



Independent Reasonable Assurance Report

To the Directors of Vector Limited, First Gas Limited and to the New Zealand Commerce Commission

Report on the Gas Distribution joint Compliance Statement dated 12 December 2016 (comprising Pricing and Quality)

We have performed an engagement to provide reasonable assurance in relation to the attached statement, which is an Annual Compliance Statement in respect of the default price-quality path prepared by Vector Limited and First Gas Limited, for the assessment period ended on 30 September 2016 and dated 12 December 2016 for the purposes of clause 11 of the *Gas Distribution Services Default Price-Quality Path Determination 2013 NZCC4* ("the Determination").

In relation to the price path set out in clause 8 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 5 to 8 and 13 to 30 of the Annual Compliance Statement.

In relation to the quality standard set out in clause 9 of the Determination, our assurance engagement included examination, on a test basis, of evidence relevant to the amounts and disclosures contained on pages 9 to 12 of the Annual Compliance Statement.

Our assurance engagement also included assessment of the significant estimates and judgments, if any, made by Vector Limited and First Gas 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 and First Gas 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.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion on the Annual Compliance Statement based on our assurance engagement. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised) *Assurance Engagements other than audits or reviews of historical financial information* and Standard on Assurance Engagements SAE 3100 *Compliance Engagements*. Those standards require that we comply with ethical requirements and plan and perform an assurance engagement to obtain reasonable assurance about whether the Annual Compliance Statement is free from material misstatement.

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised) issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Professional and Ethical Standard 3 (Amended) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our engagement is not designed to detect all weaknesses in the Annual Compliance Statement, as the engagement has not been performed continuously throughout the period and the procedures performed on the Annual Compliance Statement and its measures were undertaken on a test basis.

Any projection of the evaluation of the operation of the Annual Compliance Statement to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance may deteriorate.



Our firm has also provided audit and other assurance services to Vector Limited. Partners and employees of our firm may also deal with Vector Limited on normal terms within the ordinary course of trading activities of the business of Vector Limited. These matters have not impaired our independence as assurance practitioners for this assurance engagement. The firm has no other relationship with, or interest in, Vector Limited.

Our firm has also provided audit, other assurance and non-audit services to First Gas Limited. Partners and employees of our firm may also deal with First Gas Limited on normal terms within the ordinary course of trading activities of the business of First Gas Limited. These matters have not impaired our independence as assurance practitioners for this assurance engagement. The firm has no other relationship with, or interest in, First Gas Limited.

Opinion

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

In our opinion, the joint Annual Compliance Statement of Vector Limited and First Gas Limited for the Assessment Period ended on 30 September 2016, has been prepared, in all material respects, in accordance with the Determination.

Our assurance engagement was completed on the 9 December 2016 and our conclusion is expressed as at that date.

Restriction of distribution and use

In accordance with the terms of our engagement, this independent reasonable assurance report on the Annual Compliance Statement has been prepared for the Directors of Vector Limited and First Gas Limited and the New Zealand Commerce Commission solely in connection with the Directors' responsibilities under the determination and for no other purpose or in any other context.

Our report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights other than Vector Limited, First Gas Limited and the New Zealand Commerce Commission in relation to section 11.2(d) of the Determination for any purpose or in any context. Any party other than Vector Limited, First Gas Limited and the New Zealand Commerce Commission who obtains access to our report or a copy thereof and chooses to rely on our report (or any part thereof) will do so at its own risk.

To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than Vector Limited, First Gas Limited and the New Zealand Commerce Commission for our work, for this independent reasonable assurance report, or for the conclusions we have reached.

Our report is released to Vector Limited, First Gas Limited and the New Zealand Commerce Commission on the basis that it shall not be copied, referred to or disclosed, in whole (except for Vector Limited's and First Gas Limited's own internal purposes) or in part, without our prior written consent.

A handwritten signature in blue ink that reads 'KPMG'.

9 December 2016
Auckland