

AUCKLAND ENERGY CONSUMER TRUST CHAIRMAN'S REPORT



FOR THE YEAR ENDED 30 JUNE 2011

For the year ended 30 June 2011, the AECT continues to report stable results, with a slight increase in income received and a small reduction in costs.

At balance date, the Trust's 75.4% ownership of Vector was worth \$1.9 billion. Vector is recognised as one of the better performers on the NZX and, as analysed by Goldman Sachs, has consistently placed in the top quartile of NZX 50 companies for total shareholder returns over a 1, 3 and 5 year basis.

During the year, Trustees were again required to be active in regard to regulatory matters. The regulatory environment affects the value of our ownership in the company and the Trust has a responsibility to protect that investment and represent the voice of consumers. We continue to work for a resolution that delivers a more robust and balanced regulatory framework for both the short and long term.

Financial matters

During the year ended 30th June 2011 the income received by the Trust totalled \$108.4 million, which comprised \$107 million in dividends from Vector and \$1.4 million in income from funds on deposit.

Total expenditure incurred by the Trust was \$3.3 million. This was slightly lower than the previous year.

Annual Dividend

The dividend distribution to income beneficiaries took place on 17 September 2010. The total amount distributed was \$98.7 million, paid as a \$320 dividend to 308,995 eligible income beneficiaries. The number of beneficiaries increased by 2,048 compared to the previous year.

The Trust has maintained the net dividend paid to beneficiaries at \$320 since 2008, which is a pleasing result given the increased number of beneficiaries each year and the effect of withholding tax on the dividend.

The IRD requires the Trust to pay withholding tax on the dividend at 33%. Dividends paid to the Trust by Vector have imputation credits attached at the corporate tax rate. As the corporate tax rate has been reduced, the Trust is required to pay the difference. In financial year 2010, this amounted to a payment of \$14.00 on each dividend payment, totalling \$4.3 million.

Beneficiaries are reminded to assess their own tax situation as those on a personal tax rate lower than 33% may be eligible for a refund of this tax payment.

Appointment of auditors

The Trustees are recommending that Grant Thornton be again appointed as auditors for the Trust. Grant Thornton fees for this year's work were \$33,930.

Remuneration of auditors

In accordance with section 158C (3) of the Electricity Act 1992, a motion will be put to the Annual Meeting of beneficiaries authorising the Trust to fix the fees and expenses of the auditors for the ensuing year.

**Warren Kyd
Chairman**

**Auckland Energy Consumer Trust
26 October 2011**