareholders' equity | 141,085 | 137,760 |
|-----------------------------------|----------------|---------|

This is the amount our owners have invested in the company, approximately \$5.77 per share or \$3,164 per consumer. It's made up of the original share capital reserves and retained earnings (profits that have been reinvested).

Includes deferred tax liability of \$32m

| | | |
|---|----------------|---------|
| Long term liabilities | 32,234 | 44,817 |
| Total current liabilities | 43,558 | 30,222 |
| Total shareholders' funds and liabilities | 216,877 | 212,799 |
| Non current assets | 205,209 | 201,091 |
| Current assets | 11,668 | 11,708 |
| Total Assets | 216,877 | 212,799 |

The total assets of which 17% is funded by borrowings

Cash Flow Highlights

| In thousands of dollars | 2018 | 2017 |
|--|--------------|----------|
| The cash generated from day to day operations | | |
| Net cash flows from operations | 12,047 | 10,013 |
| The cash spent on assets and new businesses | | |
| Net cash flows to investing | (13,632) | (14,387) |
| The loans borrowed or repaid | | |
| Net loans raised and cash flows from financing | 2,300 | 3,700 |
| Net (decrease)/increase in cash held | 715 | (674) |
| Cash in bank at the beginning of the year | | |
| Opening cash | 714 | 1,388 |
| The bank balance at the end of the year | | |
| Ending cash carried forward | 1,429 | 714 |

* includes Goodwill impairment cost of (\$0.2m) ** includes Goodwill impairment cost of (\$3.0m)

KEY HIGHLIGHTS

\$187m incl GST in sales discounts issued to electricity consumers over the last 25 years

44,593 consumers connected to our network

434 new connections this year

\$64.4m in total Group revenue

\$13.4m spent directly supporting local people and businesses

23RD year as principal sponsor of the Electra Kapiti Horowhenua Business Awards

OVER **24,000** calls handled by our contact centre in its first six months of operation

100% consumer owned



CUSTOMER CONTACT CENTRE COMES HOME

Electra Services Limited was established in 2017 and brings together a modern contact centre capability with security monitoring, automation services and independent living support services. The business provides an outsourced call centre function for Pulse Energy as well as security monitoring services for more than 10,000 alarms across the greater Wellington region.

In its first twelve months of operation the business has experienced spectacular growth, driven largely through mergers and acquisitions in the security operation, but also with the decision to bring the contact centre operation for the network business back in-house after more than a decade of outsourcing to a Blenheim-based bureau.

This means that all fault calls on the Electra network are now monitored, answered and managed locally with 34 staff based in our Levin centre.



DRIVING LOW EMISSION VEHICLES

With New Zealand's light vehicle fleet responsible for 67% of greenhouse gas (CO₂) emissions from the transport sector, it's clear why the government has made the transition to low emission vehicles such as electric vehicles (EVs) a priority.

At Electra we are committed to helping New Zealand move to a low emissions economy and are supporting initiatives both within the company and in the community.

We now have one fully battery powered EV based at our Levin head office and a plug-in hybrid EV at our Levin depot, and we expect to add further EVs to our fleet (where practicable) as existing petrol and diesel vehicles come up for replacement.

There are currently three public charging stations in our region (Levin New World, Otaki New World and Waikanae Park & Ride), and we are working with both local councils and a private charging infrastructure company to identify suitable locations for additional stations that will facilitate travel through and within our region. It is likely that Foxton, Waikanae and Paraparaumu will all have new charging stations operational over the coming year.

ELECTRA KAPITI HOROWHENUA BUSINESS AWARDS

We have been the principal sponsor of the hugely popular and successful Electra Business Awards since its inception in 1995. We are proud to support the Awards in recognising excellent local businesses that are helping to drive economic and job growth in the region.

Congratulations to Makahika Outdoor Pursuit Centre for winning the 2017 Business of the Year Award, and to PAK'nSAVE Kapiti for being Highly Commended.



OUR NETWORK

We own and operate the electricity network in the Kapiti and Horowhenua regions, stretching from Foxton and Tokomaru in the north, to Paekakariki in the south.

Our network of 2,276km in circuits supplies 44,593 consumers across an area of 1,628km², making us New Zealand's ninth largest lines company in terms of connections to the network.

TOTAL ELECTRICITY DELIVERED
405 GWh

AVERAGE SALES PER CUSTOMER
9,127 kWh

MAXIMUM DEMAND
104 MW

NETWORK AREA
1,628 KM²

TRANSMISSION & DISTRIBUTION
2,276 KM

TRANSFORMER CAPACITY
332,374 kVA

13TH LOWEST ELECTRICITY PRICES PER KWH (OUT OF 42 CHARGING AREAS)¹

1. Ministry of Business Innovation and Employment's quarterly survey of Domestic Electricity Prices as at 15 February 2018.

SECURITY OF SUPPLY IS A KEY FOCUS

The need for a modern, flexible, and responsive electricity network capable of withstanding significant storms and other natural disasters, as well as accidents and other incidents is a challenge that we have accepted and are in the process of delivering.

A number of significant earthquakes in the South Island in recent years, combined with a "slow slip" event off the Kapiti Coast has highlighted the need to ensure we are prepared for "the big one" in our own backyard.

Despite being in a relatively strong position, we continued seismic strengthening work in 2017. Additionally, the NZTA Kapiti Expressway project has provided a second river crossing across the Waikanae river and the Pekapeka to Otaki Expressway will similarly install a second bridge across the Otaki river.

The next challenge we face, and must prepare for, is from the increasing number of extreme weather events triggered by climate change. We are already beginning to see this impact as a particularly wet winter and spring led to two slips impacting the network in the hills behind Paraparaumu, causing issues for the crews working on the network.

Despite a number of weather-related challenges to the network this year, we expect to be in the top third of performers for network availability for 2018.

