

MINUTES OF THE EIGHTH ANNUAL MEETING OF BENEFICIARIES HELD AT THE ELLERSLIE EVENT CENTRE, 80-100 ASCOT AVENUE, ELLERSLIE ON THURSDAY 29 OCTOBER 2009 COMMENCING AT 7PM

Present

Trustees Mr W Kyd (Chairman), Mr M Buczkowski (Deputy Chairman), Mr S Chambers, Miss K A Sherry and Mr J Carmichael
36 beneficiaries registered their attendance at the meeting.

In attendance

Mr I Ward, Executive Officer, Ms J Stevens (Assistant Secretary), Mr D Bigio (Legal Adviser)

Apologies

Hon B English, Vector Directors B Thomson and T Carter; A Ball, CFO, Vector Ltd.

The Chairman, Mr Kyd, opened the meeting, introduced the Trustees and welcomed everyone including Vector Directors, Mrs A Paterson and Messrs H Fletcher and J Miller, Vector Chairman Mr M Stiassny, CEO Mr S Mackenzie, Mr D Tompkins, Group GM, Asset Investment, Mr R Malcolm, Manager Undergrounding Programme and Ms H Keir, Group Manager, Public Relations.

The Chairman also welcomed trustee candidates Ms R Montgomery and Mr D Hay.

Minutes

The minutes of the Seventh Annual Meeting of Beneficiaries held on 30 October 2008 and confirmed by Trustees on 19 November 2008, were tabled and received.

Chairman's Review

The Chairman outlined the year's activities noting that expenditure had reduced \$1.4million on last year and that, despite continued growth in beneficiary numbers, the dividend had been maintained at \$320 nett which also applies to the most recent dividend payment in September 2009. Recent research showed that 93% of respondents believe the Trust needs to promote itself.

Simon Mackenzie, Chief Executive Officer of Vector Ltd, presented an outline of Vector's proposed involvement in the government's fast fibre programme. He emphasized the many similarities between fibre and assets already managed, existing fibre programmes and potential in other network areas, as well as potential efficiencies in education and health across the country.

Mr Kyd then introduced Ross Malcolm, who presented an overview of undergrounding projects completed during the year. He noted that from the original agreement to spend \$10.5 million per annum, investment had increased each year to \$12.5 million in the year to June 2009, i.e. 108kms in the Trust area.

Appointment of Auditors

As recommended by the Trustees, it was

Moved:

Mr O'Brien

Seconded: Mr Hay

In accordance with Section 158C(1) of the Electricity Act 1992, Grant Thornton be appointed as auditors of the Auckland Energy Consumer for the ensuring year.

Carried

Remuneration of Auditors

Moved:

Mr Slater

Seconded

Mr Wilson

That, in accordance with Section 158C(3) of the Electricity Act 2 992, the Trust be authorized to fix the fees and expenses of the auditors for the ensuing year. Carried

Trustees then answered questions from the floor including:

Undergrounding

In response to a comment that there seemed to be no effort being made to increase the amount being undergrounded it was noted that thanks to the Trust's majority ownership of Vector Ltd, the Trust has an agreement with Vector that commits millions of dollars to undergrounding in the Trust district every year. The original agreement was for an average \$10.5 million to be invested every year. This increases each year in line with the PPI (Producers Price Index) and is now around \$12.5 million a year. This project has seen the look of streets all over Auckland change so far, power lines in more than 108km of streets have disappeared. Any acceleration of this programme would be detrimental to the income stream for income beneficiaries and the minority interests in Vector. Accelerating undergrounding does not add asset value to Vector.

When planning projects, the main thing Vector takes into consideration is the condition of the overhead power lines and poles. If they are in bad shape, they are probably a good candidate for undergrounding. Other things considered are: history of faults in the area; the number of customers who will benefit; whether other utility works are planned for the area. (Is other digging going to happen anyway, such as for water, gas or communication work?)

The Trust Deed precludes the dividend being used other than going to beneficiaries. While undergrounded assets are safer in a natural disaster, restoration of supply is quicker in non undergrounded areas.

Asset backing of Vector

In response to a question regarding the amount of equity supporting Vector's debt it was advised that "interest cover" was a more appropriate measure of Vector's ability to pay its interest bill. The sale of the Wellington network had had a positive effect on this ratio. Asset valuations are shown at cost.

Remuneration of Trustees

In response to a comment that trustees' remuneration was a lot considering all trustees did was receive the dividend from Vector and distribute it, it was noted that Trustees are elected persons on behalf of the beneficiaries who manage the investments of the Trust. The Trust's major investment is a 75% shareholding in Vector Limited, one of New Zealand's largest listed companies with a market capitalization in excess of \$2 billion.

Trustees are directly responsible for the appointment of the Directors of Vector; management of the significant cash flows of the Trust including a dividend distribution to over 300,000 beneficiaries; responsibility to protect the Trust's investment including engaging with the Commerce Commission, central and local government and such like to be cogniscant of the political and commercial environment within which the Trust operates. Under trust law in New Zealand, trustees' legal responsibilities are significantly higher than directors of listed companies.

Dividend

In reply to a question as to whether it was expected to maintain the distribution of dividends at the current rate as well as maintaining the undergrounding programme, beneficiaries were advised that, while it is the aim of Trustees to maintain the dividend at a steady level there would

Commerce Commission

A question was asked as to whether the AECT had made submissions to the Commerce Commission as part of the process to review the Price Quality path for Electricity Distribution Businesses and beneficiaries were advised that we had made submissions. These submissions are available on the Commerce Commission website.

There being no further business, the meeting concluded at 8.40pm. Date : ... 29 October 2009 Annual Meeting of Beneficiaries

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