



Independent Auditors' Report To the Directors of The New Zealand Refining Company Limited

Assurance Report Pursuant to Schedule 8 of the Processing Agreements

As stated in Note 2 to the 2016 annual financial statements of The New Zealand Refining Company Limited, the Company has recorded total processing fee revenue of \$276.6 million for the year ended 31 December 2016. Processing fee revenue is calculated in accordance with agreements ("Processing Agreements") between the Company and each of its customers (BP Oil New Zealand Limited, Mobil Oil New Zealand Limited, Z Energy Limited and Z Energy 2015 Limited). Section 8.1 of Schedule 8 of the Processing Agreements specifies the basis on which processing fees are calculated.

We have completed this assurance engagement to express an opinion as to whether, in all material respects, the Company has complied with section 8.1 of Schedule 8 of the Processing Agreements for the year ended 31 December 2016.

Use of Report

This report has been prepared for the Directors and is provided solely to assist you in establishing that compliance requirements have been met. Our report should not be used for any other purpose. The scope of this engagement was agreed with the Directors in our letter of engagement dated 5 April 2017. The engagement was not planned or conducted in contemplation of reliance by any other party and items of possible interest to a third party may not be specifically addressed. Additionally, matters may exist that would be assessed differently by a third party.

We understand this report may be provided to the Company's shareholders. To the fullest extent permitted by law, we do not accept or assume responsibility for any reliance on this report to anyone other than the Directors, or for any purpose other than that for which it was prepared.

Opinion

In our opinion, the Company has complied, in all material respects, with section 8.1 of Schedule 8 of the Processing Agreements for the year ended 31 December 2016.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities, explain our independence, and describe the inherent limitations and quantitative materiality level we have used in performing our work.

Basis of opinion

Our engagement has been conducted in accordance with ISAE (NZ) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and SAE 3100 *Compliance Engagements* to obtain reasonable assurance that the Company has complied with section 8.1 of Schedule 8 of the Processing Agreements for the year ended 31 December 2016. Our procedures included testing whether:

1. Processing fees, which total \$276.6 million for the year ended 31 December 2016, are calculated in accordance with the formula specified in section 8.1 of Schedule 8 of the Processing Agreements as follows:

$$\text{Processing Fee (NZ\$)} = 70\% * \text{Margin (US\$/bbl)} * \text{Volume (bbl)} * \text{RX (NZ\$/US\$)}$$



2. Processing fees calculated in (1) agree to the amounts invoiced and received from customers.
3. Inputs to the margin component, tested on a sample basis, agree to valid source documents.
4. Volumes, tested on a sample basis, agree to the quantity of feedstock processed in 2016 as determined by the Feedstock and Product Position report at the end of the year.

These procedures have been undertaken to form an opinion as to whether the Company has complied, in all material respects, with section 8.1 of Schedule 8 of the Processing Agreements for the year ended 31 December 2016.

Directors' Responsibilities

The Directors are responsible for the Company's compliance with section 8.1 of Schedule 8 of the Processing Agreements.

Auditors' Responsibilities

Our responsibility is to express an opinion on whether the Company has complied, in all material respects, with section 8.1 of Schedule 8 of the Processing Agreements for the year ended 31 December 2016 and report our opinion to you.

Inherent Limitations and Materiality

We have performed our procedures using a quantitative materiality level of \$5 million, being approximately 1.8% of total processing fees for the year ended 31 December 2016. Because our audit procedures were performed using this materiality level, there are inherent limitations where it is possible that fraud, error or non-compliance may occur and not be detected. As the procedures performed for this engagement were not performed continuously throughout the period and were undertaken on a test basis, our assurance engagement cannot be relied on to detect all instances where the Company may not have complied with section 8.1 of Schedule 8 of the Processing Agreements. The opinion expressed in this report has been formed on the above basis.

Independence

Other than in our capacity as auditors, assurance providers conducting this engagement and in the provision of Annual General Meeting scrutineering and consulting services on director fee benchmarking, we have no relationship with, or interests in, The New Zealand Refining Company Limited. The provision of these other services has not impaired our independence as auditors providing this assurance report.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive, flowing script.

Chartered Accountants
3 May 2017

Auckland, New Zealand