



Energising our Community

Annual Report 2014

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Directory

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Trustees

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Deputy Chairman	Kevin Hennessy	Phone 07 315 7348 / mobile 027 625 9379
Trustees	Wade Brown	Phone 07 312 5615 / mobile 021 530 245
	David Bulley	Phone 07 312 5874 / mobile 027 291 0297
	Edwina O'Brien	Phone 07 323 8513 / mobile 021 0831 3757
	Donna Smit	Phone 07 304 9921 / mobile 027 265 6668

Advisors

Legal	Sharp Tudhope	Tauranga
	Osborne Attewell Clews	Whakatane
Financial & Business	Deloitte	Wellington
Accountants	Arrow Accountants	Whakatane
Auditors	Ingham Mora	Tauranga
Bankers	ASB Bank	Tauranga

Annual General Meeting

The Annual General Meeting of the Eastern Bay Energy Trust will take place at 7.00pm on **Wednesday 10 September 2014**, followed by the Annual Meeting of Beneficiaries. Both meetings will be held at St Joseph's School, 101 King Street, Whakatane.

Full audited consolidated financial statements for the Trust Group are available from the Trust office or www.ebet.org.nz

Chairman's Report

Introduction

Welcome to the Annual Report of the Eastern Bay Energy Trust. The year has been a good one, with a resolution finally agreed in the battle that we have had through the courts over our ownership aspirations for Horizon Energy.

As trustees, we have again debated hard through our strategic planning sessions on the role that the Trust plays in meeting the terms of the Deed, and in best supporting the Trust's beneficiaries, the electricity consumers of the Eastern Bay of Plenty.

The following sections highlight some of the issues that the Trust has faced through the year and how the trustees have allocated or invested the Trust funds.

Distributions

Grant funding

In the year ended 31 March 2014, the trustees approved a total of \$921,254 funding for energy related purposes.

Of this amount, \$515,754 was approved as 'reactive' community grants for projects that were initiated by not-for-profit community organisations. Feedback from these organisations indicates that many of these projects would not have been possible without Trust funding.

The trustees also approved \$405,500 for the Trust's ongoing 'proactive' projects. These are Trust-initiated projects which are making a significant contribution towards the Trust's vision of 'Energising our Community'. These proactive projects have a major focus on energy efficiency, electricity safety and industry training, and include a comprehensive energy education programme for schools, free electric blanket testing, free home energy audits, scholarships and apprenticeships.

With \$51,525 of unused funds returned to the grant pool, a total of \$869,929 of EBET funding was distributed.

In addition, the retrofit insulation funding was boosted by \$300,000 (\$100,000 of accumulated funds from Energy Options Charitable Company Ltd, plus \$200,000 from Smart Energy Solutions which was tagged for retrofit insulation, as part of the sale of Energy Options Ltd). This extra funding increased the total funding distributed to **\$1,169,929**.

Between 1996 and 31 March, 2014, a total of **\$29,647,850** has been distributed for energy related projects across the Eastern Bay of Plenty.

Universal Distribution

The fund created for a universal distribution continues to grow. Emphasis will continue to be placed on the growth of this fund and when it attains a level that will justify the benefit, a method for its economic distribution will be investigated.

Operating Companies

EBET Investments Limited (formerly Energy Options Limited)

As has been previously reported, the Energy Options Limited business was sold to Smart Energy Solutions Limited on 30 June 2012.

There continues to be a small amount of outstanding money being collected and once this has been completed this company will be wound up.

Energy Options Charitable Company Limited (EOCCL)

Along with the sale of Energy Options, the associated Energy Options Charitable Company Limited (EOCCL) is gradually being wound down.

This company has past retained earnings that are required to be used for its charitable purposes and these funds are currently being used to complement EBET's retrofit insulation programme as well as contributing to the Neighbourhoods of Healthy Homes project now underway at Kawerau.

Investments

Horizon Energy Distribution Limited

At 31 March 2014 the shares in Horizon Energy were trading at \$3.20 on the NZX, which is an increase of 5 cents per share over the trading price at 31 March 2013.

Under the New Zealand equivalent of the International Reporting Standards, the Trust is required to record them at market value, resulting in a modest gain on the balance sheet.

However, the trustees believe the trading price does not reflect the true value of the company. This is because, with EBET owning 77.29% of Horizon and Marlborough Lines Limited owning 13.8%, there is a lack of liquidity in the remaining stock that is trading on the NZX.

The Trust continues to monitor the business development that Horizon is undertaking outside of their regulated lines business. The trustees are happy that the diversification is aligned with the company's skills and feel that the synergies possible are adding real value to the Trust's investment.

Bond Portfolio

The Trust's bond portfolio produced a very modest return for the 2014 financial year due to the various bonds having to be valued at their trading value on the secondary market at 31 March 2014. The Trustees will hold on to all the bonds until maturity meaning the coupon interest rate will continue to be received. The portfolio is managed by the ASB Bank and had a balance of \$1,631,455 at 31 March 2014.

Other Investments

The Trust's 100% subsidiary company Development Enterprises Limited (DEL) continues to hold a number of investments on behalf of the Trust. A summary of Trust investments is tabled later in this report.

Commercial Properties: The Whakatane commercial property market continues to be quite difficult. The Richardson Street property is fully tenanted on a long term lease, and is occupied by the Trust administration team and Arrow Accountants, with a small area at the rear of the building being utilised by the Eastern Bay branch of Curtain Bank. The Pohutu Street property is also fully tenanted, with an agreement in place for the major tenant to purchase following a defined time frame.

Comvita: These shares hit a low point in late March / early April and at 31 March 2014 were trading at \$3.30. This is a significant drop on the trading price of \$3.80 at 31 March 2013. Since balance date the Trust has sold its remaining 501,780 Comvita shares at \$3.80.

Opotiki Packing & Coolstorage Limited: OPAC continues to recover from the lost production caused by Psa. Volumes are predicted to rise strongly over the next few years, providing the company with a sound platform for future growth. This growth will require some capital investment but this will cause little problem as the company has a very strong equity ratio. After considering all matters the Trust continues to record this investment at cost of \$4.00 per share.

OTK Orchards Limited: This investment is in gold kiwifruit orchards in Omaio and Te Kaha. While all the orchards were affected by Psa, the re-establishment and recovery is on track. All orchards have been re-established with the new G3 variety of fruit and some of the orchards have recently had their first successful harvest of this new variety. The trustees have taken a conservative approach to the valuation of this investment and have retained the value at \$151,000.

CT scanner: The lease of the CT scanner to the Bay of Plenty District Health Board expired in December 2013 but was continued for several months to allow negotiation on the supply and lease of a new unit, which has now been installed in the new Whakatane Hospital facilities.

The new \$977,055 scanner has been purchased by DEL, partly with a loan from the Trust, and partly with a \$200,000 grant to the hospital. The old scanner was also used as a trade-in. The scanner will be leased to the hospital under a 7 year operating lease, with repayments including interest which means that the Trust (through DEL) receives an appropriate rate of return on the investment.

This is the third CT scanner provided by the Trust, which is very keen on supporting the local community and ensuring that such a facility is available within the Eastern Bay.

High Court Application and Appeal

The issues around this application have been widely reported but to recap:

In January 2010, the trustees announced their intention to make a takeover offer for all of the Horizon shares they did not already own. Before this could proceed, the Trust was required to undertake a consumer poll of its beneficiaries and

required more than 50% of those consumers that responded to the poll to agree to the Trust buying the additional Horizon shares.

Just as the poll was closing and the results were to be announced the Trust received a threat of injunction action from Te Mana o Ngati Rangitahi Trust of Matata which, among other things, argued that the Trust did not have the power to own more than 25% of Horizon's shares. After taking extensive legal advice the trustees were advised that the Trust Deed was ambiguous on this point and that the correct course of action was to apply to the High Court for a declaratory judgment on this matter.

It has since been confirmed that this action by Te Mana o Ngati Rangitahi Trust (TMONRT) was financed by Marlborough Lines Limited (which had made an unsuccessful partial takeover bid for 51% of Horizon's shares in 2009). While the Trust was preparing the application to the High Court, Marlborough Lines entered the market and purchased 13.8% of Horizon's shares, effectively blocking the Trust from taking its shareholding to 100%.

The decision from the High Court Judge declared that there was no limit on the number of Horizon shares that the Trust could own, provided the necessary valid poll was conducted. The Judge also declared that the poll conducted in 1998 was valid and that the purchase of the additional shares in 1999 was, therefore, lawful.

This decision was appealed to the Court of Appeal by TMONRT. The Court of Appeal judges agreed with the High Court's decision regarding the Trust being able to own as many Horizon shares as the trustees thought prudent. The Court of Appeal, however, declared that the 1998 poll was not a valid poll but, notwithstanding this, allowed the Trust to continue to own the shares that were purchased in 1999.

In both the High Court and Court of Appeal, costs were awarded to the Trust on a scale basis and the trustees are happy that this issue has finally been settled. However, there have been significant legal costs incurred – money which could have been better used for initiatives supporting our beneficiaries.

Trustees

The varied makeup and background of the trustees ensures that there is a good representation of all sectors of our beneficiaries, resulting in strong debate and sound decision making. This is important for the management and growth of the funds held in trust for both current and future entitlement.

Elections

Trustee elections are held every two years, for two trustees. Last year's election for the two trustees representing the Whakatane District Council area and Kaingaroa Village, resulted in two nominations for two positions, with Wade Brown being re-elected and David Bulley returning to the Trust after a two year absence.

Appointments

The Trust Deed allows for the appointment of two trustees to balance the makeup and skillset of the Trust. Don Lewell was re-appointed on 27 February 2014 for a further two year term, with the trustees appreciative of his industry knowledge and experience.



Trustees (left to right): Kevin Hennessy, Donna Smit, Wade Brown, Edwina O'Brien, Don Lewell (Chairman). Inset: David Bulley.

Energy Trusts of New Zealand (ETNZ)

The Trust continues its membership of ETNZ, and had the opportunity to showcase the Eastern Bay of Plenty when it hosted the national conference in the 'Sunshine Capital' in November 2013.

The conference is usually held in a large city hotel and the lack of such facilities certainly imposed some challenges on the organising committee. However, Whakatane does have some wonderful community facilities and businesses which really supported us in our commitment to showcase the Eastern Bay, and to give the 90 delegates and their partners, representing 20 energy trusts from across New Zealand, a very unique and special experience.

Administration

Guidelines for Access to Information by Beneficiaries

The Guidelines ensure that the Trust's beneficiaries have appropriate access to Trust information, and include a complaints process for dealing with refusals by the trustees to provide Trust information.

The Guidelines have been endorsed by the Minister of Energy and agreed between members of the Energy Trusts of New Zealand (ETNZ).

Energy trusts are required to report on activity relating to the Guidelines. During the 2013-14 financial year, the Trust received no requests for information under the Guidelines.

Staff

Thank you to our hard-working staff, Trust manager Kaye Jamieson and administration staff Kristy Jenkins and Kay Hitchcock, without whom the work of the Trust would not be possible.

Chairman

INVESTMENT	No of shares owned	Total shares on issue	% of total shares on issue	Cost per share	Cost price	Extra costs	Total cost	Value at 31.3.14
Horizon Energy Distribution Limited	19,316,130	24,991,385	77.29%	1.76	33,915,325		33,915,325	61,811,616
Energy Options Limited (EOL)	24,000	24,000	100%		120,000	200,000	320,000	31,400
Opotiki Packing & Cool Storage Ltd (OPAC)	147,489	4,470,622	3.3%	4.00	589,956		589,956	589,956
Comvita	501,780	29,182,278	1.7%	3.13	1,565,000		1,565,000	1,655,874
OTK Orchards	568,000	3,857,000	14.7%	1.00	568,000		568,000	151,265
5 Richardson Street					400,000	415,866	815,866	645,000
13 Pohutu Street					585,000		585,000	320,000
CT Scanner (7 year operating lease)					635,000		635,000	0
ASB Bond portfolio					1,450,000		1,450,000	1,631,455
							40,444,147	66,836,566

Schedule of Distributions

for Energy Related Purposes 2013-2014

Reactive community grants – initiated by the community

Arts/Culture

Tuhoe Charitable Trust	Air-conditioning for research library and archives	20,000
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Churches

Whakatane Presbyterian Church	Audio-visual equipment, lighting upgrade and microwave	10,903
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Community Events

Kawerau Christmas in the Park 2013	Lighting hire	5,000
Kawerau Woodfest 2013	Sound system hire	2,804
Matata Christmas in the Park 2013	Sound system hire	3,580
Ohope Beach Concert 2014	Sound and lighting hire	3,937
Ohope Beach Ironman Challenge	Sound system hire	1,479
Opotiki Lantern Festival 2014	Sound and lighting hire	4,285
Waiariki Maori Womens' Welfare League	Sound and lighting hire – National Conference 2013	5,000
Whakatane Christmas at the Park 2013	Sound and lighting hire	4,748
Whakatane Touch Tournament 2013	Sound system hire	3,298
World Rafting Championships 2013	Sound, lighting and audio-visual hire	22,852

Community Organisations

Matata Blue Light	PA system	3,331
Te Whare Manaaki	Specifications for heating upgrade	575

District Council projects

Kawerau District Council	Christmas lighting 2013	15,016
Kawerau District Council	Lighting upgrade – Ron Hardie Recreation Centre	16,613
Kawerau District Council	Outdoor lighting – Prideaux Park, Hansen Walk, BMX track/basketball court	37,441
Kawerau District Council	Tarawera Park entrance, sportsfield and carpark lighting	97,087
Opotiki District Council	Christmas lighting 2013	14,103
Whakatane District Council	Christmas lighting 2013	24,640
Whakatane District Council	Exhibition lighting – Te Kōputu a te Whanga a Toi	11,998

Education – Preschools

Garaway Kindergarten	Electrical and lighting upgrades	4,152
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Education – Schools

St Joseph's School Whakatane	Heat pumps and kitchen appliances for hall	18,110
Trident High School	Solar Water Heating project 2014	4,000

Health

Bay of Plenty District Health Board	CT Scanner – Whakatane Hospital	100,000
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Marae

Ruihona Marae	Heating assessment	518
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Sport

Edgecumbe Pony Club	Heat pump and insulation	4,820
Opotiki Golf Club	Lift	32,330
Whakatane Golf Club	Irrigation control system	43,134

TOTAL REACTIVE COMMUNITY GRANTS \$515,754

Proactive distributions – initiated by the Trust

Retrofit Insulation Project 100,000

Healthy Homes Eastern Bay of Plenty

Undergrounding power lines 60,000

EBET / Horizon Energy / District Councils

Industry Education & Training 100,000

Apprenticeships	30,000
Electricity Supply Taster Course	20,000
Scholarships	50,000

Electricity Safety 7,500

Electric blanket testing

Energy Efficiency 4,500

School energy audits

Energy Education 133,500

Energy Education Programme for Schools

TOTAL PROACTIVE DISTRIBUTIONS \$405,500

Total approved \$921,254

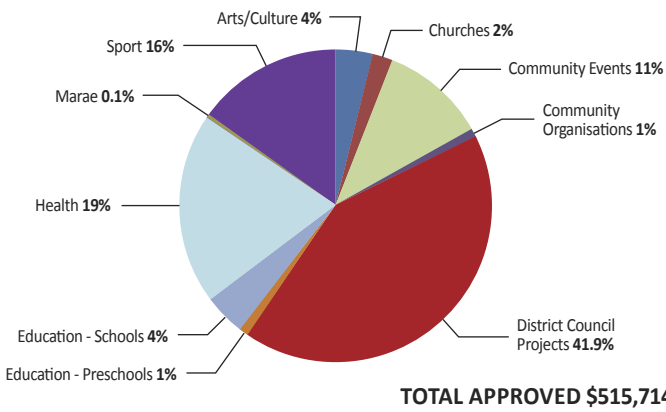
Less funds returned to the Trust Fund \$51,525

TOTAL EBET FUNDS DISTRIBUTED \$869,929

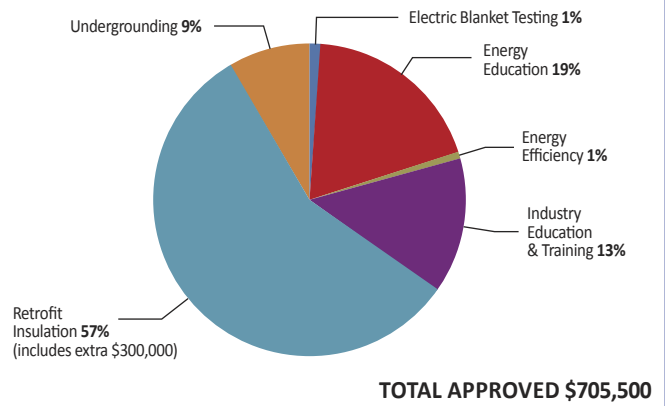
Plus extra retrofit insulation funding \$300,000

TOTAL FUNDING DISTRIBUTED \$1,169,929

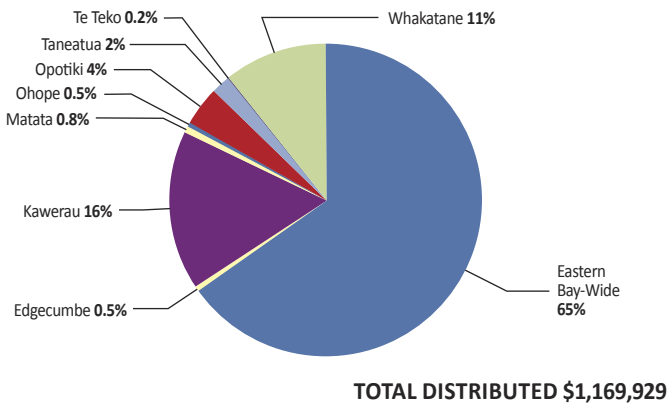
REACTIVE COMMUNITY GRANTS BY CATEGORY 2013-2014



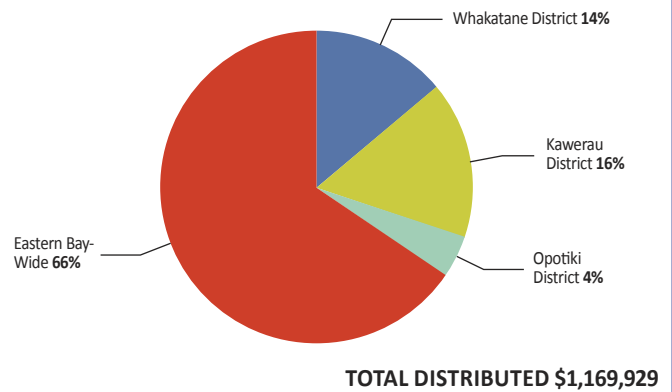
PROACTIVE DISTRIBUTIONS 2013-2014



TOTAL GRANTS BY AREA 2013-2014



TOTAL GRANTS BY DISTRICT 2013-2014



Reactive Community Grants Highlights:

Great things are happening in our community

Arts & Culture

Tuhoe Charitable Trust (below) received \$20,000 towards the cost of installing air-conditioning in the research library and archives at Te Wharehou o Tuhoe - the new Tuhoe iwi headquarters at Taneatua.



Churches

Whakatane Presbyterian Church (right) upgraded audio-visual equipment and lighting with a grant of \$10,903.



Community Events

The trustees approved a total of \$56,983 for sound system, lighting or audio-visual equipment hire at 10 community events. The Trust supported Christmas in the Park events in Kawerau, Matata and Whakatane, Kawerau Woodfest 2013, Ohope Beach Concert 2014, Ohope Beach Ironman Challenge 2013, Opotiki Lantern Festival 2014, Waiariki Maori Women's Welfare League's national 2013 conference, Whakatane Touch Tournament 2013 and the **World Rafting Championships 2013 (below)** at Kawerau.



Community Organisations

Two community organisations received energy related project funding. **Matata Blue Light (below)** purchased a PA system, which will be available to all Eastern Bay of Plenty Blue Light branches for their events. The Trust also funded specifications for a planned heating upgrade at Te Whare Manaaki in Te Teko.



District Council Projects

District Council projects received a total of \$216,898, or 42% of the total distributions. Projects supported by the Trust included exhibition lighting for Te Koputu a te Whanga a Toi (Whakatane Library, Museum and Exhibition Centre) and **Christmas lighting (below right)** for the Kawerau, Opotiki and Whakatane districts. Kawerau District Council also received funding for a lighting upgrade for the Ron Hardie Recreation Centre, outdoor lighting for Prideaux Park, Hansen Walk and the BMX track / basketball court area, and lighting for the entrance, sportsfields and carpark at **Tarawera Park (below left)**.



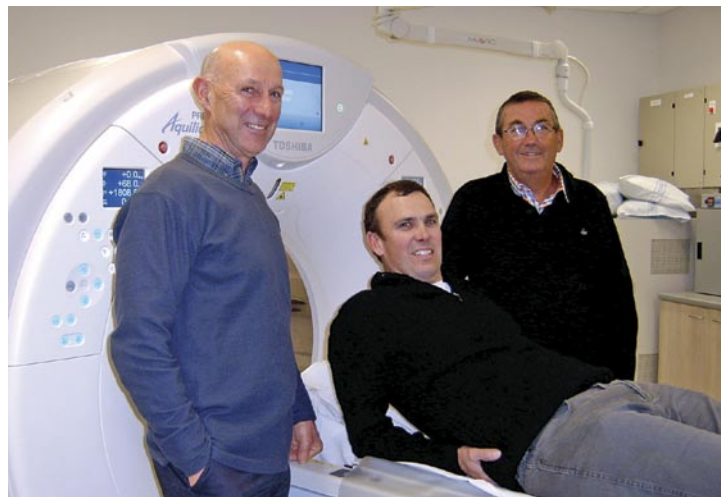
Education - Pre Schools

Garaway Kindergarten (below) was able to carry out electrical and lighting upgrades thanks to the Trust funding.



Education - Schools

Two schools received funding for energy related projects. **St Joseph's School Whakatane (above)** installed heat pumps and kitchen appliances in the school hall. The Trust also continued its support for Trident High School's year 12 and 13 technology students who are researching energy efficiency aspects of sustainable building design, including the design and manufacture of a solar photo voltaic system and a solar water heating system.



Health

The major community project for the year was the purchase of a new **CT scanner (above)** for Whakatane Hospital. The Trust has now provided 3 scanners, the first in 1997 and the second in 2006. The new \$977,055 scanner has been purchased by the Trust's subsidiary Development Enterprises Limited (DEL), partly with a loan from the Trust, and partly with a \$200,000 grant to the hospital. The old scanner was also used as a trade-in. The scanner will be leased to the hospital under a 7 year operating lease. The repayments include interest which means that the Trust (through DEL) receives an appropriate rate of return on the investment.

Sport

The trustees approved funding for three Eastern Bay sports clubs. **Edgcombe Pony Club (right)** installed insulation and a heat pump, Opotiki Golf Club installed a lift and Whakatane Golf Club installed an irrigation control system.



Proactive Projects Highlights:

Energising our community

Healthy Homes EBOP

The trustees are very proud of the Trust's **retrofit insulation programme (below)** which has now been running for 16 years. It is not only the Trust's largest project, the model developed in the Eastern Bay of Plenty is now being copied throughout New Zealand resulting in the insulating and upgrading of a large number of sub-standard homes. The Trust's total contribution to retrofit insulation in the Eastern Bay has now reached \$8,669,826, and this has been used to leverage co-funding from the Energy Efficiency & Conservation Authority (EECA).



The Trust's retrofit insulation work in the Eastern Bay is contracted to Smart Energy Solutions (SES). During the 2013-2014 year, a total of 752 homes were insulated. Of these, 410 homes were fully-funded under the Healthy Homes EBOP Community Services Card Project (EBET 40%/EECA 60%). Another 188 homes were made warmer and drier for tenants under the Rentals Project (EBET 25%/EECA 60%/Landlord 15%).

With EECA discontinuing funding for householders without Community Services Cards (General Income Project) at the end of July, Smart Energy Solutions stepped in and provided the 33% subsidy for the remaining 8 months (EBET 17%/SES 33%/Householder 50%). Another 154 homes were insulated under this project.



EnergyCheck

The Trust's free **EnergyCheck programme (left)** is designed to provide Eastern Bay of Plenty householders with a full report on all of the energy aspects of their homes, including recommendations to reduce electricity accounts and improve their homes' energy efficiency. This year, EBET's contractors One Planet Solutions and Green Gauge Limited visited 58 homes and gave householders advice on how they can save power and money.

Energy Education Programme for Schools

Between April 2013 and March 2014, the Trust's **Energy Education Programme (below)** was delivered to 116 primary and intermediate age classes in 21 schools, with 2,124 students taking part in 619 teaching sessions.

The programme is delivered by Louise and Peter Maple of Green Gauge Limited, and co-funded by Horizon Energy.

Otakiri School principal Gail Dobbin is enthusiastic about the programme: "Our school had Energy as a learning focus last term and Louise and Peter came each week to provide 'hands-on', exciting, relevant and rich learning experiences for children right across the school from New Entrants to Year 8".



"With this kind of support the learning was made so much more real and pertinent to the everyday world for the children. Each week there were follow-up activities and the children engaged in questioning and exploring the whole concept of Energy".



Electric blanket testing

With the high incidence of house fires caused by faulty electric blankets in other parts of New Zealand, the trustees are proud of the free **electric blanket testing programme (left)**, which is helping to make Eastern Bay households safer. The programme is run in conjunction with the New Zealand Fire Service, and a total of 7,920 blankets have been tested over the last 19 years.

During the 2013 – 2014 year, 296 blankets were tested, with 270 passing and 26 being declared unsafe.

Industry training programme

The Eastern Bay Energy Trust has a major focus on industry education and training, and the industry training programme includes scholarships for energy-related study at university and polytechnic level, supporting local contractors to create apprenticeship positions, and an annual electricity supply taster course for senior secondary school students.



Taster course

To encourage young people into the electricity supply and electrical sectors, the Trust puts considerable effort and funding into an annual electricity supply taster course for years 12 and 13 students who are considering a career in the industry.

This year, another 10 students from Eastern Bay high schools took part in the ninth annual **electricity supply taster course (below)**, which was held at Tarawera High School during the September – October school holidays.

The students not only learned how the New Zealand electricity supply industry works, but also gained an insight into career opportunities within the industry, as well as taking part in a range of site visits to electricity supply companies.

The course was organised and co-funded by the Eastern Bay Energy Trust and the Electricity Supply Industry Training Organisation (ESITO).

Apprenticeship programme

The Trust provided funding to cover the course fees for 8 apprentices. This included 2 electrician apprentices employed by Karam Electrical and Christie Electrics, as well as **1 electrician apprentice and 1 refrigeration and air conditioning apprentice (above)** employed by Independent Refrigeration & Electrical. Funding support was also provided to cover the course fees for 4 line mechanic apprentices – 3 employed by Horizon Energy, and 1 employed by Powerlines & Services.



Scholarship programme

The Trust's scholarship programme started in 2003. Since then, the trustees have awarded 87 scholarships totalling \$377,700. **This year, scholarships (above)** were awarded to 5 students for study in energy related fields, including Bachelor of Engineering (Electrical), National Certificate in Electrical Engineering, Bachelor of Engineering Technology, and Certificate in Electrical Supply. The Horizon Energy Scholarship was awarded to Peter Whyte, who is in his third year of a Bachelor of Electrical Engineering degree at the University of Canterbury.

