

MARLBOROUGH ELECTRIC POWER TRUST

CHAIRMAN'S REPORT

It is my pleasure to present my report the Annual reporting meeting of the Marlborough Electric Power Trust for 2016.

Timing of Annual Public Meeting

The Trustees have often been criticized in the past for not complying with the timetable for reporting set out in the Energy Companies Act. That timetable is almost impossible to adhere to because of the number of matters over which we have no control. The situation has been compounded this year because our Company, Marlborough Lines Limited has changed its annual balance date to align it with that of the Yealands Estate. As a result this report is for fifteen months rather than twelve and our annual meeting is being held in January.

Major Event

That of course leads us to the major event of the year. The acquisition of a major stake by the Company in Yealands Estate.

As we know, the Company was in a strong financial position following the realization of the investments in Horizon and the joint venture in OtagoNet. At a meeting between the Directors and the Trustees the Trustees were asked what they would like to see as an investment. They said then they would like to see an investment that, firstly, maintained the distribution to the consumers (who are the beneficiaries of the Trust) at the present levels at least; second would not compromise the Trustees' responsibility to the future and the final beneficiaries; and finally if possible, to be made in Marlborough. As far as the Trustees are concerned the Yealands purchase "ticks all the boxes". In addition to that it saved 150 jobs in the Awarere area, retained the professional skills of Yealands and preserved the sixth largest winery in New Zealand in local hands.

There was a lot of comment around the purchase and some of it was not very pleasant. Sadly most was ill informed and generated more heat than light. Fortunately the storm now seems to have passed and it is appropriate to record the process that led to the purchase.

I believe the first thing that should be said is that, from the Company's point of view this was not a "Major Transaction" as defined in the Companies Act 1993. This meant that the directors were not obliged to obtain the shareholders' ie the Trustees' approval. In spite of that the directors treated this as a major transaction and consulted with the Trustees.

The directors obtained an independent valuation and had Price Waterhouse Coopers complete due diligence and complete an appraisal. Both of these documents were made available to the Trustees who then had their own independent appraisal completed. I am happy to record that both assessments have in fact proven to be conservative.

One of the major considerations for the Company to invest outside of its "core business" was the limited opportunities in the energy distribution field, the very restrictive government regulation of the sector and the incredible advances in technology. The Trustees would like to encourage the Company to make further investments in Marlborough if suitable investments of appropriate scale can be found.

Trustee Elections

The two-yearly Trustee elections were held in February of this year. Four Trustees offered themselves for re-election and a further seven new candidates came forward, making a total in all of eleven candidates.

While it is heartening to see what appears to be an increase in interest, I feel the hype surrounding the Yealands transaction and the scent of “money for causes” may have had something to do with it.

I must record my serious disappointment at some of the statements that were made in the “hustings”. It was clear that the makers of some of those statements had either, not read the Trust Deed or if they had, did not understand it. As I have said many times, and it has been said by the highest authority in the land, the Trustees are strictly bound by the deed. It is their only source of authority. Copies of the Trust Deed are available and in the past we have always invited candidates to collect and read the deed and the manual of procedure. There also seemed to be some confusion about where the role of the Company and the role of the Trustees stood.

The results of the election were:

Elected: Malcolm Aitken
 John Cuddon
 Nicki Stretch
 Ross Inder

Paul Ham was unsuccessful and I wish to record Paul’s many years of service to the Trust.

Welcome to Nicki. She brings commercial and management expertise to the group and most important as far as I am concerned, is of “the next generation”. The future of the Trust is in the hands of the likes of Nicki, the Vice Chairman Ian Martella and Clive Ballett. Nicki’s commercial experience has already made some valuable contributions to our activities.

Communicating with Consumers

The Trustees are constantly struggling with how best to communicate with the consumers who are the beneficiaries of the Trust. I am saddened when I hear people say they “..don’t know what the Trust does or is doing”. I would like to remind everybody of the Company’s excellent quarterly newsletter which is not only very informative but has a section for Trustee news. It goes to every account holder. Don’t throw it in the bin. Read it.

The Trustees are required to maintain a register of requests for information. This register is “naked”. I think anyone who has attended an annual reporting meeting will be aware of the difficulty we experience getting a quorum of consumers. I ask three questions of anyone claiming they don’t know what is happening; have you read the Company’s newsletter, have you asked for information and have you attended the annual reporting meeting? I make no apology for sounding cynical but I believe consumers must take some responsibility in this.

In an effort to bridge the apparent “communication gap” we have set up, and are refining a website. www.mept.co.nz. Visit the site and say in touch.

Distributions to Consumers

Perhaps due in part to some of the statements made in the lead up to the elections, the Trustees are re-examining the distribution policy of the Trust. As far as distributions from the Trust are concerned there have been the pro rata distribution which over the last few years has taken place in December. This has gone to all who are consumers on the nominated date.

The Trustees have also, after taking legal advice, made what could be described as “targeted distributions”. In the past these have been made to Trusts or groups that exist for the benefit of the community or for educational purposes. The opinion advised that any intended recipient had to be “a consumer” and the Trust Deed empowers the Trustees to obtain a report from the Company as the “contribution [the intended recipient] has made to generating the profit from which the distribution is to be made”.

No doubt with the publicity of the proceeds of sales held by the Company and the success of the Yealands business the Trustees have received a number of requests for funding from applicants who do not meet the criteria above referred to.

As a result, the Trustees are currently working on new policy for distributions and until this work is completed the only distributions that will be made are the usual annual distributions to all consumers. The change in the balance date means that this distribution which normally takes place in December will now take place in February 2017. As has already been announced this has been increased to \$150.00 and is in addition to the discount provided by Marlborough Lines.

Meetings with Marlborough Lines

The transactions leading to the completion of the Yealands deal meant there were a number of specific purpose meetings for the directors to brief the Trustees. In addition, the Chairman of the Board and the Managing Director have attended Trustee meetings to update the Trustees on a number of matters relating to Company activities. These meetings have been very valuable in keeping the Trustees, as the Company shareholders informed.

Energy Trusts of New Zealand Spring Conference

While it did not fall within the year under review, in the second week of November the Trustees hosted the Spring Conference of Energy Trusts of New Zealand. Eighty delegates from the twenty two consumer owned trusts around the country attended what turned out to be a very successful conference. It was a great opportunity to showcase Marlborough. Special thanks to the support the Trustees received from the Company and to my team of Trustees. I was absolutely delighted with the work they each and everyone of them put in to put in to make the conference the success it was.

Finally, the grateful thanks of all of the Trustees to our long suffering secretary Brenda Munro. Her experience and knowledge of the history of the Trust is always useful to ensure we stay focused on the role and work of the Trust.



Ross Inder
Chairman