

**MINUTES OF THE 2010 PUBLIC MEETING OF THE
HAWKE'S BAY POWER CONSUMERS' TRUST
HELD ON FRIDAY 16 JULY 2010 AT 5.00 P.M.
IN THE BAPTIST CHURCH HALL, HASTINGS**

PRESENT: J Newland (Chairman), A Buntain, D Kirton, J Palmer and S Dine (Secretary).

The meeting was attended by 11 members of the public as well as the Directors of Unison Networks Ltd, Kevin Atkinson and John Palairret, and members of the Unison senior management team.

WELCOME: The Chairman welcomed those attending and introduced the Trustees and the Secretary. He also advised that the Directors and senior management of Unison were in attendance and would be available to answer any questions that were raised.

APOLOGIES: The following apologies were received and sustained:-
John Geoghegan
Helen Walker
Phil Hocquard
Roger Fisher
Ken Sutherland
Brian Martin

Colin Ashton/Kevin Atkinson

MINUTES OF THE MEETING HELD ON 24 JULY 2009:

The Chairman advised the Minutes of the previous meeting held on 24 July 2009 had been made available at the meeting and had been posted on the Trust's website for some time. He advised that in August last year the Trustees considered these to be an accurate record of the meeting. He proposed that the Minutes be accepted as read and then moved that they be confirmed as a true and correct record of that meeting.

J Newland/M Smith Carried

MATTERS ARISING FROM THE MINUTES:

The Chairman advised that the rotation of auditor as referred to in the Minutes had been considered by Trustees and was subject to a later Agenda item.

CHAIRMAN'S REPORT:

Mr Newland presented his Chairman's Report on the activities of the Trust during the year, advising that the Trustees had monitored the performance of Unison Networks Ltd by reviewing monthly reports, meeting with the company directors to discuss matters of strategic importance, worked through the Statement of Corporate Intent and agreed the direction of the business and financial budget for the current year. He noted that the investment in the subsidiary company ETEL has been fruitful in contributing to the profitability and providing growth opportunities for the future. Mr Newland advised that directors Ken Gilligan and Dave Frow terms had concluded during the year and

thanked them for their involvement, and that Helen Walker's term concluded today and he recognised her commitment to Unison over the past six years. The trustees were pleased to appoint Roger Fisher to the Board from October and as of today Paul Connor has been appointed. The trustees were also thankful that Keith Valentine and John Palairret had accepted the opportunity of returning to the Unison Board for a further term.

Mr Newland reported that the trustees have attended two conferences during the year with trustees from other Lines Company Shareholder Trusts. Both conferences provided an opportunity to be updated on industry matters and to discuss issues of mutual concern. The Trust again this year continued to contribute funding towards an initiative to facilitate insulation and energy efficiency with Energy Options Charitable Co Ltd. Mr Newland noted that an advantage of an involvement with this project is that it enables other funding to be accessed and accordingly the Trust achieves more than it could on its own. The electric blanket testing programme has continued for another season.

Mr Newland noted that a dividend distribution to consumers was made in November 2009 and advised that there will be a further dividend distribution in November of this year. He stated that the Trust appreciates being in a position to be able to do this as some other Trusts receive a lower level of dividends from their investment in a lines company.

Mr Newland thanked the directors and management of Unison for their efforts and congratulated them on their current success. He acknowledged the nature of communication the Trust has with the Board and the CEO. He thanked the Trust Secretary Stephen Dine and his colleagues at BWR for their assistance during the year.

Mr Newland concluded by thanking his fellow trustees Arch Buntain, Diana Kirton, James Palmer and John Geoghegan for their contribution to the Trust during the year, stating that while the trustees are a small group they are diverse in many ways and accordingly have a range of perspective which leads to interesting and thorough discussion on any issues that arise.

Mr Newland moved that his Chairman's Report be adopted. This was seconded by John Palairret. Carried

FINANCIAL STATEMENTS:

The Secretary led discussion on the Financial Statements of the Trust for the year ended 31 March 2010. He advised that the dividend received from Unison Networks during the year at \$6.2m was \$700,000 more than the previous year but investment income had declined as a result of interest rates falling. The Trust's level of expenditure was similar to last year although a significant amount of the expenditure was in relation to the support of the insulation programme undertaken in conjunction with Energy Options. After discussion it was moved that the Financial Statements for the 2010 year disclosing a net income of \$5,908,053 be adopted.

D Kirton/J Palmer Carried

APPOINTMENT OF AUDITOR:

Mr Newland advised that the trustees had considered consumers suggestions that auditors should be rotated from time to time and as such had sought tenders from three local firms. The trustees had considered these tenders and recommended to the meeting that PricewaterhouseCoopers in Napier be appointed auditors for the Trust for the 2010 year at a fee of \$5,950. Mr C Ashton enquired as to how this compared with the current fee and was advised that it was slightly above but it was expected the existing auditor would have increased their fee for the 2011 year anyway. It was therefore proposed that PricewaterhouseCoopers appointment be confirmed.

J Newland/J Palmer Carried

GENERAL BUSINESS:

Mr Newland asked Kevin Atkinson, the Chairman of Unison Networks Ltd, to provide the meeting with a summary of Unison's performance during the year. Mr Atkinson began his presentation by noting the importance of Unison to the province and acknowledged the support that he had received from the Trust, the company CEO and staff. He advised that Ken Sutherland was unable to attend the meeting and Jaun Park who is the general manager of network operations would speak in his absence. Mr Atkinson advised that the financial results were particularly pleasing for the 2010 year with an after tax profit of \$18.9m being a record for the company. This was some \$4.52m or 31.5% up on the previous year. The revenue of \$155m was \$48.3m up on the corresponding period, but did include the trading from wholly owned subsidiary ETEL for the first full year. Capital expenditure for the year was \$44.8m and total borrowings increased by \$7.5m to \$202.8m although the ratio of debt to total assets was still within what he considered a comfortable range. Shareholders Funds were up \$13.4m to \$285.2m. He announced that a dividend of \$8.76m to the shareholder had been declared with another \$1.375m set aside for the Trust's undergrounding programme.

Mr Atkinson advised that Unison has begun a bold new strategic direction with a Smart Grid deployment across Hawke's Bay with Unison's customers among the first in New Zealand to realise Smart Grid benefits. As part of the Smart Grid deployment Unison had begun to invest significantly in fibre infrastructure, firstly in Hawke's Bay and then in Taupo and Rotorua. He noted that ultra fast broadband is an enabler of economic growth and through leveraging this market investment Unison is helping lead these regions forward in terms of technology, communications, innovation and performance.

Mr Jaun Park then addressed the meeting and detailed the operations and performance of Unison during the year commenting that previous reinvestment in the network had enhanced the systems reliability and security. Unison comfortably met its performance targets in these areas. He also referred to the Smart Grid technology and the benefits associated with this and noted that he was confident that these technologies will meet the challenges faced by Unison in the future.

The Chairman invited the meeting attendees to ask any questions of Unison or the Trust.

Mr David Renouf enquired as to how often and how long the hot water was turned off and was advised that it is done on a regular basis depending on usage. He also enquired as to progress re Stage 1 of the wind farm and was advised that Unison are currently looking at the options that are available to them. He also requested that the Trust question Unison about the possibility of putting the Maraetotara dam back into operation. He requested that the trustees consider a credit to the power account as opposed to an issue of cheques in regard to the distribution. In response to this Mr Newland sought any other comments from the audience.

Mr Eric Scott noted that consumers were always grateful to receive a dividend, but was concerned about the high tax rate associated with it and considered that there would be benefit in supporting community projects rather than issuing what he considered was a relatively modest cheque to all consumers. He thought that if aggregated a lot more benefit to the community could be attained. He also suggested that a worthwhile community project could be a train link from Waipukurau to Napier. Mr Newland advised that his comments were noted, but that his view was a minority view. There was further discussion noting that the Hawke's Bay Power Consumers' Trust is a consumers Trust and not a community Trust and there are restrictions on the support of such projects within the Trust's Deed.

Mrs Maree Dunningham noted that the money given to each pensioner was very worthwhile, but again was concerned about the rate of taxation associated to it.

Mr Colin Ashton enquired as to the progress and also how Unison rated its chances of securing the government contract in regard to the laying of the fibre infrastructure. Mr Atkinson advised that any discussions in regard to the government contract was confidential and was he was unable to provide any further information at this time. Nigel Purdue from Unison advised that the laying of the fibre network in Hawke's Bay is approximately 60% completed. Mr Ashton also enquired as to whether the directors considered there were any business opportunities for Unison as a result of the implementation of the Omission Trading Scheme and was advised the directors considered there was little opportunity.

Mr Simon Cowan noted his concern that without power accounts being itemised the benefit of Unison's performance could result in a gain to retailers. He did acknowledge that Unison had put a link to Powerswitch on its website to assist with power savings. He enquired specifically of Mr J Palmer as to what the Trust had done in gaining transparency. Mr Palmer advised that the Trust had worked with other Trusts to seek government support, but that support was not forthcoming. He considered that the issue had reached a dead end.

Mr David Walker sought an explanation of the donation that Unison had made to the regional sports park. Mr Kevin Atkinson advised that a management paper had been produced and presented to the Board for approval which was duly given. The sponsorship is for \$1m subject to the high performance cycling centre coming to Hastings. Mr Walker then responded that he was concerned about the amount of the sponsorship and considered it obscene to spend such a large amount on this project. He urged Unison directors to review such donations. Mr Atkinson responded by advising that entered into a new era with a non regulated aspect of the business becoming more prominent. In each situation for donations and sponsorship a business case is presented with the benefits and pay back of each project considered. In this case it was considered to be significant benefits to the community and to the region as a whole. Unison is committed to the growth and development of Hawke's Bay and supports such initiatives where possible.

Mr Walker then concluded by thanking the directors and management of Unison and the trustees for doing such a fine job.

Mr J Newland then closed the meeting and thanked all for their attendance.

The meeting concluded at 5.55 pm.