

BAY OF PLENTY ELECTRICITY CONSUMER TRUST

C/o PO Box 404
52 Commerce Street
WHAKATANE

Telephone: (07) 307 2700
Fax: (07) 307 0922

31 July 1996

ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 1996

Ladies and Gentlemen

It is with pleasure I give to you the second report from the Bay of Plenty Electricity Consumer Trust. This is a report of our first full year of operation.

The Trust has now seen the departure of three long standing people from the industry in former Trustees, Mr Jim Parkinson, who moved to Auckland, Mr Jim Steele of Opotiki and Mr Des Butler of Whakatane. They were familiar faces in the industry in the Eastern Bay of Plenty over a long period. Each had been very much involved in the changes experienced during the 80's being members of the old Power Board and Interim Trustees of the Company, prior to their membership of the Trust.

We would record their contribution and our thanks both from the industry and the Trust.

The first Trust election in October 1995 resulted in Mrs Toni Owen and Mr Colin Hammond, Whakatane and Mr Jim Towersey, Opotiki being elected as new Trustees from a field of strong candidates. It is satisfying to note that 33.4% of the Consumers participated in the election. This is an excellent figure when compared with other Trust elections held throughout the country.

The Trust received in August 1995 its first dividend from Bay of Plenty Electricity Limited of \$325,000 tax paid. A further tax paid Interim Dividend of \$400,000 was received from the Company in December 1995.

The Trust to date has not yet distributed any of its income with the exception of agreeing to contribute to the cost of Electric Blanket Testing. This free testing was going to be lost to the consumers and the Trustees have taken the initiative to retain this service.

A number of worthwhile requests for assistance from organisations have been received. These have been assessed and considered by the Trustees but have not been progressed further pending the accumulation of a Capital Fund by the Trust.

The Trustees have decided it would be prudent to establish a Capital Fund in excess of \$1 million. This would give the Trust two income streams; one from dividends and the other from interest earned from the investment.

The Trust has since balance date received two further dividends from the Company totalling \$1.875 million and is now in a position to begin processing those applications received and others which it is looking forward to receiving for worthwhile energy related projects.

The Trustees have met several times during the year with Fletcher Challenge, the other major shareholder in the Company, with whom a Shareholders' Agreement was in place and with whom we were required to consult on material matters affecting BoPE.

Since balance date Fletchers have decided to sell their shares. The Trusts' pre-emptive rights contained in the Shareholders' Agreement placed us in a powerful position to determine who the new Shareholder would be. I can report to you that a new major Shareholder Power New Zealand has bought Fletcher Challenges' 37.5% shareholding and increased their total holding in the Company to 52.29%. The Trust welcomes Power New Zealand as BoPE's major shareholder.

We have negotiated a new Shareholders' Agreement with PNZ which retains the pre-emptive rights contained in the previous agreement, includes a cap at 52.5%, provides for equal representation on the Board, and leaves the Company intact as an independent sovereign Company based in Whakatane. It also provides that any party which may wish to purchase PNZ's shareholding in future will have to enter an agreement on these same terms. This Agreement is to be reviewed in 7 years. The Trustees believe this Agreement will bring benefits to the consumers of the region, and believe it to be an excellent arrangement between two parties with similar objectives.

The year has seen a close working relationship continue with Bay of Plenty Electricity Limited.

The Trust would congratulate the Company on its performance which has produced good profits and given the Trust a good dividend flow.

I must record a special thank you to the Trust Secretary/Treasurer, Mr Neil Brennan. Neil has, inspite of his other responsibilities, made a valuable contribution to the Trust's successful year, and his efforts in bringing about a new Shareholders' Agreement must be recorded.

To my fellow Trustees, I must also record thanks for their time and effort. There have been at times numerous calls for inputs and attendance at meetings that we had not visualised this time last year.

Thank You



Malcolm Law MBE, JP
CHAIRMAN