National Gas Law
Annual Compliance Order

Jemena Gas Networks (NSW) Ltd
Annual Compliance Report for 2014–15

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 2015 (**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: 20 OCT 2015

NATIONAL GAS LAW
ANNUAL COMPLIANCE ORDER

JEMENA GAS NETWORKS (NSW) LTD
ANNUAL COMPLIANCE REPORT FOR 2014–15

(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 organisational charts which describe the corporate structures 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:

- 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

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
- Jemena Queensland Gas Pipeline (2) Pty Ltd
- Jemena VicHub Pipeline 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 single 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 nine months ended 31 December 2014 is attached (Attachment 2). The report was submitted to the Australian Securities and Investments Commission in April 2015. It is for nine months as JGN moved to financial reporting to reflect its new ownership.

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 has maintained a ‘live’ version of its Access Arrangement (**AA**) on its website. As of 1 July 2015, the 2010-15 AA was replaced with the 2015-20 AA. This is currently available on the Jemena website at:

http://jemena.com.au/about/document-centre/gas/access-arrangement

(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 were two instances during the reporting period where the requirements under rule 137 were not met.

Both of these were due to a system weakness and a significant increase in demand site churn transactions required for 1 January 2015.

In both cases the failure to complete the churn process meant the outgoing retailer for the site:

- had the opportunity to access the site's consumption data via JGN's CABS web interface until 13 Feb 15 in the first instance and 19 Feb 15 in the second instance
- continued to receive daily consumption data for the site in the data files emailed to the outgoing retailer via JGN's GASS system over the period 1 Jan to 13 Feb 15 in the first instance and 1 Jan to 19 Feb 2015 for the second instance
- received an emailed file of monthly consumption data for the site from JGN's GASS system in the first week of Feb 15.

As far as JGN is aware no party suffered detriment as a result of the errors. On detecting the errors, JGN confirmed with the outgoing retailer that it had not billed the customers at either site on the basis of the information provided for the period 1 January to 19 February 2015. That is, neither customer had been billed by both the outgoing retailer and incoming retailer for consumption during that period.

The incidents were both the result of the volume of transactions, which coincided with the holiday period.

In order to prevent any future occurrences of this type, JGN has adopted a 2-stage approach including:

- *Addressing the coming peak period*—applying specific resource, leave management, backup and training to manage the churn process for the expected peak churn period up to and including 1 Jan 16
- *Long-term improvements*—reviewing and remapping JGN's churn process, accountabilities, related documentation and training of employees. Specifically, opportunities to automate processes to ensure a strengthened process is maintained over the long term will arise as part of upgrading JGN's SAP system, including moving from email interaction with retailers to a direct portal interface.

(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:

SGSP (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 1,142 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 2010-15 AA, as approved by the AER, required 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.

Going forward, JGN's 2015-20 AA, as approved by the AER, has a single reference service, the Haulage Reference Service.

(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 2010-15 AA as approved by the AER. Section 2.2A(c) states that:

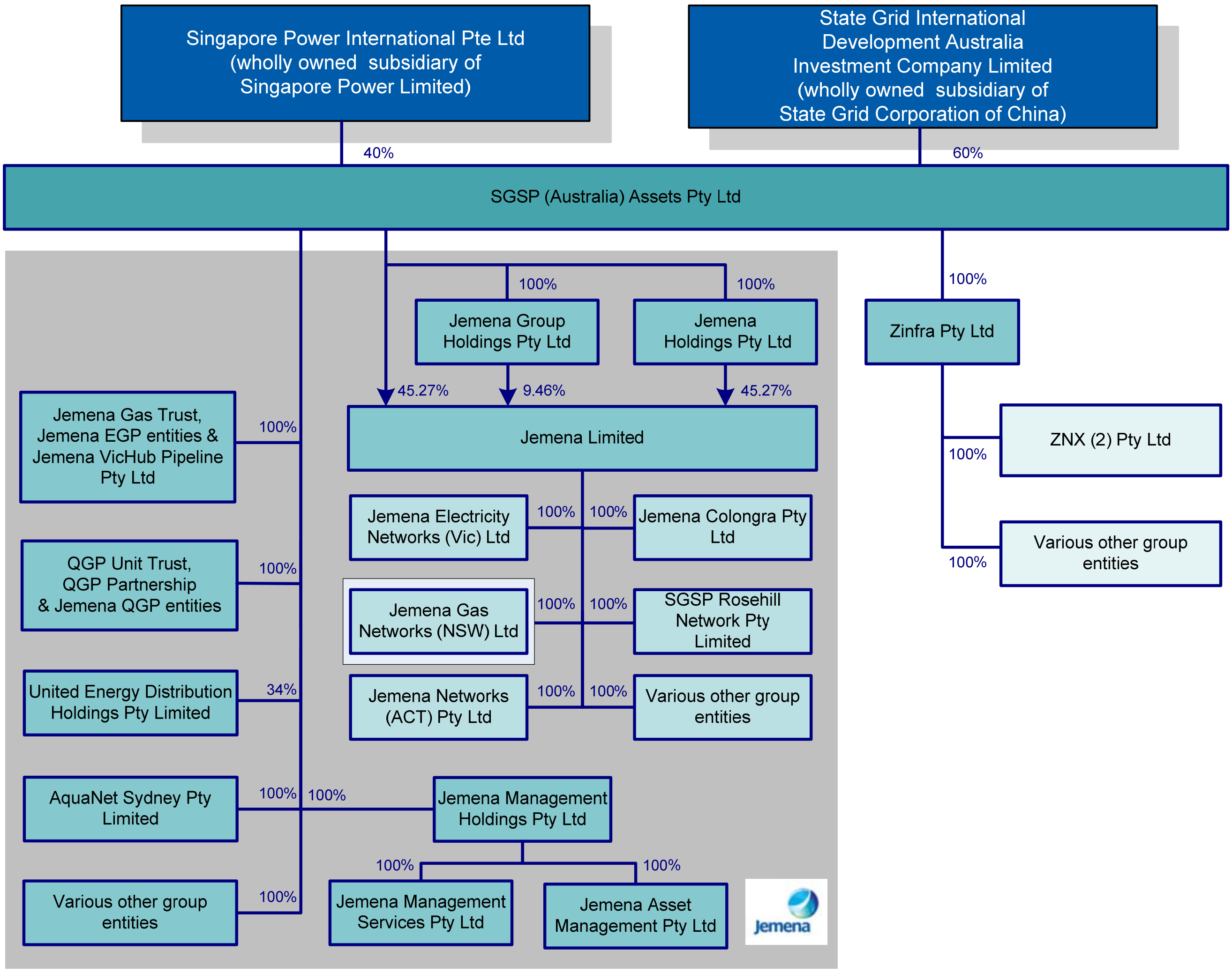
> The Haulage Reference Service is only available where the Haulage Reference Service is taken in conjunction with the Meter Data Service (where the Service Provider provides the Meter Data Service as a Reference Service).

The Meter Data Service is described in section 2.2B of the 2010-15 AA. Bundling was considered 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

The organisational chart in this Attachment 1 show the corporate structure of which JGN was a part during the reporting period.



ATTACHMENT 2

Jemena Gas Networks (NSW) Ltd

ABN 87 003 004 322

Special purpose financial report for the nine month period ending 31 December 2014

Jemena Gas Networks (NSW) Ltd

ABN 87 003 004 322

Special Purpose Financial Report

For the nine month period ended 31 December 2014

Jemena Gas Networks (NSW) Ltd
ABN 87 003 004 322

Contents
For the nine month period ended 31 December 2014

Directors' report

For the nine month period ended 31 December 2014

The board of directors of Jemena Gas Networks (NSW) Ltd ("the Company") presents its report, together with the financial statements of the Company, for the nine month period ended 31 December 2014 and the auditor's report thereon.

The Company has changed its balance date to 31 December to synchronise with its ultimate parent, in accordance with section 323D of the *Corporations Act 2001*.

Directors

The following persons were directors of the Company during the nine month period and up to the date of this report (unless otherwise stated):

Mr Paul John Adams

Ms Joanne Margaret Rose Pearson

Mr Chia Seng Boon Brandon

Mr Ruan Qiantu

Principal activities

The principal activity of the Company is the distribution of natural gas in New South Wales. The Company owns approximately 25,000 kilometres of natural gas distribution system, delivering approximately 90-100 petajoules per annum of natural gas to more than 1.2 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 nine month period ended 31 December 2014 was $232.7 million (year ended 31 March 2014: $226.4 million).

Dividends

On 15 July 2014 the Company declared a dividend of $973.0 million in favour of Jemena Limited. This dividend was afforded to Jemena Limited by way of reduction to the existing balance receivable by the Company from Jemena Limited.

No dividends were declared or paid by the Company during the year ended 31 March 2014.

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 nine month period.

Matters subsequent to balance date

No matters or circumstances have arisen since 31 December 2014 which 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 future years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company and the expected results of operations has not been included in this report because disclosure of the information 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 relating to its gas distribution activities. The directors are not aware of any significant breaches during the nine month period ended 31 December 2014 or to the date of signing this report.

Directors' report
For the nine month period ended 31 December 2014

Insurance of directors and officers

The directors and officers of the Company are covered by a directors and officers insurance policy for liabilities and expenses arising as a result of their work, to the extent permitted by law. The nature of the liabilities insured against and the cost of the premiums paid are confidential in accordance with the terms of the insurance contracts and normal commercial practice.

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 and forms part of the Director's report for the nine month period ended 31 December 2014.

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, unless otherwise stated.

Signed in accordance with a resolution of the board of directors:

Mr Paul John Adams
Director

Place: Melbourne

Date: 16 April 2015

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 nine month period ended 31 December 2014 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

16 April 2015

Jemena Gas Networks (NSW) Ltd
ABN 87 003 004 322

Statement of profit or loss and other comprehensive income
For the nine month period ended 31 December 2014

	Notes	1 April 2014 - 31 December 2014 $'000	1 April 2013 - 31 March 2014 $'000
Revenue	4	**516,259**	571,923
Other income		**1,111**	1,142
Asset management expense		**(94,142)**	(119,832)
Depreciation and amortisation expense		**(59,537)**	(74,526)
Environmental and restoration expenses		-	(14,801)
Other expenses		**(30,367)**	(40,606)
Operating profit before finance costs		**333,324**	323,300
Finance costs	5	**(1,350)**	(4)
Profit before income tax		**331,974**	323,296
Income tax expense	6	**(99,285)**	(96,937)
Profit for the period/year		**232,689**	226,359
Other comprehensive income for the period/year		-	-
Total comprehensive income for the period/year		**232,689**	226,359
Attributable to:			
Owners of the Company		**232,689**	226,359
Total comprehensive income for the period/year		**232,689**	226,359

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Jemena Gas Networks (NSW) Ltd

ABN 87 003 004 322

Balance sheet

As at 31 December 2014

	Notes	31 December 2014 $'000	31 March 2014 $'000
ASSETS			
Current assets			
Receivables	7	**465,650**	1,417,821
Inventories	8	**3,646**	3,479
Total current assets		**469,296**	1,421,300
Non-current assets			
Property, plant and equipment	9	**3,351,476**	3,268,499
Intangible assets	10	**53,832**	41,496
Total non-current assets		**3,405,308**	3,309,995
Total assets		**3,874,604**	4,731,295
LIABILITIES			
Current liabilities			
Payables	11	**196,016**	401,194
Provisions	12(a)	**39,689**	12,311
Total current liabilities		**235,705**	413,505
Non-current liabilities			
Provisions	12(b)	**4,263**	37,572
Deferred tax	13	**387,304**	292,575
Total non-current liabilities		**391,567**	330,147
Total liabilities		**627,272**	743,652
Net assets		**3,247,332**	3,987,643
EQUITY			
Share capital	14	**57,000**	57,000
Reserves	15	**769,822**	769,822
Retained earnings	16	**2,420,510**	3,160,821
Total equity		**3,247,332**	3,987,643

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

Statement of changes in equity
For the nine month period ended 31 December 2014

	Notes	Share capital $'000	Debt forgiveness reserve $'000	Deemed contributions reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 April 2014		57,000	715,514	54,308	3,160,821	3,987,643
Total comprehensive income for the period						
Profit for the period	16	-	-	-	232,689	232,689
Total comprehensive income for the period		-	-	-	232,689	232,689
Transactions with the owners of the Company recognised directly in equity						
Dividends paid	16	-	-	-	(973,000)	(973,000)
Total transactions with the owners of the Company recognised directly in equity		-	-	-	(973,000)	(973,000)
Balance as at 31 December 2014		57,000	715,514	54,308	2,420,510	3,247,332

	Notes	Share capital $'000	Debt forgiveness reserve $'000	Deemed contributions reserve $'000	Retained earnings $'000	Total $'000
Balance as at 1 April 2013		57,000	715,514	54,308	2,934,462	3,761,284
Total comprehensive income for the year						
Profit for the year	16	-	-	-	226,359	226,359
Total comprehensive income for the year		-	-	-	226,359	226,359
Balance as at 31 March 2014		57,000	715,514	54,308	3,160,821	3,987,643

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

Cash flow statement
For the nine month period ended 31 December 2014

	Notes	1 April 2014 - 31 December 2014 $'000	1 April 2013 - 31 March 2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**562,363**	614,969
Payments to suppliers		**(187,765)**	(264,796)
Net cash inflow from operating activities	20	**374,598**	350,173
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment and intangibles		**(156,499)**	(150,984)
Proceeds from sale of property, plant and equipment		**802**	703
Net cash outflow from investing activities		**(155,697)**	(150,281)
CASH FLOWS FROM FINANCING ACTIVITY			
Dividends paid		**(973,000)**	-
Net cash outflow from financing activity		**(973,000)**	-
Net (decrease)/increase in cash and cash equivalents		**(754,099)**	199,892
Cash and cash equivalents at the beginning of the period/year		-	-
Cash retained in the bank accounts of related entities		**754,099**	(199,892)
Cash and cash equivalents at the end of the period/year		-	-

The Company does not operate a bank account and all banking 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

For the nine month period ended 31 December 2014

1 Basis of preparation

Jemena Gas Networks (NSW) Ltd ("the Company") is a for profit company domiciled in Australia. The address of the Company's registered office and principal place of business is 321 Ferntree Gully Road, Mount Waverley, VIC 3149. These financial statements are for the nine month period ended 31 December 2014. The comparative figures are for the year ended 31 March 2014.

The Company has changed its balance date to 31 December to synchronise with its ultimate parent, in accordance with section 323D of the *Corporations Act 2001*.

(a) Going concern basis of accounting

The financial statements have been prepared on a going concern basis, which contemplates the Company continuing in operation for the foreseeable future.

(b) Financial reporting framework

In the opinion of the directors, the Company is not publicly accountable nor a reporting entity. Accordingly, the financial report has been drawn up as a "special purpose financial report" and has been prepared for distribution to the member under the *Corporations Act 2001*.

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

(c) Statement of compliance

These financial statements have been prepared in accordance with the *Corporations Act 2001*, the recognition, measurement and classification criteria specified by Australian Accounting Standards ("AASBs") issued by the Australian Accounting Standards Board, 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 of Standards* and AASB 1054 *Australian Additional Disclosures*.

These financial statements were authorised for issue by the board of directors on 16 April 2015.

(d) Basis of measurement

These financial statements have been prepared under the historical cost convention, with the exception of customer contributions of plant and equipment, which are measured at fair value.

(e) Functional and presentation currency

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

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 these financial statements. Amounts in these financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

(f) Accounting policies

Significant accounting policies are presented in note 2.

(g) Use of estimates and judgements

The preparation of 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.

1 Basis of preparation (continued)

(g) Use of estimates and judgements (continued)

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 prospectively.

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

Notes to the financial statements
For the nine month period ended 31 December 2014

2 Summary of significant accounting policies

Significant accounting policies adopted in the preparation of these financial statements are set out below.

(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.

From time to time the Company can receive revenue in advance of providing the services. This revenue is treated as unearned and is not recognised in the profit or loss but deferred to the balance sheet.

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 natural 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 date, revenue and receivables 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.

(ii) Contributions from customers for capital works
Contributions 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.

(b) Income tax

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

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

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 goodwill, or 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.

Tax consolidation
The Company is a wholly owned subsidiary within the SGSP (Australia) Assets Pty Ltd ("SGSPAA") tax consolidated group ("tax group"). The head entity of the tax group is SGSPAA.

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) Income 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 intragroup 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, which 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) Finance costs

Finance costs comprise unwinding of the discount on provisions recognised in profit or loss.

(d) 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 profit or loss within "other expenses". When a receivable is considered 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 profit or loss.

(e) Inventories

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

(f) 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 with the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as an expense as incurred.

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

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

Notes to the financial statements

For the nine month period ended 31 December 2014

2 Summary of significant accounting policies (continued)

(g) 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 is between 5 to 7 years.

(h) 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 profit or loss.

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(e)) and deferred tax assets (refer note 2(b)), are reviewed at each balance 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 profit or loss. 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.

An impairment loss is 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.

(i) Payables

Payables represent liabilities for goods and services provided to the Company prior to balance date that are unpaid.

Payables are stated at amortised cost.

2 Summary of significant accounting policies (continued)

(j) 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 as 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 finance costs.

(k) 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 profit or loss on a straight line basis over the period of the lease.

(l) 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.

(m) Debt forgiveness reserve

Related party debt forgiveness 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.

(n) Deemed contributions reserve

Related party deemed contributions are classified as transactions with owners. Any gains or losses are taken directly to equity.

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

Revenue, 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 within receivables or payables in the balance sheet.

(p) Comparative figures

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

(q) Changes in accounting policies

The Company has consistently applied its accounting policies for the periods presented in these financial statements.

Notes to the financial statements

For the nine month period ended 31 December 2014

2 Summary of significant accounting policies (continued)

(r) 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 were available for early adoption for these financial statements beginning 1 April 2014, but have not been applied:

AASB 9 *Financial Instruments* becomes mandatory for the Company's 2018 financial statements and could change the classification and measurement of financial assets. The Company is not currently intending to adopt this standard early and the extent of the impact has not been determined.

AASB 15 *Revenue from Contracts with Customers* becomes mandatory for the Company's 2017 financial statements and could change the timing and measurement of revenue. The Company is not currently intending to adopt this standard early and the extent of the impact has not been determined.

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, judgements and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. 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) Estimated recoverable amount of the cash generating unit (CGU)
The recoverable amount of the CGU was based on its fair value less costs of disposal ("FVLCD"). FVLCD is measured using some inputs that are not based on observable market data. Therefore, they are deemed level three within the fair value hierarchy as per AASB 13 *Fair Value Measurement.* The recoverable amount of the CGU was determined to be higher than its carrying amount hence no impairment for the CGU is necessary. The carrying amounts of such assets are set out in notes 9 and 10.

The recoverable amount was determined by discounting future cash flows of the CGU and was based on the following key assumptions:

1. The cash flow time horizon used in valuing the CGU was twenty years. Management believes that this forecast period was justified due to the long term nature of the unit's activities.

2. The growth assumption is primarily driven by the assumptions in the regulatory building block models with growth being the function of the regulated asset base and the allowable return from the regulator. Expenditure growth is largely indexed to the projected Australian CPI. The annual expenditure growth rate applied to the unit was 2.7% (March 2014: 2.7%).

The CGU's terminal value is calculated by applying a multiple to the Regulated Asset Base ("RAB") in the terminal year.

3. Cash flows are discounted using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. The discount rate applied in determining the recoverable amount of the CGU is 5.89% per annum (March 2014: 6.28% per annum).

4. Other significant assumptions made by the Company in assessing the recoverable amount of the CGU based on observable market information, past experience, regulatory analysis and management judgement include Australian Energy Regulator regulatory determinations and RAB multiples. The final regulatory decision is due in May 2015 and there is some inherent uncertainty regarding the outcome of the final decision in relation to the weighted average cost of capital, operating expenditure allowance and capital expenditure allowance that may impact the recoverable amount.

(ii) 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. In order to carry forward income tax losses, the tax group must satisfy either the "continuity of ownership test" or the "same business test". The divestment of 60% of the shareholding of Singapore Power International Pte Ltd ("SPI") in the SGSPAA group during the year ended 31 March 2014 resulted in failure of the "continuity of ownership test". As a result, the tax group is required to satisfy the "same business test" to carry forward, and subsequently utilise, income tax losses.

The tax group has taken positions in relation to the income tax and capital gains tax consequences of the acquisition by SGSPAA 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.

3 Critical accounting estimates and judgements (continued)

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. The carrying amount of deferred tax balances are set out in note 13.

(iii) Recognition of deferred tax
The Company applies the criteria stated in AASB 112 *Income Taxes* with regards to the calculation and recognition of deferred tax assets and deferred tax liabilities. 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. The carrying amount of deferred tax balances are set out in note 13.

(iv) 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. The carrying amount of accrued revenue is set out in note 7.

(v) Leases
The Company has considered a number of contractual arrangements in applying the accounting policy in note 2(k). 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.

(vi) 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 as at the reporting date. Assumptions are made regarding the useful lives and are 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. The carrying amount of property, plant and equipment is set out in note 9.

(vii) 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.

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.

3 Critical accounting estimates and judgements (continued)

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.

These environmental provisions will be periodically 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. The carrying amounts of such provisions are set out in note 12.

Notes to the financial statements

For the nine month period ended 31 December 2014

4 Revenue

	1 April 2014 - 31 December 2014 $'000	1 April 2013 - 31 March 2014 $'000
Tariff revenue	**449,836**	493,876
Contract revenue	**38,938**	51,614
Contributions from customers for capital works	**12,548**	6,787
Other revenue	**14,937**	19,646
	516,259	571,923

5 Finance costs

	1 April 2014 - 31 December 2014 $'000	1 April 2013 - 31 March 2014 $'000
Unwinding of discount on environmental provision	**1,350**	4
	1,350	4

6 Income tax expense

	1 April 2014 - 31 December 2014 $'000	1 April 2013 - 31 March 2014 $'000
Current tax expense		
Current period/year	**(66,621)**	(61,328)
Adjustment for prior years	**62,065**	11,102
	(4,556)	(50,226)
Deferred tax expense		
Current period/year	**(32,663)**	(35,633)
Adjustment for prior years	**(62,066)**	(11,078)
	(94,729)	(46,711)
	(99,285)	(96,937)

Notes to the financial statements
For the nine month period ended 31 December 2014

7 Current assets - Receivables

	December 2014 $'000	March 2014 $'000
Trade receivables	**32,137**	38,449
Less: allowance for impairment loss	**(569)**	(522)
	31,568	37,927
Accrued revenue	**50,534**	38,160
Other receivables from related parties	**383,548**	1,341,580
Prepayments	**-**	154
	465,650	1,417,821

8 Current assets - Inventories

	December 2014 $'000	March 2014 $'000
Gas meters and pipes	**3,646**	3,479
	3,646	3,479

Notes to the financial statements
For the nine month period ended 31 December 2014

9 Non-current assets - Property, plant and equipment

	Freehold land	Freehold buildings	Plant and equipment	Leasehold improvements	Total
	$'000	$'000	$'000	$'000	$'000
Nine month period ended 31 December 2014					
Opening net book amount - 1 April 2014	4,843	3,961	3,255,709	3,986	3,268,499
Additions	38	9	136,227	101	136,375
Transfers (to)/from other asset classes	925	1,525	(2,707)	-	(257)
Disposals	-	-	(1,649)	-	(1,649)
Depreciation charge	-	(114)	(49,314)	(2,064)	(51,492)
Closing net book amount - 31 December 2014	5,806	5,381	3,338,266	2,023	3,351,476
At 31 December 2014					
Cost	5,806	6,906	4,365,203	10,472	4,388,387
Accumulated depreciation	-	(1,525)	(1,026,937)	(8,449)	(1,036,911)
Net book amount	5,806	5,381	3,338,266	2,023	3,351,476
Year ended 31 March 2014					
Opening net book amount - 1 April 2013	3,622	2,886	3,176,021	4,862	3,187,391
Additions	831	1,436	122,695	6	124,968
Transfers from/(to) other asset classes	390	(276)	18,303	-	18,417
Disposals	-	-	(2,555)	-	(2,555)
Depreciation charge	-	(85)	(58,755)	(882)	(59,722)
Closing net book amount - 31 March 2014	4,843	3,961	3,255,709	3,986	3,268,499
At 31 March 2014					
Cost	4,843	5,372	4,231,709	9,920	4,251,844
Accumulated depreciation	-	(1,411)	(976,000)	(5,934)	(983,345)
Net book amount	4,843	3,961	3,255,709	3,986	3,268,499

Notes to the financial statements
For the nine month period ended 31 December 2014

10 Non-current assets - Intangible assets

	Computer software $'000	Total $'000
Nine month period ended 31 December 2014		
Opening net book amount - 1 April 2014	41,496	41,496
Additions	20,124	20,124
Transfers from other asset classes	257	257
Amortisation charge	(8,045)	(8,045)
Closing net book amount - 31 December 2014	53,832	53,832
At 31 December 2014		
Cost	111,031	111,031
Accumulated amortisation	(57,199)	(57,199)
Net book amount	53,832	53,832
Year ended 31 March 2014		
Opening net book amount - 1 April 2013	48,701	48,701
Additions	26,016	26,016
Transfers to other asset classes	(18,417)	(18,417)
Amortisation charge	(14,804)	(14,804)
Closing net book amount - 31 March 2014	41,496	41,496
At 31 March 2014		
Cost	89,599	89,599
Accumulated amortisation	(48,103)	(48,103)
Net book amount	41,496	41,496

Notes to the financial statements
For the nine month period ended 31 December 2014

11 Current liabilities - Payables

	December 2014 $'000	March 2014 $'000
Trade and other payables	**7,003**	7,901
Trade and other payables to related parties	**182,902**	386,835
Accrued expenses	**6,111**	6,458
	196,016	401,194

12 Provisions

(a) Current provisions

	December 2014 $'000	March 2014 $'000
Environmental	**39,679**	6,017
Carbon pricing	**-**	5,901
Claims	**10**	393
	39,689	12,311

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

(b) Non-current provisions

	December 2014 $'000	March 2014 $'000
Environmental	**4,263**	37,572
	4,263	37,572

13 Non-current liabilities - Deferred tax

The balance comprises the tax effect of temporary differences attributable to:

	December 2014 $'000	March 2014 $'000
Receivables	**(171)**	(157)
Property, plant and equipment	**398,962**	307,384
Intangible assets	**1,699**	313
Provisions	**(13,186)**	(14,965)
	387,304	292,575

Notes to the financial statements

For the nine month period ended 31 December 2014

14 Share capital

	December 2014 Shares	March 2014 Shares	December 2014 $'000	March 2014 $'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

(a) Balances

	December 2014 $'000	March 2014 $'000
Debt forgiveness reserve	**715,514**	715,514
Deemed contributions reserve	**54,308**	54,308
	769,822	769,822

(b) Nature and purpose of reserves

(i) Debt forgiveness reserve
This amount has been recognised as a contribution to equity representing the forgiveness of related party payables and receivables.

(ii) Deemed contributions reserve
Deemed contributions reserve represents deemed contributions on related party loan balances, which are interest free.

16 Retained earnings

Movements in retained earnings were as follows:

	December 2014 $'000	March 2014 $'000
Balance at the beginning of the period/year	**3,160,821**	2,934,462
Net profit for the period/year	**232,689**	226,359
Dividends paid	**(973,000)**	-
Balance at the end of the period/year	**2,420,510**	3,160,821

17 Remuneration of auditors

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

Notes to the financial statements

For the nine month period ended 31 December 2014

18 Ultimate parent entity

SGSPAA is the ultimate Australian parent of the Company.

SGSPAA's shareholders are State Grid International Development Australia Investment Company Limited ("SGIDAIC") and SPI. SGIDAIC holds 60% of SGSPAA's shares and SPI holds the remaining 40%.

SGIDAIC is owned by State Grid Corporation of China ("SGCC"). SGCC is owned by the State owned Assets Supervision and Administration Commission of the State Council, which is authorised by the State Council, in accordance with the Company Law of the People's Republic of China.

SPI is owned by Temasek Holdings (Private) Limited, a company incorporated in 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 directors, 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 Reconciliation of result for the period/year to cash flows from operating activities

	1 April 2014 - 31 December 2014	1 April 2013 - 31 March 2014
	$'000	$'000
Net profit for the period/year	**232,689**	226,359
Non-cash flows in profit:		
Income tax expense	**99,285**	96,937
Depreciation and amortisation	**59,537**	74,526
Net loss on disposal of property, plant and equipment	**847**	1,852
Changes in assets and liabilities:		
Increase in external receivables	**(5,861)**	(15,288)
Increase in inventories	**(167)**	(14)
Decrease in external payables	**(11,732)**	(34,199)
Net cash inflow from operating activities	**374,598**	350,173

21 Events occurring after the reporting date

No matters or circumstances have arisen since 31 December 2014 which 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 the future.

Directors' declaration

For the nine month period ended 31 December 2014

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

1. the Company is not publicly accountable nor a reporting entity;
2. the financial statements and notes, as set out on pages 4 to 24, are in accordance with the *Corporations Act 2001*, including:
   (a) giving a true and fair view of the Company's financial position as at 31 December 2014 and of its performance for the nine month period ended on that date, in accordance with the statement of compliance and basis of preparation described in Note 1; and
   (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) to the extent described in Note 1, and the *Corporations Regulations 2001*; and
3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

Mr Paul John Adams
Director

Place: Melbourne

Date: 16 April 2015

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

Report on the financial report

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 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the nine month period ended on that date, notes 1 to 21 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 special purpose 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 statements 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 the 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.

KPMG

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 December 2014 and of its performance for the nine month period 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

16 April 2015