

BAY OF PLENTY ELECTRICITY CONSUMER TRUST

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ANNUAL REPORT FOR THE YEAR ENDING 31 MARCH 1997

Ladies and Gentlemen

Another successful year has passed, with Bay of Plenty Electricity Limited providing healthy dividends to all its shareholders. This in turn ensured an excellent return to the Bay of Plenty Electricity Consumer Trust.

Our relationship with the Company and its directors has continued to be cordial and professional. Trustees have met with the Chairman, Chief Executive, and Directors from time to time throughout the year. We have been kept informed on matters of mutual interest. I would express the appreciation of the Trustees to the Board Chairman, Mr Colin Holmes, for his time and effort given during the year.

Elections in the 1996 year saw Mr Brian Ponting re-elected unopposed for Kawerau while I was re-elected to the Whakatane Ward. The voter turnout was again relatively high with just over 35% of eligible electors taking the opportunity of their right to cast their votes.

Election day for 1997 is 1 October. Mrs Toni Owen and Deputy Chairman Mr Colin Hammond both retire by rotation and both are offering themselves for re-election in the Whakatane Ward.

The Trust continues to receive requests from organisations seeking grants for their specific projects.

It is unfortunate that we are unable to satisfy all requests for assistance and there some requests that we are still considering and have requested more information on. There were also several that we have had to turn down, because they did not qualify in terms of the Trust Deed which requires Trustees to distribute funds for energy related purposes and for the benefit of consumers in the old Bay of Plenty Electric Power Board area.

Trustees have decided, that to ensure a wide group of consumers benefits from a grant, in general the minimum contribution by the Trust to any project will be \$20,000. This does not however preclude organisations from putting forward projects for contributions below that figure for consideration where special circumstances may enable the Trustees to make an appropriate grant.

The Trust has established a capital fund of \$1.5 million as a measure of prudence. We have engaged the National Bank Private Banking to manage that fund and also achieve the best return from other funds held over the year.

The Trustees have received great satisfaction from being able to be the major contributor to a project which saw Eastbay Health install a Toshiba X Vision Ex Scanner (a CAT scan) in March of this year at a cost to the Trust of \$700,000. Since its installation, 288 scans have been carried out for 259 patients - with just on 100 in-hospital patients and the balance being out-patients. The machine has saved on average one patient per day travelling to Tauranga, thus leaving the ambulance available for other work with consequential saving on nurses' time. Eastbay Health informs me that they are now through the pilot stage and are looking forward to a great first year, being able to offer a better service to the patients of the Eastern Bay of Plenty.

The Life Education Trust now has an articulated unit on the road visiting schools in the Eastern Bay of Plenty. The Trust has been able to contribute \$20,000 towards the electrical aspects of this mobile classroom with a further \$7,500 yet to be uplifted for electrical coupling to be installed at a number of schools. This unit is being received very favourably as a most worthwhile additional educational facility for the children of the Eastern Bay of Plenty.

The Eastern Bay of Plenty Disabilities Resource Centre in King Street, Whakatane has outgrown the old homestead centre and is now, after some delays, building a new centre on the site. The Trust was able to assist this important new facility by meeting the cost of energy efficient electrical fittings for the new building. The sum of \$100,000 is about to be uplifted.

Trustees had also been contemplating making a significant contribution to the Opotiki Community Health Trust for the proposed new Health Centre for the town. Indications at this time are that the project will not now be proceeded with. We are disappointed that the problems experienced have brought about this result.

It is with pleasure that I announce that the Trust has also agreed to contribute \$20,000 to the Opotiki Community Theatre Trust. The Theatre Trust is upgrading the building and its facilities. Our contribution will meet the costs of the electrical components.

There has been much debate both publicly and within the Trust about funding of undergrounding power lines. Discussions have been held with the Mayors of the three councils, and the Directors of the Company to ensure the commitment of all parties to sharing in the funding of such projects.

A Harbour Road, Ohope line replacement project brought the matter to a head and discussions are continuing with the consumers on funding. Whakatane District Council and Bay of Plenty Electricity Limited have indicated their willingness to accept a share of the cost. The Trust is prepared to contribute \$60,000 towards the Harbour Road project.

Following this settlement the Trust has met with Bay of Plenty Electricity Directors to discuss a formula for future undergrounding of power cables. The current thinking is that, as long as the Company, consumers, and the District Councils in whose area the undergrounding is to take place make a reasonable contribution, the Trust will contribute a minimum of \$100,000 per year. The Company will be required to determine in its annual replacement programme the areas to be considered for undergrounding, and discussions will take place with the Councils concerned and the Consumer Trust. I look forward to progressing this matter further with the Company and the area's three Mayors.

The Trust has recorded good financial results for the year and is in a sound position at year end. Gross dividend income of just over \$3.5 million was significantly higher than last year's dividend payout because of a special dividend of 22.5 cents a share (net of tax) paid during the year when

there was a change of major shareholder which I will refer to shortly. The Trust had accumulated funds of \$7.3 million at the end of the year. This figure would be substantially higher if the shares in the Company were valued at market value which is currently \$7.30 per share. Full details of the results and financial position are contained in the Trust's year end accounts which accompany this report.

The Trust has also continued to support the Betta Electrical programme of free testing of electric blankets in the Eastern Bay of Plenty.

Bay of Plenty Electricity Consumer Trust is a member of the Energy Trusts of New Zealand (Inc). The organisation usually has two meetings each year in Wellington. Bay of Plenty has been represented at these meetings, and very useful contacts have been made with Trustees from other New Zealand power companies.

The Trust was also represented at a meeting in Tauranga on 5 March 1997 of Trusts and related organisations in the Bay of Plenty. The meeting was arranged by Trust Bank Bay of Plenty Community Trust. This was a useful meeting giving those attending an opportunity to understand and appreciate the roles played in the Bay of Plenty by the fourteen Trusts assembled.

A major shareholding change in the Company took place in July 1996 when Power New Zealand acquired a 52% shareholding from Fletcher Challenge Limited and institutional investors.

The Trust was able to negotiate a satisfactory Shareholder's Agreement with Power New Zealand to replace a similar agreement which had existed with Fletcher Challenge Limited. The new agreement provides for Bay of Plenty Electricity Limited to remain as an independent and sovereign company with a Board including directors who represent and support regional interests. The Trust has Colin Holmes and me as its nominees on the Board of the Company.

The announcement recently that Mercury and Utilicorp had formed a holding company to take over control of Power New Zealand came as a shock to your Trustees. However, our Shareholders' Agreement requires the new shareholders to also honour the Agreement. We expect to be having discussions with the new shareholders next month.

The Trustees again record a special thanks to Mr Neil Brennan as its Secretary Treasurer. In spite of his other commitments, Neil has made another valuable contribution to the successful year's operation.

To my fellow Trustees, I thank you for your time and the thoughtful contribution you have each made. Your attendance at meetings has been excellent and the extra calls on your time to investigate various applications have been for more than I would have liked. I am sure that during the coming year the Trust will benefit from your input.

Thank you.



Malcolm Edward Law, M.B.E., J.P.
Chairman