



PROMETHEUS PROFILE

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Organic Skin Care

A key aspect of Prometheus' operating philosophy is a focus on building and maintaining long-term relationships with both our depositors and borrowers. As a result, many of our loans are 'repeat' business, either with extensions to existing loans or new loans to previous clients.

One such 'repeat' business loan application in the past six months was from Registered Naturopath and Medical Herbalist Nahaia Russ. Nahaia had first approached us in 1998 for a business development loan to help her establish a range of chemical free sunscreen and skin care products using New Zealand Native Plant extracts.

These products had initially started as Nahaia's thesis project for her final year at the South Pacific College of Natural Therapeutics in Auckland. After substantial testing of over 300 different plant extracts, including a range of native plants, the native plant based formula showed the most promise. Further product development and refinement saw the formula obtain an SPF rating of 16, the first chemical-free sunscreen with an official SPF rating on the New Zealand market. The resultant sunscreen and skincare products developed from that formula were marketed as the 'Native Spirit' range and have shown steadily increasing sales over the past five years.

Nahaia has been a steady loan client since that first application and has come back to us for further business development finance on two subsequent occasions. The most recent of these was earlier this year when she approached us for a modest loan extension to finance final product testing on a new range of organic skincare products she has been developing and testing over the past two years.

The majority of ingredients for this full skincare range of 12 products have been sourced in New Zealand with the help of Bio Gro, though some are imported from Australia where they are not available locally. In this process Nahaia has been working with Bio Gro to help develop the organic guidelines for cosmetic products in New Zealand. However, as these guidelines remain incomplete at this stage she has used the Soil and Health Guidelines EU standard as a guide on restricted or prohibited ingredients.

Nahaia is also in the early stages of developing a business partnership with a health products company in New Zealand that has considerable marketing and distribution experience. That experience has the potential to be of major benefit to her new organic skincare products when the testing phase is complete and the range is ready to launch. Prometheus was happy to approve this loan and wishes Nahaia well in the continuing development of her business.

Bound to Last

Another of our 'repeat' business loan applications of late was from 'Bound to Last' a traditional bookbinding company in Auckland that applied recently for finance to help fit-out and refurbish new premises in Auckland, ten years after their original loan from Prometheus.

In 1993 we were approached by Anna Caithness and Helen Everest who were wanting to establish a bookbinding company called 'Bound to Last'. The two women had come from unusual backgrounds with Helen having worked as a logger at Marsden Point Refinery and Anna as a bus driver in Auckland. Having been attracted to an introductory workshop on traditional Bookbinding & Papermaking they found themselves fascinated and proceeded to enrol for the one-year full-time course that followed, from March 1989 to 1990.

While on the course they were constantly searching for equipment with which to establish their business once the course was completed. This proved extremely difficult to find and it was only after writing over a hundred letters to printers and bookbinders around New Zealand that they struck gold. A firm in Dunedin that had originated as Whitcombe and Tombs was closing down their handbindery and had a wide range of traditional tools and equipment available.

Having secured much of the equipment they needed, five of the people from the course started the 'Bound to Last Bookbinding Co-operative', working from the Northland Craft Trust premises in Whangarei. The business started with repairing books and expanded to producing top quality photograph albums, portfolios and presentation boxes.

In July 1992 Helen and Anna shifted the business to the North Shore in Auckland to be closer to their main market. As Anna reported, at first it was nearly disastrous – high rent, a new city to get known in and not having the local support they had had in Whangarei made for a difficult start. It was around this time that they first approached Prometheus to finance their own marketing, print their first colour brochure and help establish the company in Auckland. At that stage they felt they had got through the most difficult establishment phase of the business and were anticipating a successful and productive future.

Over the past decade the business has gone from strength to strength with steady growth in both turnover and staffing. As a result, Anna and Helen approached Prometheus at the end of last year for a loan to help finance their move to new, larger premises at 11 Wellesley Street, Auckland. That loan was to cover the costs of re-branding, new signage, fitting out the new premises and purchasing additional office equipment to make use of the additional space. It was very satisfying for Prometheus to be approached by Anna and Helen for this loan, having been involved near the start of this business. We were pleased to be able to assist with this next phase of Bound To Last's development and wish them all the best with getting established in their new home.

Taranaki People of the Land

Prometheus has had a relatively longstanding involvement with Taranaki People of the Land Incorporated (TPOL) and the Katikara Community, which has been established on its land at the foot of Mount Taranaki. We have provided finance for several members of the community at different times to purchase houses there. This has always required some flexibility with respect to the security arrangements for these loans, as although the houses themselves have been bought and sold between individual community members, they have not had separate title. The land on which the community is established is held in one single title under the ownership of TPOL.



Security arrangements were, consequently, much more straightforward when we were approached last year by TPOL for finance to purchase one of the houses in its own right from the ex-community member who owned the house. The intention behind this move was to establish the building as a community house which would allow the development of an educational centre offering workshops and weekend retreats to the wider community.

This fits well with TPOL's primary aim which is stated simply as being "to care for the Earth and restore its sacred purpose of nurturing for now and future generations". As part of that aim they promote renewable energy technologies, practise sustainable organic land use principles and wish to foster education among the wider community around these issues.

The building itself is in need of significant maintenance and upgrading and it is expected that the materials and labour for this should be much more attainable with the house in community ownership. The new community house will still be used to provide accommodation for some community members and the rental income from that will go a long way towards covering the repayments on the loan. To cover the remaining portion of the loan repayments the wider membership of TPOL have, effectively, formed a borrowing community by making pledges of regular payments into TPOL's account. This demonstrates the community commitment to this objective. Prometheus was very pleased to approve this loan and support TPOL's educational and community-building objectives.

Walk To Work

We have reported over the past two years on our involvement with Earthsong Eco-Neighbourhood in Waitakere, both as a provider of completion finance for the first seventeen eco-homes and as mortgage lender for some of the individuals and families to purchase their houses in the community.

Stage Two of the building project is now underway which will add another fourteen units to the existing ones and will, on completion, see the construction of the long-awaited community house. This latter will provide facilities for community activities, recreational space, workshop and guest accommodation. In particular, it will provide a venue for the fantastic weekly community meals, which are currently held in the rather cramped confines of the original orchard house when weather does not permit meals to be enjoyed outside on the community green.

The final stage of this project involves the development of the front-of-site on the busy Swanson Road for retail and small business use. The aim of this development is both to make most appropriate use of the site's road frontage as well as to provide commercial space both for members of Earthsong and others in the local community. By providing space for retail and small business usage close to home, the aim is to counter the need for community members to commute to the larger business centres.

In order to separate this part of the project from the Stage Two building work a new company was formed last year, Walk to Work Eco-Developments Ltd, specifically to purchase the front-of-site and subsequently manage the planning and construction process. The company has a wide range of shareholders made up of both Earthsong members and others in the local community who wish to help shape this development, many of whom intend to lease some of the space once it is complete.

As a result of our earlier involvement with Earthsong, Prometheus was approached in mid-2002 by Walk to Work to negotiate the finance facility needed to purchase the title to the front of site from Co-Housing New Zealand, the management company for the Earthsong community. The shareholders of Walk to Work formed a borrowing community and made pledges that would enable the company to manage the repayments on that facility. Prometheus readily approved this facility, incorporating as it did so many objectives at the core of our own aims to promote community development, build co-operation and reduce environmental impacts.

The agreed facility was finally called upon recently as part of the financial restructuring necessitated by the start of the Stage Two building work. We will watch with interest the progress with the final stage of the residential development at Earthsong and the further planning of the retail and commercial development that is to follow. We wish the pioneers involved in this landmark eco-development every success in realising their goals and establishing their path-breaking commercial development.

The Yoga Room

Prometheus was approached late last year by yoga instructor Kelly Edlund for finance to realise her dream of setting up her own teaching space for yoga classes in Napier. Since finishing her instructor's training, Kelly had been teaching for several years at a variety of venues to both make the classes available to a wide range of people and build up her client base. However, she found that the varying standards of the available spaces, the travel involved and issues around promoting classes in different locations were all inhibiting factors.



She soon realised that the best solution would be to find a large affordable space that she could rent on a long-term lease to use as a base for her work. This proved somewhat difficult to find until she heard about a large room becoming available above Chantal's organic store in Napier. On investigation, the room was found to be of an ideal size but having been previously used as a band rehearsal space required considerable work to upgrade it to a suitable standard.



It was at this stage that Kelly approached Prometheus for a loan to cover the costs of refurbishing and redecorating the space and for buying mats and other equipment. Given her experience, commitment and enthusiasm, together with the support from guarantors, we were pleased to be able to approve this loan. We have since been impressed with the speed and quality of the work done in upgrading and refurbishing The Yoga Room.

Classes started at the beginning of February and with the good numbers drawn by a strong advertising campaign, Kelly is understandably excited about this significant step in the development of her business.

The EnergyWise Grants Scheme

Earlier this year, Energy Minister Pete Hodgson made a public call for more New Zealanders to install solar water heating and highlighted the government grants available to help with that. As part of its commitment to improving energy efficiency and in response to growing concerns over climate change, the Government had committed \$200,000 in last year's budget to promote the uptake of solar water heating.

Mr Hodgson noted that water heating is responsible for between 30 and 45 percent of a household's energy bill "which means there is significant potential for households to save power and money." He reported that currently, of the 70,000 new water heating systems being installed each year, only around 2,000 of those are solar. He endorsed the solar industry's medium-term target of 10,000 solar installations per annum, saying that it would be "a valuable contribution towards our national renewable energy target."

The grant funding is to be dispersed by the Energy Efficiency and Conservation Authority (EECA) through its EnergyWise Solar Water Heating Grants scheme. People who take out a loan to purchase a solar water heater from any participating Solar Industries Association (SIA) supplier will be eligible for a \$450 grant. That grant funding is being used by suppliers, often together with a supplier subsidy element, to offer low interest or interest-free loans to purchasers.

Quite a number of the SIA suppliers participating in this scheme have been negotiating with Prometheus for us to be the finance providers for their clients. This is primarily because Prometheus has built up extensive experience in this field, having been involved in the precursors to this scheme from 1999 on. That experience has been entirely in partnership with Synergex Systems Ltd, the suppliers of Solahart hot water systems. We are pleased that this EECA scheme has been extended and made available to other SIA suppliers as we had hoped for some time that it would.

Negotiations with suppliers to date suggest a potential loan demand for Prometheus of up to \$1.2 million in this current scheme if the response to this offer is as strong as the previous ones. To meet this potential demand we

are seeking to attract new sources of deposits by launching a new Energy-Wise Term Investment Account. Information on these accounts will be provided to investment advisers throughout New Zealand and resultant deposits will be dedicated to funding the solar water heating loans. The accounts will be longer term than our existing accounts with a 3-year fixed term for amounts over \$5,000. This is a very new development for Prometheus, involving as it does a direct approach to investment advisers and their clients and is intended to raise Prometheus' profile in a different part of the investment market than we have hitherto approached. We await the response to this offer with interest and will report on that in our next newsletter.

For further information on solar water heating, the EnergyWise Solar Water heating Grants scheme or for a list of accredited suppliers, visit www.eeca.govt.nz and www.solarsmarter.org.nz or phone 0800 SMARTER.

Bioflow Waste Treatment

Another long-standing client, Sharon Webster, approached Prometheus again recently for an extension to her existing loan to purchase and install a Bioflow wastewater treatment system at her home on Waiheke Island.

Sharon had first approached us for loan finance in 1999, along with her then partner, to purchase a share in Awaawaroa Eco-Village on Waiheke. She was drawn to become a shareholder both because of her attraction to community living and her strong interest in the environmental restoration that the community had dedicated itself to in its mission statement. That latter work involved noxious weed eradication, wetland rehabilitation and a significant native tree-planting programme.

Sharon was also involved with the Steiner school on Waiheke with her two youngest children attending. A strong drawcard of the school, in addition to its holistic approach to education, was the opportunity it presented to be actively involved in a dynamic and supportive community.

Prometheus readily approved that first loan application and was pleased to have been able to support Sharon with her aims at that time. That loan approval was made even easier by the substantial equity Sharon had in her house on Waiheke. Alongside her involvement with Awaawaroa she has retained her original home on the island and so when she approached us recently for finance to install an environmentally-friendly waste-water treatment system at her home, we were again pleased to be able to approve that.



Sharon was faced with the need to find a replacement treatment system for her 20 year old septic tank which was past its use-by date. The consultant engineer recommended a composting toilet and grey water treatment system. However, somewhat surprisingly, the Council refused consent. After a protracted tussle, Sharon was given consent to install an alternative environmentally friendly Bioflow wastewater treatment system.

The Bioflow system has a series of clarifiers, bioactive filters and aerobic treatment chambers. The treated fluid effluent is discharged into an irrigation field while the manufacturers claim that the system, unlike septic tanks, requires no desludging. This application met our loan criteria and we were pleased to be able to help Sharon find a way of both satisfying the council and achieving her goal of upgrading her old septic tank with a sewage treatment system that is significantly kinder to the environment.

Prometheus News

The past six months have seen the achievement of several significant milestones for Prometheus. We welcomed a fourth colleague onto our management team, celebrated our 21st Anniversary in style and reached the successful conclusion of our restructuring process with the dissolution of Prometheus Credit Union on 31st March and its replacement by our new finance company structure.

A new colleague

Geoff Burke, who joined Prometheus in mid-January, comes from a varied background, having worked in futures markets at several large merchant banks in London before further study at Lincoln University led to him working as an agro-ecologist at Elm Farm's organic research centre in the UK. Geoff returned to New Zealand eighteen months ago and had explored several different work opportunities before his interest in Prometheus led him to approach us in anticipation that we might have use for his skills and experience.

We are pleased to have Geoff as part of our still compact management team and are particularly pleased that, at a time when we were about to start actively looking for a new colleague to help manage the increasing workload, Geoff made it easy by coming to find us.

21st Anniversary

Our celebrations on 14th February at the Century Theatre were well attended and thoroughly enjoyable. Over 120 members and friends of Prometheus came to see Lightweight Theatre's premier performance of 'Being Beethoven', which was preceded by short introductory talks by General Manager, Ton van der Meer and Trustee, Frank Durrant.

The play proved to be a very apt, involving and thought-provoking insight into Beethoven's life and personality. It drew heavily on Beethoven's own identification with the Prometheus of legend, bringing, as he saw it himself, the fire of inspiration down from heaven to enliven humanity. Michael's performance was extremely well received with a prolonged standing ovation at the end of the play.

Restructuring Successful

The most significant milestone for Prometheus' future, however, was the successful culmination of the restructuring process, which started with our preliminary investigations into preferred legal structures over a year ago. The desired changes tabled at the Special Credit Union members' meetings held on 5 November and 3 December were approved unanimously by the members present at those meetings and received widespread support from the large number of members who were unable to attend those meetings.



As a result, Ton was able to proceed with the task of drawing up a Constitution for Prometheus Finance Ltd, negotiating a new Trust Deed with our statutory supervisor Perpetual Trust and registering a new prospectus. We were then also able to proceed with the task of writing to all of Prometheus' members to seek their approval to transfer their accounts to the new company upon the dissolution of the Credit Union. We have been gratified by the promptness of response to that request (with a response rate by end February of over 90%). We are confident that with the reminder letters that were sent out in February we will have received the required signed account transfer permission from nearly all of our members by end March.



Prometheus, under its new company structure, will now have a wider range of options for building the reserves that are needed to conform to the prudential requirements of our Trust Deed. This will give us significantly more flexibility over our future growth path, will enable us to pursue the higher levels of deposit growth that we achieved over the four years to end March 2002 and will, therefore, limit the likelihood that we shall have to turn away solid loan applications for lack of available funds. Thus Prometheus will be able to make the most of the opportunities that are coming toward us at present and in the future, as the demand for ethical financial services in New Zealand continues to grow.

Prometheus Activity

Consolidated deposits for the Prometheus Credit Union and The Prometheus Foundation have remained largely unchanged over the financial year to date and are expected to end the year at around \$8 million. This is in part due to the strong growth in the housing market over the past year, which has seen a surge of investment in property at the expense of fixed-interest investments. With the property market expected to be less buoyant over the year ahead we should see some resurgence in deposit growth.

On the other side of the balance sheet, consolidated lending is expected to be around \$6.1 million by end March 2004, largely unchanged over the year, compared to very strong growth of 30% in the previous year. This has been largely a result of our commitment to retain much of our remaining surplus funds for the new Energy-Wise Solar Water Heating Loans, which will mostly be drawn from April 2004 onwards.

Against this background of a relatively stable deposit level and modest lending growth and despite the considerable legal costs associated with the restructuring process, Prometheus is still on track to return a satisfactory operating surplus for this financial year. Current projections suggest this will boost reserves to around \$650,000 or 7.5% of total assets, well in excess of our required ratio of 6.5%.

Outlook

This is a period of substantial and significant change for Prometheus and there are a range of challenges and opportunities facing us. The new legal structure we have adopted has given us the flexibility needed to turn those challenges into positive opportunities.

Our greatest challenge at present is to boost deposit growth, returning to the strong growth rates seen over 1999 – 2002, so that we are able to fund lending opportunities that are coming toward us at present. In the past, our deposit growth has relied largely on word-of-mouth from clients and friends of Prometheus, targeted advertising in niche magazines as well as information request postcards displayed in supportive retail outlets. While we will continue to rely on these methods for continuing to build Prometheus' client and deposit base, we are also now actively exploring other avenues for attracting deposits. The promotion of our new longer-term Energy-Wise Term Investment Account to investment advisers throughout New Zealand is an example of one of those new avenues. It is hoped that this approach, to a very different segment of the investment market than we have hitherto approached, will significantly raise awareness of Prometheus' existence and activities amongst the investor community in New Zealand.

Loan schemes such as the EECA-sponsored scheme, outlined elsewhere in this newsletter, are potentially just a foretaste of things to come as the NZ government, along with other governments around the world, responds to concerns over energy security and availability and the growing evidence of the human contribution to global warming. Even such a modest shift in government policy in this direction has the potential to significantly affect public uptake of renewable energy technologies and boost awareness of the value of socially valuable and environmentally friendly investing.

Cordwood House update

In April last year we reported on Carolyn Simon's loan for an eco-house featuring walls made of mortared and plastered cord wood. Carolyn had been impressively thorough and cautious with her cost estimates for the building project, even getting a final opinion from a quantity surveyor as a check on the overall labour and materials estimates that had been provided by the qualified tradespeople she was getting to do the bulk of the project.

Nevertheless, there were several unforeseen additional costs in forming and pouring the foundations and floor of the house as well as in the construction of the ceiling. Fortunately, given her cautious approach, Carolyn had already half-expected that there may be cost-overruns in some parts of the project. Consequently, she had checked with us when she first applied for the loan whether it would be possible to come back to us for limited additional project completion finance should she require it. Given the strength of her equity position vis-à-vis the project as a whole we had agreed to that.

We were, therefore, not at all surprised when she indicated half-way through the house-building that her budget-tracking suggested she would need to ask for a loan extension to complete the house. In our experience, significant cost overruns are extremely common with house-building projects, even eco-houses where much of the less-skilled labour is often provided by the expectant homeowner, family and friends. Our experience in this area emphasises the need to be very thorough in one's budget preparation, diligent about getting alternative quotes and underlines the importance of getting a second opinion on the overall budget from an independent source with relevant experience.

The unusual factor in this case is that, despite taking all these precautions and adopting a cautious approach with a tight budget, Carolyn's house still ran over budget. Nevertheless, given the thoroughness of her approach and the pre-arranged agreement to provide additional finance should it be required, we were happy to extend the loan and enable the completion of this interesting and unusual house. Carolyn is currently plastering the exterior and has started on the finishing of the interior with one guestroom already completed. We wish her all the best with that process and with her ongoing plans to foster the regeneration that is already happening in her tranquil native bush setting in Golden Bay.

Oscar for Prometheus



The “Making a Difference” Award 2004, in recognition of 21 years of excellence in Ethical Finance and service to the world. This award was generously presented to Prometheus by Dr Rodger Spiller, PhD, Managing Director of Money Matters.

Rodger holds a PhD in business ethics and investment and is a Certified Financial Planner. He has served as a Director and Chairman of the Association of Investment Advisers and Financial Planners and is a member of the Securities Commission and the Nominating Committee for the NZ Superannuation Fund.
