



Independent auditor's report

To the Commissioners of the Commerce Commission and the Directors of Vector Limited

Report on the Annual Compliance Statement dated 15 May 2013 (comprising Pricing and Quality)

We have audited the attached statement, which is an Annual Compliance Statement in respect of the default price-quality path prepared by Vector Limited for the period 31 March 2013 and dated 15 May 2013 for the purposes of clause 11 of the *Electricity Distribution Default Price Quality Path Determination 2010* ("the Determination").

In relation to the price path set out in clause 8 of the Determination, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 5 to 9 and 15 to 25 of the Annual Compliance Statement.

In relation to the SAIDI and SAIFI statistics for the Reference Period and the Assessment Period ended on 31 March 2013, including the calculation of the Reliability Limits and the Assessed Values, which are relevant to the quality standards set out in clause 9 of the Determination, our audit included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 10 to 14 of the Annual Compliance Statement.

Our audit also included assessment of the significant estimates and judgments, if any, made by Vector Limited in the preparation of the Annual Compliance Statement and assessment of whether the basis of preparation has been adequately disclosed.

Directors' Responsibilities

The Directors of Vector Limited are responsible for the preparation of the Annual Compliance Statement in accordance with the Determination and for such internal control as the Directors determine is necessary to enable the preparation of an Annual Compliance Statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the Annual Compliance Statement based on our audit. We conducted our audit in accordance with SAE 3100: *Compliance Engagements* and ISAE (NZ) 3000: *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Compliance Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Compliance Statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Compliance Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the Annual Compliance Statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the Annual Compliance Statement.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to Vector such as the annual audit and half-yearly review of the financial statements, audit of the gas business' price and quality statements reported to the Commerce Commission and audit of the electricity and gas business' respective regulatory compliance statements reported to the Commerce Commission. Partners and employees of our firm may also deal with Vector on normal terms within the ordinary course of trading activities of the business of Vector. These matters have not impaired our independence as auditors of Vector for this engagement. The firm has no other relationship with, or interest in, Vector Limited.

Opinion

In our opinion, the Annual Compliance Statement of Vector Limited for the Assessment Period ended on 31 March 2013, has been prepared, in all material respects, in accordance with the Determination.

Our audit was completed on the 15 May 2013 and our opinion is expressed as at that date.

KPMG

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