National Gas Law
Annual Compliance Order

Jemena Gas Networks (NSW) Ltd
Annual Compliance Report for 2012–13

Statement of Compliance

I ......PAUL ADAMS.............. being a Director of Jemena Gas Networks (NSW) Ltd (**JGN**), provide this Statement of Compliance in respect of the attached Annual Compliance Report (**Report**) for the 12 month period ending 30 June 2013 (**Reporting Year**).

1. The Report is accurate and can be relied upon by the Australian Energy Regulator (**AER**):

   (a) as a true and fair representation of JGN's operations and ownership of the Jemena Gas Network in the Reporting Year; and

   (b) in the performance or exercise of its functions or powers under the National Gas Law or the National Gas Rules.

2. To the extent that the Report relies on information and documentation that is prepared, kept, or maintained by JGN, that information and documentation is accurately represented.

3. The Report is not false or misleading.

4. The Report is provided in accordance with the Annual Compliance Order made by the AER and is complete.

Signed: ....

Director of Jemena Gas Networks (NSW) Ltd

Date: ..21 OCT 13.......

NATIONAL GAS LAW
ANNUAL COMPLIANCE ORDER

JEMENA GAS NETWORKS (NSW) LTD
ANNUAL COMPLIANCE REPORT FOR 2012–13

(Format reproduced from Attachment 1 to the Annual Compliance Order.)

Attachment 1 - Matters to be specifically addressed annually by service providers and related providers

Note: In addressing these matters, the information and documentation provided must only cover the relevant Compliance Period as defined in the Order.

1. General duties for the provision of pipeline services of covered pipeline services by a service provider

1.1 Legal entity

(a) Nominate the type of legal entity the service provider is according to the specified kinds of legal entity in section 131 of the NGL.

JGN response:

The service provider, Jemena Gas Networks (NSW) Ltd (**JGN**), is a legal entity registered under the *Corporations Act 2001* (Cth) (NGL s131(a)).

(b) What is the registered business name and ABN of the service provider legal entity providing the covered pipeline service?

JGN response:

JGN's registered business name is Jemena Gas Networks (NSW) Ltd, ABN 87 003 004 322.

(c) *Provide an outline of the group structure which is controlled by or which the service provider is a part (including identification of the head company, nature of investment or entity, relationship to the service provider and proportion of assets owned/share of investment within the group). This should include any assets (businesses) it owns or that own it. The group structure should include business that are beneficially controlled such as trustee companies, jointly owned or operated business such as partnerships or joint ventures, businesses that are significant investments or controlled. This can also be represented as an organisational chart.*

JGN response:

Attachment 1 contains an organisational chart which describes the corporate structure of which JGN was a part during the reporting period.

1.2 Preventing or hindering access

(a) Is the service provider aware of any claims that it has prevented or hindered access to services on the covered pipeline within the terms of section 133 of the NGL?

JGN response:

JGN is not aware of any claim that it has prevented or hindered access to services on the covered pipeline within the terms of section 133 of the NGL.

1.3 Supply and haulage of natural gas

(a) Does a producer supply natural gas through the covered pipeline at a place other than the exit flange of the producer's processing plant?

JGN response:

Not to JGN's knowledge. JGN cannot know if a network user is also a producer with the level of assurance required for this Report. (JGN notes that this question relates to section 134 of the NGL which does not impose any obligation on a service provider.)

1.4 Queuing requirements

(a) Has the service provider complied with the queuing requirements of the applicable access arrangement during the year?

JGN response:

Yes. There was no occasion during the reporting period when JGN received a request that required a queue to be formed.

1.5 Service provider providing light regulation services must not price discriminate

(a) Does the service provider provide light regulation services?

JGN response:

JGN does not provide any light regulation services.

(b) If so, are there any differences in the prices of the provision of those services? Please provide an explanation as to why these price differences exist.

JGN response:

Not applicable.

2. Structural and Operational Separation Requirements (Ring Fencing)

2.1 Carrying on of a related business

(a) Provide a list of associates of the service provider that take part in a related business and for each associate describe what the nature of the related business is.

JGN response:

None of JGN's associates takes part in a related business.

(b) Provide a list of associates that are service providers and/or provide pipeline services.

JGN response:

The following associates of JGN were service providers and/or provided pipeline services during the reporting period:

- ZNX (2) Pty Ltd [1]
- Jemena Colongra Pty Ltd
- Jemena Eastern Gas Pipeline (1) Pty Ltd
- Jemena Eastern Gas Pipeline (2) Pty Ltd
- Jemena Networks (ACT) Pty Ltd
- ActewAGL Distribution
- Jemena Queensland Gas Pipeline (1) Pty Ltd
- Jemena Queensland Gas Pipeline (2) Pty Ltd
- Jemena VicHub Pipeline Pty Ltd
- SPI Networks (Gas) Pty Ltd

2.2 Marketing staff and the taking part in related businesses

(a) Provide a list of associates of the service provider that are directly involved in the sale, marketing or advertising of pipeline services.

JGN response:

Interpreting this to require a list of associates of JGN that are directly involved in the sale, marketing or advertising of pipeline services where the pipeline services may be those of the associate, JGN or any other service provider, those associates are:

- Jemena Colongra Pty Ltd
- Jemena Eastern Gas Pipeline (1) Pty Ltd
- Jemena Eastern Gas Pipeline (2) Pty Ltd
- ActewAGL Distribution
- Jemena Queensland Gas Pipeline (1) Pty Ltd

[1] Formerly Jemena Asset Management (6) Pty Ltd.

- Jemena Queensland Gas Pipeline (2) Pty Ltd
- Jemena VicHub Pipeline Pty Ltd
- SPI Networks (Gas) Pty Ltd

(b) Provide a statement as to whether or not any of the service provider's marketing staff are also officers, employees, consultants, independent contractors or agents of an associate of the service provider that takes part in a related business.

JGN response:

None of JGN's associates takes part in a related business. Accordingly, none of JGN's marketing staff are also officers, employees, consultants, independent contractors or agents of an associate of the service provider that takes part in a related business.

(c) Provide a statement as to whether or not any of the service provider's officers, employees, consultants, independent contractors or agents are also marketing staff of an associate of the service provider that takes part in a related business.

JGN response:

None of JGN's associates takes part in a related business. Accordingly, none of JGN's officers, employees, consultants, independent contractors or agents are also marketing staff of an associate of the service provider that takes part in a related business.

2.3 Separate accounts must be prepared, maintained and kept

(a) Provide a statement as to whether or not the service provider has prepared, maintained and kept a separate set of accounts in respect of the services provided by every covered pipeline owned or operated by the service provider.

JGN response:

JGN operates four covered pipelines which are and have always been consolidated for access purposes. JGN's only and entire business is to own, control and operate those pipelines. Consistent with the consolidation, JGN has prepared, maintained and kept a single set of accounts for its business.

(b) Name the legal entity or entities in which the separate accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?

JGN response:

The accounts referred to in (a) above are in the name of JGN.

(c) Provide a statement as to whether or not the service provider has prepared, maintained and kept a consolidated set of accounts in respect of the whole of the business of the service provider.

JGN response:

JGN has prepared, maintained and kept a consolidated set of accounts being the set of accounts referred to in (a) above.

(d) Name the legal entity in which the consolidated set of accounts are reported, maintained or kept for the services provided by each covered pipeline owner or operator?

JGN response:

The accounts referred to in (c) above are in the name of JGN.

(e) Provide a copy of the most recently lodged annual financial reports with the Australian Securities and Investments Commission or if no such reports exists other similar audited financial reports prepared for or provided to a state or territory department, agency or body under relevant state or territory legislation. These financial reports may be the consolidated set of accounts in respect to the whole of the business of the service provider, and if also separately lodged with the Australian Securities and Investments Commission the most recently lodged annual separate set of accounts in respect of the services provided by the service provider.

JGN response:

A copy of JGN's special purpose financial report for the year ended 31 March 2013 is attached (Attachment 2). The report was submitted to the Australian Securities and Investments Commission in July 2013.

2.4 Additional ring fencing requirements or exemptions

(a) Does the service provider have any additional ring fencing requirements?

JGN response:

JGN has no additional ring fencing requirements.

(b) What are these requirements?

JGN response:

Not applicable.

(c) Provide a statement that these additional ring fencing requirements have or have not been met.

JGN response:

Not applicable.

(d) Does the service provider have any exemptions for the minimum ring fencing requirements?

JGN response:

JGN has no exemptions for the minimum ring fencing requirements.

(e) What are these exemptions?

JGN response:

Not applicable.

(f) By what jurisdictional regulator and when where these exemptions granted?

JGN response:

Not applicable.

2.5 Associate contracts

(a) Has the service provider entered into or given effect to any new associate contracts, or varied the terms and conditions of an existing associate contract?

JGN has not entered into or given effect to any new associate contracts or varied the terms and conditions of an existing associate contract during the reporting period.

(b) For each new or varied associate contract, please indicate the date the new or varied associate contract was entered into or given effect?

JGN response:

Not applicable.

(c) For each new or varied associate contract, please indicate if the contract or variation was approved by the AER and the date that it was approved?

JGN response:

Not applicable.

(d) If the associate contract was not approved by the AER, please indicate what date the new or varied associate contract was provided to the AER?

JGN response:

Not applicable.

Note: An ‘associate contract’ is defined under the NGL to include arrangements or understandings and is not limited to written contracts.

3. Other requirements

3.1 Making access arrangement or terms and conditions of access available

(i) Ensuring applicable access arrangement and other specified information is available on website

(a) Has the service provider published the approved access arrangement on its website?

JGN response:

Yes.

(b) Please provide the website address where this access arrangement can be accessed and the date that this access arrangement was provided on the website.

JGN response:

JGN's Access Arrangement (**AA**) is available on the Jemena website at:

http://jemena.com.au/what-we-do/assets/jemena-gas-network/access-arrangement.aspx

(c) Has the service provider received any requests from the AER to provide to prospective users generally other information specified as reasonably necessary to determine if access should be sought.

JGN response:

There have not been any relevant requests from the AER during the reporting period.

(d) Please provide details of when and how this request was met.

JGN response:

Not applicable.

(ii) Publishing approved competitive tender process access arrangement

(a) Where there is an approved competitive tender process access arrangement in place for a covered pipeline, has the service provider published the approved access arrangement on its website?

JGN response:

Not applicable.

(b) Please provide the website address where this access arrangement can be accessed and the date that this access arrangement was provided on the website.

JGN response:

Not applicable.

(iii) Publishing terms and conditions of access to light regulation services

(a) Where there is access to light regulation services on a covered pipeline, has the service provider published tariffs and other terms and conditions for these services on its website?

JGN response:

Not applicable.

(b) Please provide the website address where this information can be accessed and the date that this information was first made available on the website.

JGN response:

Not applicable.

(c) Has the service provider had access negotiations regarding light regulation services? If so, the following will need to be reported, the name of the party requesting the service, the pipeline service requested, and the outcome of the access negotiations.

JGN response:

Not applicable.

3.2 Access determinations

(a) Has the service provider been party to an access determination?

JGN response:

No.

(b) When did the access determination become operative?

JGN response:

Not applicable.

(c) For what period is the access determination in place?

JGN response:

Not applicable.

3.3 Confidentiality

(a) Provide a statement that the confidentiality requirements under rule 137 of the National Gas Rules have or have not been met.

JGN response:

There have been no instances during the reporting period where the requirements under rule 137 were not met.

(b) Has the service provider established an internal protocol or policy guideline or procedure manual for the handling of confidential information?

If so please provide the AER with the relevant policy document

JGN response:

JGN does not maintain any documentation directed specifically at the handling of confidential information in accordance with the NGR.

SPI (Australia) Assets Pty Ltd has implemented a ring-fencing training program for all relevant subsidiaries, including JGN, which emphasises the importance of ensuring that confidential information is handled properly and that any breaches or possible breaches are reported promptly. That training was completed by 403 personnel during the reporting period. Ring-fencing requirements, including provisions relating to confidential information, are also described in induction material provided to new employees.

Jemena also maintains a compliance management system. The confidential information provisions of the NGL are included in the system which, among other things, delivers compliance questionnaires to responsible managers in the business on a periodic basis. This process serves to maintain awareness of the obligations and reinforces responsible managers' accountabilities for ensuring compliance.

3.4 Bundling

(a) Has the service provider bundled any of its services when providing access or negotiating access with a prospective user?

JGN response:

JGN's AA as approved by the AER requires that a Meter Data Service be taken with each Haulage Reference Service for so long as JGN provides that Meter Data Service as a reference service. That will remain the case for so long as the provision of Meter Data Services is not contestable.

(b) If so, provide a description of the bundled services and related conditions of access.

JGN response:

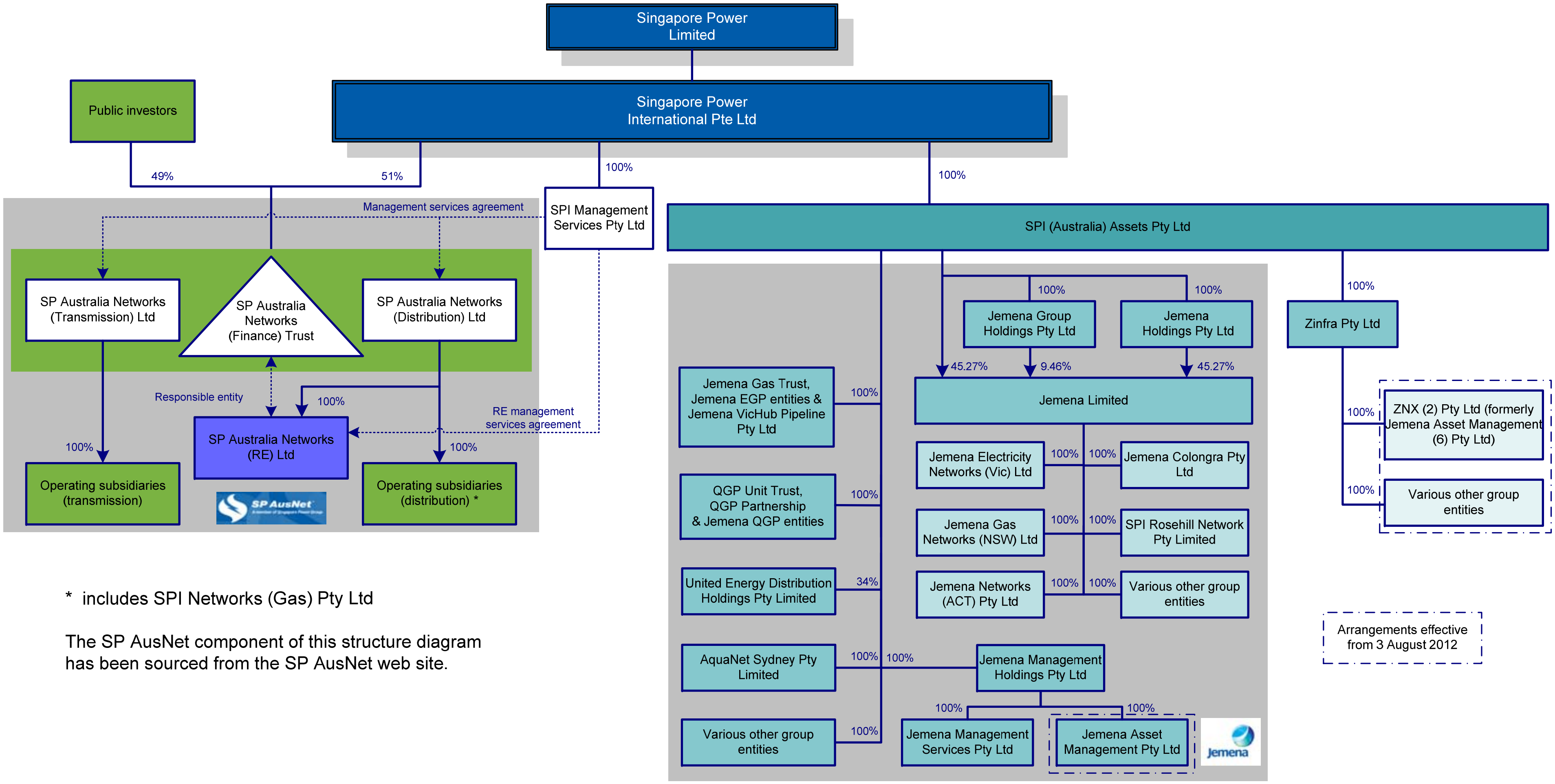
The Haulage Reference Service is described in section 2.2A of JGN's AA as approved by the AER. Section 2.2A(c) states that:

> The Haulage Reference Service is only available where the Haulage Reference Service is taken in conjunction with the Meter Data Service (where the Service Provider provides the Meter Data Service as a Reference Service).

The Meter Data Service is described in section 2.2B of the AA. Bundling is reasonably necessary because meter reading and data processing are required to enable billing for the Haulage Reference Service.

JGN provided the Meter Data Service as a Reference Service throughout the reporting period. Accordingly, users were required to take a Meter Data Service with each Haulage Reference Service as provided in JGN's AA on conditions that are set out in JGN's Reference Services Agreement.

ATTACHMENT 1
Question 1.1(c) – corporate structure of which JGN was a part during the reporting period



* includes SPI Networks (Gas) Pty Ltd

The SP AusNet component of this structure diagram has been sourced from the SP AusNet web site.

ATTACHMENT 2

Jemena Gas Networks (NSW) Ltd

ABN 87 003 004 322

Special purpose financial report for the year ended
31 March 2013

Jemena Gas Networks (NSW) Ltd

ABN 87 003 004 322

Special Purpose Financial Report for the year ended 31 March 2013

Contents

Directors' report

The Board of directors of Jemena Gas Networks (NSW) Ltd ("the Company") submits its report, together with the financial report, for the year ended 31 March 2013.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report (unless otherwise stated):

Mr Paul John Adams
Ms Joanne Margaret Rose Pearson
Mr Law Chin Ho (appointed 1 August 2012)
Mr Chia Seng Boon Brandon (resigned as alternate 1 August 2012, appointed as director 1 August 2012)
Mr Lim Howe Run (resigned 1 August 2012)
Ms Lim Lay Hong (resigned 1 August 2012)

Principal activities

The principal activity of the Company is the distribution of natural gas in New South Wales. The Company owns approximately 24,000 kilometres of natural gas distribution system, delivering approximately 100 petajoules per annum ("PJ p.a.") of natural gas to more than 1.1 million homes and businesses across New South Wales.

Review of operations

The Company is incorporated and domiciled in Australia. Its registered office is at 321 Ferntree Gully Road, Mount Waverley, VIC 3149.

The net profit after tax of the Company for the year ended 31 March 2013 was $190.6 million (2012: $187.1 million).

Dividends

No dividends were declared or paid by the Company during the year ended 31 March 2013 (2012: nil).

Significant changes in the state of affairs

In the opinion of the directors there were no significant changes in the state of affairs of the Company during the year.

Matters subsequent to the end of the financial year

Subsequent to 31 March 2013, Singapore Power International Pte Ltd ("SPI"), the immediate parent of SPI (Australia) Assets Pty Ltd ("SPIAA"), announced on 17 May 2013 that it had entered into a transaction to divest 60% of its shareholding in SPIAA (and also 60% of its interest in the SPI (Australia) Trust) to State Grid International Development Limited. This transaction is subject to customary conditions, including regulatory approvals.

On 17 May 2013, Standard and Poor's announced a rating downgrade of SPIAA, the Company's ultimate Australian parent, from A- to BBB.

On 17 May 2013 SPIAA also received advice from Moody's that they would be placed on review for downgrade. There is a 60-90 day period over which they will assess the impact of the transaction.

No other matter or circumstance has arisen since 31 March 2013 that has significantly affected, or may significantly affect:
(a) the Company's operations in future financial years, or
(b) the results of those operations in future financial years, or
(c) the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Further information on likely developments in the operations of the Company and the expected results of operations have not been included in these financial statements because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation and performance

The operations of the Company are subject to environmental regulations under both Commonwealth and State legislation in relation to its gas distribution activities. The directors are not aware of any significant breaches during the year or to the date of signing this report.

During the year ended 31 March 2013, the Company aimed to control the impact of its activities on the environment and to the greatest extent possible, ensured that its operations were conducted in accordance with existing legislative requirements.

Insurance of directors and officers
The directors and officers of the Company are covered by the insurance policies of Singapore Power Limited ("SP"). SP is the intermediate parent of SPIAA.

The insurance cover insures directors and officers against liabilities and expenses arising as a result of their work, to the extent permitted by law. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of premiums paid, are confidential.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

Rounding of amounts
The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor
The appointment of the Company's external auditor is reviewed and reconfirmed on an annual basis.

This report is made in accordance with a resolution of directors.

Paul John Adams
Director

Place: Melbourne

Date: 19 July 2013

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Jemena Gas Networks (NSW) Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne

19 July 2013

Jemena Gas Networks (NSW) Ltd
Income statement
For the year ended 31 March 2013

	Notes	2013 $'000	2012 $'000
Revenue	4	**505,087**	462,989
Other income		**889**	232
Depreciation and amortisation expense		**(74,482)**	(66,527)
Asset management expenses		**(103,338)**	(103,223)
Other expenses		**(35,927)**	(26,538)
Environmental and restoration expenses		**(28,913)**	-
Operating profit before finance income		**263,316**	266,933
Finance income		**-**	239
Profit before income tax		**263,316**	267,172
Income tax expense	5	**(72,766)**	(80,116)
Profit for the year		**190,550**	187,056
Attributable to:			
Owner of the Company		**190,550**	187,056
Profit for the year		**190,550**	187,056

The above income statement should be read in conjunction with the accompanying notes.

Jemena Gas Networks (NSW) Ltd
Statement of comprehensive income
For the year ended 31 March 2013

	2013 $'000	2012 $'000
Profit for the year	**190,550**	187,056
Other comprehensive income for the year	**-**	-
Total comprehensive income for the year	**190,550**	187,056
Attributable to:		
Owner of the Company	**190,550**	187,056
Total comprehensive income for the year	**190,550**	187,056

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Jemena Gas Networks (NSW) Ltd
Balance sheet
As at 31 March 2013

	Notes	2013 $'000	2012 $'000
ASSETS			
Current assets			
Receivables	6	**955,297**	642,537
Inventories	7	**3,465**	1,847
Total current assets		**958,762**	644,384
Non-current assets			
Property, plant and equipment	8	**3,187,391**	3,111,329
Intangible assets	9	**48,701**	55,398
Total non-current assets		**3,236,092**	3,166,727
Total assets		**4,194,854**	3,811,111
LIABILITIES			
Current liabilities			
Payables	10	**150,082**	9,901
Provisions	11	**9,156**	3,657
Total current liabilities		**159,238**	13,558
Non-current liabilities			
Provisions	12	**28,468**	-
Deferred tax	13	**245,864**	226,819
Total non-current liabilities		**274,332**	226,819
Total liabilities		**433,570**	240,377
Net assets		**3,761,284**	3,570,734
EQUITY			
Share capital	14	**57,000**	57,000
Reserves	15(a)	**769,822**	769,822
Retained earnings	15(c)	**2,934,462**	2,743,912
Total equity		**3,761,284**	3,570,734

The above balance sheet should be read in conjunction with the accompanying notes.

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 April 2011	57,000	769,822	2,556,856	3,383,678
Total comprehensive income for the year				
Profit for the year	-	-	187,056	187,056
Total comprehensive income for the year	-	-	187,056	187,056
Balance as at 31 March 2012	57,000	769,822	2,743,912	3,570,734

	Share capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance as at 1 April 2012	57,000	769,822	2,743,912	3,570,734
Total comprehensive income for the year				
Profit for the year	-	-	190,550	190,550
Total comprehensive income for the year	-	-	190,550	190,550
Balance as at 31 March 2013	57,000	769,822	2,934,462	3,761,284

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Jemena Gas Networks (NSW) Ltd
Cash flow statement
For the year ended 31 March 2013

	Notes	**2013 $'000**	2012 $'000
Cash flows from operating activities			
Profit before income tax		**263,316**	267,172
Adjustments for:			
Depreciation and amortisation		**74,482**	66,527
Loss on disposal of fixed assets		**1,608**	2,055
Operating profit before changes in working capital		**339,406**	335,754
Increase in receivables		**(312,760)**	(167,033)
Increase in inventories		**(1,618)**	(1,191)
Increase in payables		**120,427**	3,514
Net cash inflow from operating activities		**145,455**	171,044
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles	8, 9	**(145,830)**	(171,393)
Proceeds from sale of property, plant and equipment		**375**	349
Net cash (outflow) from investing activities		**(145,455)**	(171,044)
Net movement in cash and cash equivalents		**-**	-
Cash and cash equivalents at the beginning of the year		**-**	-
Cash and cash equivalents at the end of the year		**-**	-

The Company does not operate a bank account and all cash transactions are maintained through a related party's bank account.

The above cash flow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

1 Basis of preparation

Jemena Gas Networks (NSW) Ltd ('the Company") is a for profit company domiciled in Australia. The special purpose financial statements of the Company are for the year ended 31 March 2013.

The comparative figures are for the year ended 31 March 2012.

(a) Going concern basis of accounting

The financial statements have been prepared on a going concern basis of accounting, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

(b) Financial reporting framework

In the opinion of the directors, the Company is not a reporting entity. Accordingly, the financial report has been drawn up as a "special purpose financial report" and has been prepared for distribution to members under the *Corporations Act 2001.*

The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

(c) Statement of compliance

This special purpose financial report has been prepared in accordance with the *Corporations Act 2001*, the recognition, measurement and classification criteria specified by the Australian Accounting Standards ("AASBs") and Interpretations, and the disclosure requirements of AASB 101 *Presentation of Financial Statements*, AASB 107 *Statement of Cash Flows*, AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, AASB 1031 *Materiality*, AASB 1048 *Interpretation and Application of Standards* and AASB 1054 *Australian Additional Disclosures.*

The special purpose financial report was authorised for issue by the Board on 19 July 2013.

(d) Basis of measurement

The financial statements have been prepared under the historical cost convention.

(e) Functional and presentation currency

The financial statements are presented in Australian dollars, which is also the Company's functional currency.

(f) Accounting policies

Significant accounting policies for the special purpose financial statements are presented in note 2.

(g) Use of estimates and judgements

The preparation of the financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable judgements under the circumstances; the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

The areas involving a higher degree of judgement or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Revenue is recognised for the major business activities as follows:

(i) Services revenue
Services revenue includes tariff and contract revenue earned from the distribution of gas.

Services revenue is recognised on delivery which coincides with the stage of completion of the service. Customers are billed for sales on a periodic and regular basis. However, as at each balance sheet date, sales and accrued revenue include an estimation of sales delivered to customers but not yet billed ("unread sales"). This estimation is based on previous consumption patterns and meter reading dates.

From time to time the Company may receive revenue in advance of providing the services. This revenue is treated as unearned and is not recognised in the income statement but deferred to the balance sheet.

(ii) Contribution from customers for capital works
Contribution received from customers to assist in the financing of asset construction are recognised as revenue when the service is performed.

(iii) Other revenue
Other revenue includes revenue generated from third party damages, property enquiries, service orders, connections and property rentals.

(iv) Interest income
Interest income is recognised as it accrues using the effective interest method.

(b) Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets and liabilities that affect neither accounting profit nor taxable income. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised. A deferred tax asset is not recognised to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

(i) Tax consolidation
The Company is a wholly owned subsidiary within the SPIAA tax consolidated group ("tax group"). The head entity of the tax group is SPIAA. Entities that are not 100% owned and entities that are not residents for Australian tax purposes are treated as separate single tax entities.

The members of the tax group have entered into a tax funding arrangement that requires the wholly owned Australian tax resident subsidiaries to make contributions to the head entity for current tax assets and liabilities arising from external transactions occurring after the implementation of tax consolidation.

2 Summary of significant accounting policies (continued)

(b) Tax (continued)

Under the tax funding arrangement, the contributions are calculated on a "group allocation method" so that the contributions are equivalent to the tax balances generated by external transactions entered into by the wholly owned Australian tax resident subsidiaries, adjusted for intra group dividends. The contributions are payable as set out in the arrangement and reflect the timing of the head entity's obligations to make payments for tax liabilities to the relevant tax authorities.

The members of the tax group have also entered into a tax sharing agreement under the tax consolidation legislation. The tax sharing agreement sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax group.

(c) Receivables

Receivables are stated at amortised cost less accumulated impairment losses. Collectability of receivables is reviewed on an ongoing basis. The carrying amount of receivables is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "other expenses". When a receivable is uncollectable, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "other expenses" in the income statement.

(d) Inventories

Inventories consist of gas meters and pipes and are stated at the lower of cost or net realisable value.

The cost of inventories is based on the weighted average price and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(e) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of direct production overheads. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The Company recognises in the carrying amount of an item of property, plant and equipment, the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Depreciation is charged to the income statement on a straight line basis over the estimated useful life of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and prior year are as follows:

Category	**Useful life (years)**
Freehold buildings	10 - 50
Leasehold improvements	3 - 25
Plant and equipment	4 - 120

(f) Intangible assets

Software
Computer software includes the cost of software licences purchased and other additional software development costs.

Software is recorded at cost and amortised on a straight line basis over its useful life. The estimated useful life for software in the current and prior year is between 5 to 7 years and the remaining useful life is 0 to 7 years.

2 Summary of significant accounting policies (continued)

(g) Impairment of assets

(i) Financial assets
A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows associated with that asset.

When there is a decline in the recoverable amount of the Company's receivables, an impairment loss is recognised in the income statement.

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non-financial assets
The carrying amounts of the Company's non-financial assets, other than inventories (refer Note 2(d)) and deferred tax assets (refer Note 2(b)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses in respect of other assets are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised.

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value-in-use. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets which collectively comprise a CGU.

(h) Payables

Payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid.

Payables are stated at amortised cost.

(i) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2 Summary of significant accounting policies (continued)

(j) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(k) Share capital

Ordinary share capital is recorded at the fair value of consideration received. The costs of issuing securities are charged against the share capital. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders. Dividends are recognised as a liability in the year in which they are declared.

(l) Debt forgiveness and other reserves

Intragroup transactions are treated in accordance with their substance, and are classified as transactions with owners when they are completed on a non-arm's length basis. Any gains or losses arising on consummation of these transactions are taken directly to equity.

(m) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

(n) Comparative figures

Where applicable, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(o) New accounting standards and interpretations not yet adopted

The following accounting standards, amendments to accounting standards and interpretations have been identified as those which may impact the Company in the period of initial adoption. They are available for early adoption for the Company's annual reporting period beginning 1 April 2012, but have not been applied in preparing this financial report:

AASB 9 *Financial Instruments* becomes mandatory for the Company's 2016 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

AASB 13 *Fair Value Measurement* is effective 1 April 2013 and provides guidance on the use of fair value and defines it as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard requires the measurement of fair value to maximise the use of relevant observable inputs such as quoted prices in active markets and to minimise the use of unobservable inputs. The impact of this standard has yet to be quantified by the Company.

There are also other amendments and revisions to accounting standards and interpretations that have not been early adopted. These changes are not expected to result in any material changes to the Company's financial performance or financial position.

3 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Accounting estimates and assumptions where changes in those estimates and assumptions could result in a significant change in the recognised amounts of assets and liabilities are detailed below:

(i) Income taxes
The tax expense and deferred tax balances assume certain tax outcomes and values of assets in relation to the application of the tax consolidation regime. These outcomes affect factors such as the quantification and utilisation of tax losses, capital allowance deductions and the taxation treatment of transactions between members of the tax group.

The tax expense assumes that the tax group can carry forward income tax losses.

The tax group has taken positions in relation to the income tax and capital gains tax consequences of the acquisition by SPIAA of the ex-Alinta assets. This involves the exercise of judgements surrounding the calculation of tax bases for the tax group's assets and liabilities. Furthermore, the potential reversal of temporary differences also requires the use of estimates of future profitability, availability of taxable income on both revenue and capital account and potential future changes in tax bases.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities in the balance sheet. In these circumstances, the carrying amount of deferred tax assets and deferred tax liabilities may change resulting in an impact on the earnings of the Company or on the fair value of the tax assets acquired.

In addition, deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable income will be available to utilise those temporary differences.

(ii) Recognition of deferred tax
The Company applies the criteria stated in AASB 112 *Income Taxes* ("AASB 112") with regards to the calculation and recognition of deferred tax assets. The application of the AASB 112 criteria involves the exercise of judgement surrounding the calculation of accounting and tax bases for the Company's assets and liabilities.

Furthermore, the potential reversal of temporary differences also requires the use of estimates of future profitability, availability of taxable income on both revenue and capital account and potential future changes in accounting and tax bases.

In particular, the expectation of the availability of future taxable income against which deferred tax assets arising in respect of revenue losses is subject to estimation and judgement.

(iii) Accrued revenue
Revenue accrual estimates are made to account for the unbilled period between the Company's last billing date and the end of the accounting period. The accrual relies on detailed analysis of customers' historical consumption patterns, which take into account base usage, sensitivity to prevailing weather conditions and consumption growth. The results of this analysis are applied for the number of days and weather conditions over the unbilled period.

(iv) Leases
The Company has considered a number of contractual arrangements in applying the accounting policy in note 2(j). The assessment of these contractual arrangements requires a degree of judgement as to whether the significant risks and rewards of ownership of an asset are substantially transferred to the Company. The classification of a contractual arrangement could materially change the balance sheet of the Company.

(v) Useful lives of property, plant and equipment
Depreciation is provided for on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line basis so as to write off the cost of each asset over its estimated useful life. The estimated useful lives and depreciation methods are reviewed annually. Assumptions are made regarding the useful lives based on the regulatory environment and technological developments. These assumptions are subject to risk and there is the possibility that changes in circumstances will alter expectations.

(vi) Environmental provisions
These provisions have been reviewed throughout the year to assess the Company's obligations, probability and estimate of outflow of resources. For impacted sites, assumptions have been made on the most probable course of action in remediating, to arrive at a best estimate of the outflow of resources. It is also assumed that such course of action will enable successful remediation of relevant contamination in accordance with applicable laws and regulatory requirements, within the expected timeframe.

3 Critical accounting estimates and judgements (continued)

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the availability of particular remediation methods and technologies, the extent to which contaminated material may be treated on site or alternatively treated off site and then disposed to landfill, the possibility that applicable laws and standards may change with time, as well as the information available about conditions at the individual sites.

Significant factors relevant to the estimation of these costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and market conditions and new developments affecting costs, management's interpretation of current environmental laws and regulations, and management's assessment of site conditions and the remediation methods which are likely to be deployed as a result of those conditions.

Environmental costs are generally estimated based on the advice of external consultants and/or internal experts. Changes in the assumptions underlying these estimated costs may impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, the Company believes the provisions to be appropriate based upon currently available information. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

This environmental provision will periodically be re-assessed by management, having regard to matters including future regulatory assessments, internal risk assessments and advancements in appropriate technologies. The discount rate used for determining the present value of the provision is the appropriate government bond rate and this may vary from year to year. The methodology to determine the discount rate is consistent with last year.

4 Revenue

	2013 $'000	2012 $'000
Tariff revenue	**435,889**	399,225
Contract revenue	**50,245**	42,685
Capital contributions	**2,758**	4,566
Other revenue	**16,195**	16,513
	505,087	462,989

5 Income tax

	2013 $'000	2012 $'000
Current tax expense		
Current year	**(54,774)**	(42,591)
Adjustment for prior years	**1,053**	136
	(53,721)	(42,455)
Deferred tax expense		
Current year	**(24,221)**	(37,561)
Adjustment for prior years	**5,176**	(100)
	(19,045)	(37,661)
Total income tax expense	**(72,766)**	(80,116)

6 Current assets - Receivables

	2013 $'000	2012 $'000
Receivables	**29,802**	28,652
Less: allowance for impairment losses	**(362)**	(586)
	29,440	28,066
Other receivables from related parties	**894,344**	580,537
Accrued revenue	**31,368**	33,786
Prepayments	**145**	148
	955,297	642,537

7 Current assets - Inventories

	2013 $'000	2012 $'000
Gas meters and pipes	**3,465**	1,847
	3,465	1,847

8 Non-current assets - Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Year ended 31 March 2012					
Opening net book amount - 1 April 2011	3,622	3,060	5,415	3,012,676	3,024,773
Additions	-	-	1,166	144,361	145,527
Depreciation charge	-	(87)	(868)	(55,612)	(56,567)
Disposals	-	-	-	(2,404)	(2,404)
Closing net book amount - 31 March 2012	3,622	2,973	5,713	3,099,021	3,111,329
At 31 March 2012					
Cost	3,622	4,207	10,586	3,984,387	4,002,802
Accumulated depreciation	-	(1,234)	(4,873)	(885,366)	(891,473)
Net book amount	3,622	2,973	5,713	3,099,021	3,111,329

	Freehold land $'000	Freehold buildings $'000	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Year ended 31 March 2013					
Opening net book amount - 1 April 2012	3,622	2,973	5,713	3,099,021	3,111,329
Additions	-	-	27	144,853	144,880
Transfers to intangible assets	-	-	-	(6,959)	(6,959)
Depreciation charge	-	(87)	(878)	(58,911)	(59,876)
Disposals	-	-	-	(1,983)	(1,983)
Closing net book amount - 31 March 2013	3,622	2,886	4,862	3,176,021	3,187,391
At 31 March 2013					
Cost	3,622	4,207	10,613	4,119,783	4,138,225
Accumulated depreciation	-	(1,321)	(5,751)	(943,762)	(950,834)
Net book amount	3,622	2,886	4,862	3,176,021	3,187,391

9 Non-current assets - Intangible assets

	Software $'000
Year ended 31 March 2012	
Opening net book amount - 1 April 2011	39,492
Additions	25,866
Amortisation charge	(9,960)
Closing net book amount - 31 March 2012	55,398
At 31 March 2012	
Cost	79,406
Accumulated amortisation	(24,008)
Net book amount	55,398

	Software $'000
Year ended 31 March 2013	
Opening net book amount - 1 April 2012	55,398
Additions	950
Transfers from property, plant and equipment	6,959
Amortisation charge	(14,606)
Closing net book amount - 31 March 2013	48,701
At 31 March 2013	
Cost	87,315
Accumulated amortisation	(38,614)
Net book amount	48,701

10 Current liabilities - Payables

	2013 $'000	2012 $'000
Trade payables	**5,153**	4,281
Related party payables	**139,491**	-
Accrued expenses	**5,438**	5,620
	150,082	9,901

11 Current liabilities - Provisions

	2013 $'000	2012 $'000
Provision for claims	**2,483**	3,657
Provision for carbon pricing	**6,673**	-
	9,156	3,657

The provision for claims represents the provision for unaccounted for gas and other provisions.

12 Non-current liabilities - Provisions

	2013 $'000	2012 $'000
Environmental and restoration	**28,468**	-
	28,468	-

13 Deferred tax

	2013 $'000	2012 $'000
The balance comprises the tax effect of temporary differences attributable to:		
Receivables	**(109)**	(176)
Property, plant and equipment	**257,225**	223,114
Intangible assets	**35**	(198)
Accrued expenses	**(2,747)**	(1,097)
Provisions	**(8,540)**	-
Provision for uncertain deductions	**-**	5,176
	245,864	226,819

14 Share capital

	2013 Shares	2012 Shares	**2013 $'000**	2012 $'000
Ordinary shares, fully paid	**57,000,000**	57,000,000	**57,000**	57,000
	57,000,000	57,000,000	**57,000**	57,000

All ordinary shares entitle the holder to participate in dividends.

15 Reserves and retained earnings

	2013 $'000	2012 $'000
(a) Reserves		
Debt forgiveness reserve	**715,514**	715,514
Other reserves	**54,308**	54,308
	769,822	769,822

(b) Nature and purpose of reserves

(i) Debt forgiveness reserve
In accordance with AASB 139 *Financial Instruments: Recognition and Measurement* this amount has been recognised as a distribution from or issuance of equity representing the forgiveness of related party payables and receivables.

(ii) Other reserves
Other reserves represent deemed contributions on intercompany loan balances which are interest free.

(c) Retained earnings

Movements in retained earnings were as follows:

	2013 $'000	2012 $'000
Balance at the begining of the year	**2,743,912**	2,556,856
Profit for the year	**190,550**	187,056
Balance at the end of the year	**2,934,462**	2,743,912

16 Remuneration of auditors

Auditor's remuneration has been paid by Jemena Limited, a related company, on behalf of the Company.

17 Commitments

(a) Capital commitments

The Company's capital commitments are managed by Jemena Asset Management Pty Ltd, a wholly owned subsidiary of the SPIAA Group.

(b) Lease commitments

	2013 $'000	2012 $'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**20**	19
Later than one year but not later than five years	**79**	77
Later than five years	**196**	211
	295	307

18 Ultimate parent entity

The Company is ultimately owned by Temasek Holdings (Private) Limited, a company incorporated in the Republic of Singapore. Temasek Holdings (Private) Limited's sole shareholder is the Minister of Finance (Incorporated), a body corporate under the Minister for Finance (Incorporation) Act, Chapter 183 of Singapore.

19 Contingent liabilities

Provisions have been created for all known environmental liabilities that can be reliably estimated. For environmental matters where there are significant uncertainties with respect to the Company's obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs.

In the course of ordinary business, the Company occasionally receives claims and other matters arising from its operations. In the opinion of the Company, there are no claims or other matters that should have a material effect on the financial statements, results of operations or cash flows of the Company.

Other than listed above, the directors are not aware of any other contingent liabilities.

20 Events occurring after the balance sheet date

Subsequent to 31 March 2013, Singapore Power International Pte Ltd ("SPI"), the immediate parent of SPI(Australia) Assets Pty Ltd ("SPIAA"), announced on 17 May 2013 that it had entered into a transaction to divest 60% of its shareholding in SPIAA (and also 60% of its interest in the SPI (Australia) Trust) to State Grid International Development Limited. This transaction is subject to customary conditions, including regulatory approvals.

On 17 May 2013, Standard and Poor's announced a rating downgrade of SPIAA from A- to BBB.

On 17 May 2013 SPIAA also received advice from Moody's that they would be placed on review for downgrade. There is a 60-90 day period over which they will assess the impact of the transaction.

No other matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

(1) In the opinion of the directors of Jemena Gas Networks (NSW) Ltd ("the Company"):

(a) the Company is not a reporting entity;

(b) the financial statements and notes, set out on pages 4 to 22 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the financial position of the Company as at 31 March 2013 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 1; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1, and the *Corporations Regulations 2001*; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(2) This declaration is made in accordance with a resolution of the directors.

Paul John Adams
Director

Place: Melbourne

Date: 19 July 2013

KPMG

Independent audit report to the members of Jemena Gas Networks (NSW) Ltd

We have audited the accompanying financial report, being a special purpose financial report, of Jemena Gas Networks (NSW) Ltd (the company), which comprises the balance sheet as at 31 March 2013, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, notes 1 to 20 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Notes 1 and 2 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 made by the directors, as well as evaluating the overall presentation of the financial report.

These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the basis of accounting described in Notes 1 and 2 to the financial statements so as to present a true and fair view which is consistent with our understanding of the company's financial position, and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001.*

Auditor's opinion

In our opinion the financial report of Jemena Gas Networks (NSW) Ltd is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 31 March 2013 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards to the extent described in Note 1 and the Corporations Regulations 2001.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001.* As a result, the financial report may not be suitable for another purpose.

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne

19 July 2013