

TRUSTEES' REPORT

On the operations and financial affairs of the

HAWKE'S BAY POWER CONSUMERS' TRUST For the year ended 31 March 2023

ANNUAL REPORT TO CONSUMERS

THE TRUST

The Trust, set up in 1993, holds all the shares in Unison Networks Limited, on behalf of consumers who are connected to Unison's electricity lines network in Hawke's Bay – generally the areas of the Hastings District Council and the Napier City Council.

The Trust has five Trustees who are elected every three years. The current Trustees are Diana Kirton (Chair), Kirsten Westwood, Barbara Arnott, David Pearson and Jeff Farnworth.

This is an annual report on the operations and financial results of the Hawke's Bay Power Consumers' Trust for the year ended 31 March 2023. Trading activities of Unison Networks Limited are summarised later in this report.

WHAT THE TRUST DOES

The Trustees role is to hold the shares for the benefit of its consumer-owners and also to ensure the value of their investment is protected and enhanced. They monitor the operational and financial performance of the Company by measuring results against the Company's business plan and Statement of Corporate Intent progressively during the year. In this way they are alert to any variations to the outcomes that have been agreed with the Board.

Key tasks of the Trust are to:

- Act in the best interests of the Hawke's Bay power consumers, as owners, and exercise their rights as shareholders.
- Appoint Unison's Board of Directors and monitor their performance and the performance of the Company.
- Determine annually the amount of Trust funds to be paid to consumer-owners as a dividend or in other ways.
- Approve Unison's annual business goals and financial objectives.
- Manage and account for the financial affairs of the Trust.
- Hold a public meeting each year to report on the operations and financial performance of the Trust.
- Review the ownership of Unison's shares every five years, through a public consultative process. An Ownership Review is being held this year, 2023.

TRUST ACTIVITIES SINCE 2022 ANNUAL PUBLIC MEETING

Consumer Dividends \$15 million in 2022

In 2022 the Trust received a dividend payment from Unison of \$15.8 million, exclusive of imputation credits. This was distributed to consumers at \$240 per ICP (installation connection point), with tax credits attached – to a maximum of 3 ICP's per consumer.

The 2022 dividend distribution went very smoothly now that the direct credit process has been embedded over the past 3 years. Registration rates are nearly 97% and expected to rise each year. The registration portal remains open at www.hbpct.co.nz for further registrations at any time of the year.

The direct financial benefits consumers have had from Trust ownership since 1999 now stands at around \$234 million.

New Group Chief Executive

Late in 2022, Ken Sutherland indicated he would be retiring from the role of Group Chief Executive of Unison Networks Ltd (UNL) in 2023. The Directors undertook an extensive recruitment process to find his replacement.

Trustees were kept fully informed throughout the recruitment process and congratulate Jaun Park on his appointment to the role.

<https://www.unison.co.nz/tell-me-about/news/article/2023/04/17/unison-welcomes-new-group-chief-executive-jaun-park-to-the-helm>

Working with Directors

Two new Directors were appointed to the UNL Board to replace outgoing Directors Christine Spring and Brenden Hall. Barbara Elliston and Blair O'Keefe have brought with them particular skills and knowledge that have added value to the composition around the Board table. Their profiles can be read on: <https://www.unison.co.nz/tell-me-about/unison-group/unison's-management-team>

The relationship Trustees hold with Director's has traditionally been a strong one. Regular chair-chair meetings are held, and Trustees are kept informed of company activities on a monthly basis. The Trust is also kept abreast with future developments the Directors may be considering. This "no surprises" approach is valued and respected by both parties.

Trustees are always open to support initiatives that improve Unison's business and are necessary to meet the needs of consumers. This in turn enhances the value of returns to shareholders

Impact of Cyclone Gabrielle

Cyclone Gabrielle struck Hawke's Bay on 14 February 2023. We are all very aware of the devastating impact it had on Hawke's Bay and beyond, especially in certain rural areas.

Trustees of HBPCT send their heartfelt sympathies to those who have been personally impacted by this disaster. The impact on the region as a whole is still being calculated. As Trustees watched events unfold, Unison management kept us well informed of the actions they were taking. They responded to our questions immediately and provided accurate information that we could pass on to the power consumers who contacted us directly.

Trustees have been exceptionally proud of Unison's response to the cyclone. They took the lead in many instances, communicated accurately and delivered on what they promised. Power consumers in Hawke's Bay have every right to be very proud of their consumer-owned lines company.

ETNZ

The Energy Trusts of New Zealand (ETNZ) conference held in November 2022 had a strong focus on lines companies actively preparing for the future. The entire electricity sector in New Zealand faces the challenge of meeting decarbonisation targets, as well as increasing demands for electrification. These demands are driven by the climate change factors we can no longer ignore. Trustees are confident that Unison has a strong eye to the future and is already meeting these challenges as they arise.

Ongoing challenges for Unison

Cyclone Gabrielle has added to the challenges Unison now faces. The chance to reconfigure parts of the network for greater resilience into the future will require a lot of planning and modelling. Unison has demonstrated through its 10yr Asset Management Plan and Company Risk Report that they are up for the challenge.

Despite these recent events, Unison has had a pleasing result for the 2022/23 year. The Trust is pleased to announce there will be another dividend distribution to consumers later this year.

Ownership Review

The process for the 2023 Ownership Review got underway in March 2023 and the following timeline was established:

Request report from Directors – 10 March 2023
Receive report from Directors by - 8 September 2023
Report available to public/submissions open – 15 September 2023
Last day for submissions – 16 October 2023
Submissions available to public – 18 October 2023
Public meeting to hear submissions – 10 November 2023
Public meeting for Trustees to make decision – 17 November 2023

Trustees hope that a large number of power consumers in Hawke's Bay take the time to consider the issues and develop well-informed thoughts on the future ownership options of our Hawke's Bay owned infrastructure company, Unison Networks Ltd.

Compliance with Guidelines for access to information by beneficiaries

The Guidelines, which all electricity trusts are required to adopt, provide for Trust beneficiaries to have access to information, to attend public meetings of the Trust, and to have access to a complaints process for dealing with refusals to supply information or allow access to public meetings. Details of the Guidelines are on the Trust website: <https://www.hbpct.co.nz/reports-and-information/>

COMPANY PERFORMANCE 2022-2023

Compliance: *The trading results for 2022-2023 were primarily impacted by Cyclone Gabrielle, causing additional repair costs, asset disposals, and restoration. Operating expenses increased due to inflationary factors, and there was also a rise in borrowing costs. The inclusion of Pringle Beleski and Associates Limited for the first time in 2022-23 impacted the year-on-year comparison. Total group revenue was \$320 million, up \$56 million from the previous year, while operating expenditure reached \$225 million, a \$47 million increase. After accounting for increased depreciation and borrowing costs, the 'operating profit before tax' remained consistent with the prior year at \$36.2 million. While there was a favourable movement of \$2.9 million on financial instruments (non-cash), due to the previous year's favourable movement of \$8.3 million, 'net profit before tax' was down on the prior year by \$5.3 million at \$39.2 million.*

Shareholders' funds showed an increase of \$11 million or 2.2%, increasing to \$510 million.

Ratio of Consolidated Shareholders' Funds to Total Assets

- The minimum target ratio of consolidated shareholders' funds to total assets is set at not less than 40%.
- Target goal for 2023 – 51%

Compliance: *The minimum target ratio was achieved and the target goal was slightly behind. The actual ratio was 50%.*

Performance Targets

Unison's 2023 Statement of Corporate Intent sets targets for both financial and network performance.

Compliance: *The Company did not meet its financial performance targets or its network performance targets. Given the impact of the cyclone the Trustees are however satisfied with the financial results and the network performance.*

	Statement of Corporate Intent	
	2023 Targets	Actual Results 2023
FINANCIAL		
Earnings before interest, taxation, depreciation, amortisation and financial instruments as a percentage of average assets employed	10.2%	9.4%
Earnings before interest and taxation as a percentage of average assets employed	6.5%	5.3%
Total line operating costs per consumer	\$375	\$426

	Statement of Corporate Intent	
	2023 Targets	Actual Results 2023
NETWORK PERFORMANCE		
SAIDI – System Average Interruption Index (Minutes)	<65.85	75.99
SAIFI – System Average Interruption Frequency Index	<1.50	1.43
HEALTH AND SAFETY PERFORMANCE		
• Injuries relating to critical risk	Nil	Nil
• Number of Public Accidents	Nil	2

COMPLIANCE WITH OTHER MATTERS

Unison’s Statement of Corporate Intent is released each year, detailing matters relating to the company’s scope of activities, dividend distributions, accounting policies, information to be provided to shareholders and administrative matters relating to procedures and communications with the Trust, as the sole shareholder. We are satisfied that in all these matters the company has complied with the Statement of Corporate Intent.

Additional information on Unison’s performance for the year ended 31 March 2023 can be found in the company’s Annual Report or on Unison’s website at www.unison.co.nz, or obtained from Unison direct.

THANKS

Trustees extend a special thanks to the entire Unison team for the extraordinary work carried out throughout the year, and especially since Cyclone Gabrielle. There are many reports of how a crisis can strengthen a team and break down barriers that previously existed. This is certainly true of the collaborative effort undertaken locally, nationally and internationally in the past 5 months. We hope all concerned take some time for themselves and feel proud of their achievements.

Our special thanks to the Trust Secretary, Stephen Dine, and his team at Brown Webb Richardson, for the continued professional, courteous service and support they provide to the Trust. .

TRUSTEES’ CONTRIBUTIONS

I would personally like to thank the current Trustees for their open and honest contribution around the Trust table. We have had some robust discussions with each other and the Unison team throughout the year. I thank each of them for their contributions on behalf of consumers over the past year.

**DIANA KIRTON
CHAIR**

On behalf of the Trustees – David Pearson, Jeff Farnworth, Barbara Arnott and Kirsten Westwood.

MORE TRUST INFORMATION

Detailed information about the Trust and its work is accessible on the Trust website: **www.hbpct.co.nz**. It can also be available from the Trust's offices, c/- Brown Webb Richardson, 111E Avenue Road, Hastings.