



Independent Reasonable Assurance Report

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

**Report on the Gas Distribution Compliance Statement dated 10 December 2015
(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 for the assessment period ended on 30 September 2015 and dated 10 December 2015 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 12 to 37 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 11 of the Annual Compliance Statement.

Our assurance engagement 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.

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.

An assurance engagement involves performing procedures to obtain evidence about the amounts and disclosures in the Annual Compliance Statement. The procedures selected depend on the assurance practitioner'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 assurance practitioner considers internal control relevant to the entity's preparation of the Annual Compliance Statement in order to design assurance 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 assurance engagement 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 evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion.

Our firm has also provided other services to Vector such as the annual audit and half year review of the financial statements, reasonable assurance of the electricity and gas transmission and distributions respective regulatory information disclosure statements reported to the Commerce Commission, and other assurance services relating to Vector's gas transmission and non-Auckland gas distribution businesses. 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 assurance practitioners for this assurance engagement. The firm has no other relationship with, or interest in, Vector Limited.

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.

Conclusion

In our opinion, the Annual Compliance Statement of Vector Limited for the Assessment Period ended on 30 September 2015, has been prepared, in all material respects, in accordance with the Determination.

Our assurance engagement was completed on the 10 December 2015 and our conclusion is expressed as at that date.



Restriction of distribution and use

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 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 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 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 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 own internal purposes) or in part, without our prior written consent.

A handwritten signature of 'KPMG' in blue ink, written in a cursive style.

Auckland
10 December 2015