

ANNUAL REPORT

Year Ending 31 March 2002



CHAIRMAN'S REPORT

For the year ended 31 March 2002

It is with pleasure that I present the 8th Annual Report for the Eastern Bay Energy Trust.

Energy Trust Retrofit

An early highlight of the year was receiving a nomination in the Residential category of the 2001 Energy Wise Awards. At the Awards Function in Wellington in May we were Highly Commended for our Energy Save Energy Safe Healthy Housing Project. The assistance of Opotiki Trade Training in the ongoing Development of our retrofit projects is gratefully acknowledged.

Retrofit work will continue to be a significant Trust project in the future. We commissioned Kay Saville-Smith of CRESA to undertake some retrospective evaluation of our work to date. This report highlights that some 3000 houses, belonging to low income families, still require insulating.

Trust Distributions

This year the Trustees approved distributions to beneficiaries of \$1,752,984. This is down in value on the previous year, but covered a wider range of organizations. Significant approvals we:-

- Retrofit – Otago Medical School research project \$200,000
- EBOP Playcentres – heating upgrade \$115,000
- Awakeri Community Complex – electrical work \$100,000
- Aquatic Centre – additional electrical work \$100,000
- Rautahi Marae – electrical work \$100,000

Grants for the year fell into the following six main categories:-

Category	Number	Amount	
		This Year	Last Year
Energy Efficiency & Safety	3	222,010	1,213,252
Recreational & Community Groups	18	448,969	291,234
Community infrastructure	8	285,063	460,000
Marae & cultural development	8	229,443	71,108
Elderly	0		19,709
Youth	11	567,500	219,299
Total		1,752,985	2,274,602

Included in the youth category this year are halls at Murupara and Paroa.

Legal and Consultancy Costs

During the year the Trust incurred abnormally high legal and consultancy costs. The total of these was \$ 665,675, with some further costs flowing into the 2002/03 year. There have been three streams of activity which contributed to these costs.

The Trustees undertook a strategic review of the Trust investment policy during the year. Although we must scrutinize the rationale behind having 100% of our investment portfolio in one asset, as a result of this review we are comfortable that the asset base of the Trust is not at risk by continuing to maintain a 77.3% shareholding in Horizon Energy Distribution Limited. Alternative investments strategies reviewed did not give the outcomes which the Trustees viewed as critical to success. This cost of this review in terms of both legal and consultancy expenditure was \$457,769.

Once this review became public knowledge concern was raised among the Trust Beneficiaries. The result of this was Court action taken by a group of Beneficiaries and Horizon against the Trustees. This action took the form of injunction proceedings, together with questioning of the validity of election of the Trustees. The litigation also highlighted the need for changes to the Trust Deed. The only unresolved matter in this case left before the Court is the Trust Deed. The defense of this action resulted in legal costs of \$131,597 during the year.

The Trustees have now made significant progress in the review of the Trust Deed, with a draft being completed and made available to the public in November. This was immediately followed by public consultation meetings, the receipt of written submissions and a hearings meeting. The Trustees met in January to review the outcome of the process. Since then meetings have been held with both Horizon and the Power Committee. The objective of these meetings has been to agree on appropriate changes to the Deed, without the need to revert to the litigation before the Court. The Court has agreed to several deferrals of the hearing to facilitate these discussions. The legal costs incurred by the Trust, in developing the changes to the deed has been \$69,902 to date. The cost of the consultation process was \$ 40,317. Further costs have been incurred in the 2002/03 year to bring the changes closer to finality.

Further Legislative Change

Trustees attended meetings of Energy Trusts of New Zealand in September 2001 and March 2002. Discussions have taken place at both these meetings about the changes to the operation of Trusts as a result of the Electricity Amendment Act, which was given assent in August 2001. This Act set in place a procedure for holding an Annual Meeting of Beneficiaries to appoint the Trust Auditor. It also requires Trusts to fully comply with the Financial Reporting Act 1993, as if the Trusts were reporting entities.

In the main this requirement is good, as it imposes a consistent standard of Financial Reporting on all Energy Trusts. The down side of this requirement has been the need for Energy Trusts to consolidate the Financial Results of the company in which they own shares into the Trust results. It is the opinion of this Trust that consolidating Horizon's results into the Trust's results does not help the beneficiaries to understand:-

- How much income the Trust has received during the year,
- How much the Trust has cost to operate during the year, or
- What value of assets the Trust had as at the 31 March.

The Trust has complied with its legal requirements this year, but will be putting in a submission to the Minister of Energy requesting that the Electricity Act 1992 be amended to exempt Energy Trusts from the need to comply with FRS 37 "Consolidating Investments in Subsidiaries" when preparing financial statements in accordance with the Financial Reporting Act.

Of real concern to the Trustees is the delay in publication of the Financial Reports for the year ended 31 March 2002. The Eastern Bay Energy Trust is unique in being a majority shareholder of a publicly listed company. Stock Exchange listing rules meant that the Trust was unable to receive all the information needed to complete the consolidation with the results of Horizon Energy Distribution Limited on a timely basis.

Elections

Last year Brian Ponting from the Kawerau ward and Malcolm Law from the Whakatane ward came up for re-election. Brian Ponting was re-elected unopposed. Nine candidates stood for the Whakatane ward, with Malcolm Law being returned for a further term. The voter turnout was 33.6%. This compares favourably with previous Whakatane ward elections.

Trustees

I wish to thank all the Trustees for the work they have put into Trust matters during the year. With the reviews which we have undertaken, the Trustees have all put in many extra hours, which they have all done willingly. Brian Ponting, Jim Towersey, Colin Hammond and Malcolm Law have all gone that little bit further to ensure that beneficiaries are aware of their entitlements under the Trust Deed. As a result of this there is an increasing awareness of the role of the Trust in the District.

It is pertinent to note, that although this report refers to the year ended 31 March 2002, recent changes to the Trustee eligibility criteria of the Trust Deed have meant that there have been changes to the roles of two Trustees. Colin Hammond, as a Local Body Politician, is no longer eligible to be a Trustee, and Malcolm Law, wishing to remain a Trustee, has chosen to resign as a Director of Horizon.

Summary

I once again congratulate those community groups and organisations, which have so passionately shown us their vision, drive and commitment to making the Eastern Bay of Plenty such a great place to live, work and play. Our partnership with you is unique and together we can make things happen in our region.

Thank you
Toni Owen
Chairman
31 July 2002

GRANT PAYMENTS & COMMITMENTS

Grants Awarded 1 April 2001 to 31 March 2002

Recipient	Amount Granted	Purpose of Grant
	\$	
Energy Trust Retrofit	200,000	Health Housing Project
EBOP Playcentres	115,000	Electrical Upgrade of Centres
Awakeri Community Complex	100,000	New Community Complex
Whakatane District Council	100,000	Aquatic Centre
Rautahi Marae	100,000	Improvement & Maintenance
Paroa School	70,000	New School Hall
Opotiki College	70,000	Swimming Pool Upgrade
Woodlands School	70,000	Heat Pumps
Maraetotara Trust	70,000	Electrical Work on New Building
Opotiki Theatre Trust	68,365	New Mini Theatre
Ohope Christian Camp	66,000	Kitchen Equipment
Murupara School	60,000	New School Hall
St Georges Daycare Centre	50,000	Electrical Upgrade
Anglican Methodist Parish	40,000	Heat Pumps
Kawerau Golf & Squash Club	36,000	Lighting
St Johns Kawerau	36,000	Heating of Hall
Whakatane Masonic Properties	35,000	Electrical & Kitchen Upgrade
Titoki Healing Centre	32,000	Upgrade of Kitchen
Te Hokowhitu Marae	32,000	Electrical Upgrade
Piripari Marae	30,000	Upgrade of Marae
Whakatane District Council	30,000	Christmas Lights
Opotiki Volunteer Fire Brigade	25,000	Kitchen Equipment & Fans
Opotiki Civil Defence	21,760	Equipment
Tuteao Marae	22,000	Upgrade of Marae
Matata Public School	20,000	Solar Heating/Insulation Blanket
BOPE Lighting Expo	20,000	Low Wattage Bulbs for Expo
Whakatane Fire Brigade	17,500	Lighting Training Area
Opotiki Bowling Club	16,000	Electrical Upgrade & New Mower
Kawerau College Wharenui	15,500	Electrical Components of Wharenui
Murupara Kindergarten	15,500	Heat Pumps
Garaway Kindergarten	15,500	Insulation
Sun FM	15,063	Christmas In The Park
Kawerau District Council	15,000	Christmas In The Park
Opotiki District Council	15,000	Christmas In The Park
Ohutu Marae	15,000	Electrical Upgrade
Kawerau Golf & Squash Club	15,000	Irrigation & Kitchen Upgrade
Papaeru Marae	12,600	Electrical Upgrade
Edgecumbe Bowling Club	11,000	Outside Lighting
Tataiahape Marae	10,243	Electrical Upgrade
Kawerau Bowling Club	10,000	Lighting
Disabilities Resource Centre	9,600	Data Projector
Te Awanui Marae	7,600	Electrical Upgrade
Kawerau Cosmopolitan Club	7,300	Air-Conditioning Unit
Te Kaha St Johns	7,098	Electrical Upgrade of Station
Kawerau District Council	5,000	Christmas Lights
Opotiki District Council	5,000	Christmas Lights
Eve Rimmer Games 2000	3,870	Sound & Audio Equipment Hire
Feasticc	2,475	Lighting & Sound Equipment Hire
Betta Electrical	2,010	Electric Blanket Testing
	\$ 1,767,984	