



**CHAIRMAN'S REPORT**  
**For the year ended 31 March 2000**

It is with pleasure that I present my first Annual Report as Chairman of the Bay of Plenty Electricity Consumer Trust.

1 April 1999 heralded the start of a new era. Bay of Plenty Electricity Limited, sold its retail and generation assets to a joint venture between Todd Energy and Pacific Hydro and became Horizon Energy Distribution Limited. The proceeds of the sale of these assets were distributed to shareholders as a reduction in share capital on 21 October 1999. The proceeds of this distribution to the Trust were \$25,387,500.00, and for a period these funds were added to our investment portfolio.

Throughout the early part of the year the Trust maintained liaison with UnitedNetworks Limited, the other major shareholder in Horizon. Discussions centred on the long-term ownership of the Company. Following lengthy negotiations, and invaluable advice from our consultants, we reached an agreement with UnitedNetworks to purchase their 52.7% interest in Horizon. The purchase was completed on 21 December 1999.

The price paid for UnitedNetworks' shares was \$10.50 per share, with a fee of \$2 per share paid to set aside the shareholders' agreement which was in place between the Trust and UnitedNetworks. The premium paid to obtain control of Horizon is in keeping with other similar transactions which have taken place in the energy sector. To enable the Trust to complete the \$33m transaction, we borrowed \$3.35m from the National Bank.

The deed which documented the transaction contained two fundamental clauses:-

- A requirement that Horizon undertake a process to put in place a contract for the management of the network assets; and
- A pre-emptive rights clause covering both the shares owned by the Trust, and the assets of the Company.

The company has post 31 March entered into a joint venture agreement with Eastland Network Limited which will manage the operations of both companies. The joint venture parties anticipate that this will result in enhanced efficiency for both companies.

Although the Trust now has a 77.3% ownership interest in Horizon, the company remains listed on the New Zealand Stock Exchange. This imposes a discipline on the Trust and the Company to adhere to stock exchange rules regarding the influence of the shareholders on the management of the company. As a shareholder, the Trust only has the same rights to information and influence as other shareholders. Our sole recourse is in the area of the nomination and election of Company directors.

The Trust continues to have a good relationship with both Horizon and its Chairman Mr Colin Holmes. We appreciate their support, and in turn confirm our support of the Company.

It is the expectation of the Trustees that Horizon continues to be managed using sound business strategies, to create wealth for all shareholders, measured by strong profits, good dividend returns and acceptable share values.

The Trust has continued to receive strong interest from local organisations wishing to apply for funds. The restrictions in the Trust Deed allow the Trust Fund to be used only for the management of the Trust, and for Energy Related Purposes. This has required us to concentrate on this aspect of need within the community.

Our main project for this year has been the Energy Save Energy Safe project. This has seen in excess of 500 houses, owned by low income families, retrofitted with energy efficient measures, such as ceiling insulation, moisture barriers, underfloor insulation and draft stopping. The assistance of EECA as the manager of the project, Opotiki Trade Training as the major contractor, and Bay of Plenty Electricity as initiator of the idea, is very much appreciated. The feedback from the recipients of the measures, and the overall success of the project, has been so great that we have agreed to continue funding for a further 400 houses to be completed this year. This brings the approved and completed funding of insulation retrofits to \$1.3m in total.

Attached to this report is a full list of the funding paid out during this year, together with funding approved, but not as yet paid.

The Eastern Bay of Plenty is a district full of people with energy and enthusiasm. The passion, which they have for their community, is demonstrated by the number of very interesting, and worthwhile, applications for funds, which are currently on the table. The most significant of these is assistance with the building of the Whakatane Aquatic Complex. We are pleased to confirm our announcement last week that we will be contributing \$400,000 to this project. We feel that the Complex will be a valuable, and well utilised community asset, and are very pleased to be part of making this project happen.

Trustees are continually mindful of the reliance of the Trust on Horizon as its sole source of investment income and the debt that the Trust has incurred to achieve control of Horizon. Trustees therefore must exercise prudence in the selection of beneficial projects to which grants can be made.

The Deed under which the Trust was formed was due for review by the Company, in consultation with the Trustees, in August last year. Because of the delicate nature of the negotiations between the Trust and UnitedNetworks, it was decided to delay the review process. Horizon, as the settlor of the Trust, has appointed an independent consultant to facilitate this process, with input from both the Company and the Trust.

The major issue requiring attention is the method of election of Trustees. The current process has two main drawbacks. The first is that two Trustees must stand down each year by rotation and the cost of running elections can exceed \$50,000 each year. The second problem is that because consumers now have a choice of energy retailers we no longer have easy access to a data-base of consumers to compile an electoral roll from. Each year this process is becoming more difficult.

It is also proposed that the name be changed to the Horizon Energy Trust to more accurately reflect the linkages with Horizon.

Currently under consideration is the timing of elections to coincide with local body elections, thereby having elections every three years, with all Trustees standing down at each election. By defining those eligible to vote in local body elections to be the same group of consumers as currently defined in our Trust Deed, we would have easy access to an electoral role.

On a more personal level, there are a number of people who must be thanked. My first term as chairman has been made so much easier with the support and guidance of my Deputy Chairman, and former Chairman, Malcolm Law. He is truly a great mentor. Taking up the reins as Chairman meant that I was no longer able to retain the role of Secretary to the Trust. Neil Brennan's appointment to the resulting vacancy has enabled the Trust to move forward with vision. The knowledge and skills, which he brings to the position, are critical to this process.

I also thank my team of Trustees; Colin Hammond, Jim Towersey and Brian Ponting for their support, teamwork and the results they have helped achieve during this past year. The team makes the Trust the truly unique community organisation, which it is today.

I would like to congratulate those community groups and organisations, which have demonstrated to us their vision, drive and commitment to making the Eastern Bay of Plenty such a great place to live and work. This Trust is your Trust, for you are all consumers. In partnership with you we can make things happen in this region.

Toni Owen  
Chairman  
9 August 2000



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trustgrants

**BAY OF PLENTY ELECTRICITY CONSUMER TRUST  
GRANT PAYMENTS 1999 / 2000**

**A Grants Awarded Prior to 31 March 1999**

Recipient	Amount Granted	Purpose of Grant	Amount Paid to 31/3/1999	Amount Paid 1999/2000	Balance Owing
	\$		\$	\$	\$
Awakeri Community Complex	250,000	Hall electrical components		35,438	214,562
Opotiki District Council	67,500	Retrofit project	33,750	33,750	-
Whakatane District Council	56,250	New Ohope Hall		56,250	-
Edgecumbe Squash Club	50,000	Court lighting	40,000	3,712	6,288
Kawerau District Council	50,000	Community recreation centre		50,000	-
Order of St John	38,366	New complex		17,802	20,564
Smart House	30,000	Loan advance			30,000
Whakatane Squash Club	27,500	Lighting & upgrade	19,290		8,210
Opotiki Health Trust	16,500	Thermofilm lining		16,500	-
EBOP Life Education Trust	10,000	Electrical connections in schools		10,000	-
NZ Country Womens Institute	4,177	Hall upgrade		4,177	-
	<u>\$ 600,293</u>		<u>\$ 93,040</u>	<u>\$ 227,629</u>	<u>\$ 279,624</u>

**B Grants Awarded 1 April 1999 to 31 March 2000**

Recipient	Amount Granted	Purpose of Grant	Amount Paid 1999/2000	Balance Owing
Opotiki Trade Training	\$ 772,500	Energy Save / Energy Safe project	\$ 371,372	\$ 401,128
Whakatane District Council	100,000	Under verandah lighting		100,000
Ohope Chartered Club	100,000	Extension electrical components	100,000	-
Trident High School	100,000	Gymnasium	100,000	-
Taneatua Rugby Club	80,000	Field lighting		80,000
Horizon Energy Distribution Ltd	75,712	Undergrounding power lines	75,712	-
EECA	51,310	Energy Save/ Energy Safe	35,780	15,530
Port Ohope Yacht Club	50,000	Electrical upgrading	46,359	3,641
Whakatane District Council	40,000	Feature lighting	40,000	-
Opotiki District Council	40,000	Under verandah lighting		40,000
Kawerau District Council	40,000	Under verandah lighting		40,000
Taneatua Hall	30,000	Hall upgrade	30,000	-
Whakatane District Council	30,000	Christmas lights	30,000	-
Kawerau District Council	30,000	Christmas lights	30,000	-
Opotiki District Council	30,000	Christmas lights	30,000	-
Opotiki Kindergarten	30,000	Electrical upgrading	14,594	15,406
Whakatane Bowling Club	20,000	Floodlighting	9,235	10,765
Whakatane Dog Obedience Club	20,000	Floodlighting	10,385	9,615
Murupara Rugby Club	20,000	Electrical upgrading	12,831	7,169
Patutaatahi Te Kohanga Reo	17,305	Electrical equipment and appliances		17,305
Opotiki Health Trust	15,363	Thermal lining & panel heating	15,363	-
Te Akoranga Kindergarten	10,000	Installation of solatubes		10,000
Anglican / Methodist Parish	8,250	Electrical upgrading	8,250	-
Whakatane Plunket	7,250	Electrical upgrading		7,250
Betta Electrical	5,000	Electric blanket testing	2,890	2,110
Apanui Kindergarten	2,216	Heating upgrade	2,216	-
	<b>\$ 1,724,906</b>		<b>\$ 964,987</b>	<b>\$ 759,919</b>

**TOTAL GRANTS PAID 1999/2000**

**\$ 1,192,616**