

Attachment 5 – Financial Information

AGN Licence Application



Page intentionally left blank

Contents

1.	Introduction	4
2.	Business Plans	5
3.	AGN Credit Ratings	7
4.	Financial Reports	22

Page intentionally left blank

1. Introduction

This attachment provides financial information relating to Australian Gas Networks Limited's (AGN's) proposal to distribute Liquefied Natural Gas (LPG) in Mount Barker, Littlehampton and Nairne.

This attachment has been developed in support of AGN's application to the Essential Services Commission of South Australia (the Commission) for a licence to distribute LPG. More specifically, this attachment provides information in support of Section 3.7 of the application *Financial Resources Available to the Applicant*.

Information provided in this attachment is as follow:

- Section 2: Details of our business plans, including strategic direction and objectives;
- Section 3: Evidence of AGN's credit ratings.
- Section 4: Copies of audited profit and loss statements and balance sheets for the last three years.

As a result of the inclusion of commercially sensitive information and intellectual property, Sections 3 and 4 of this attachment are confidential.

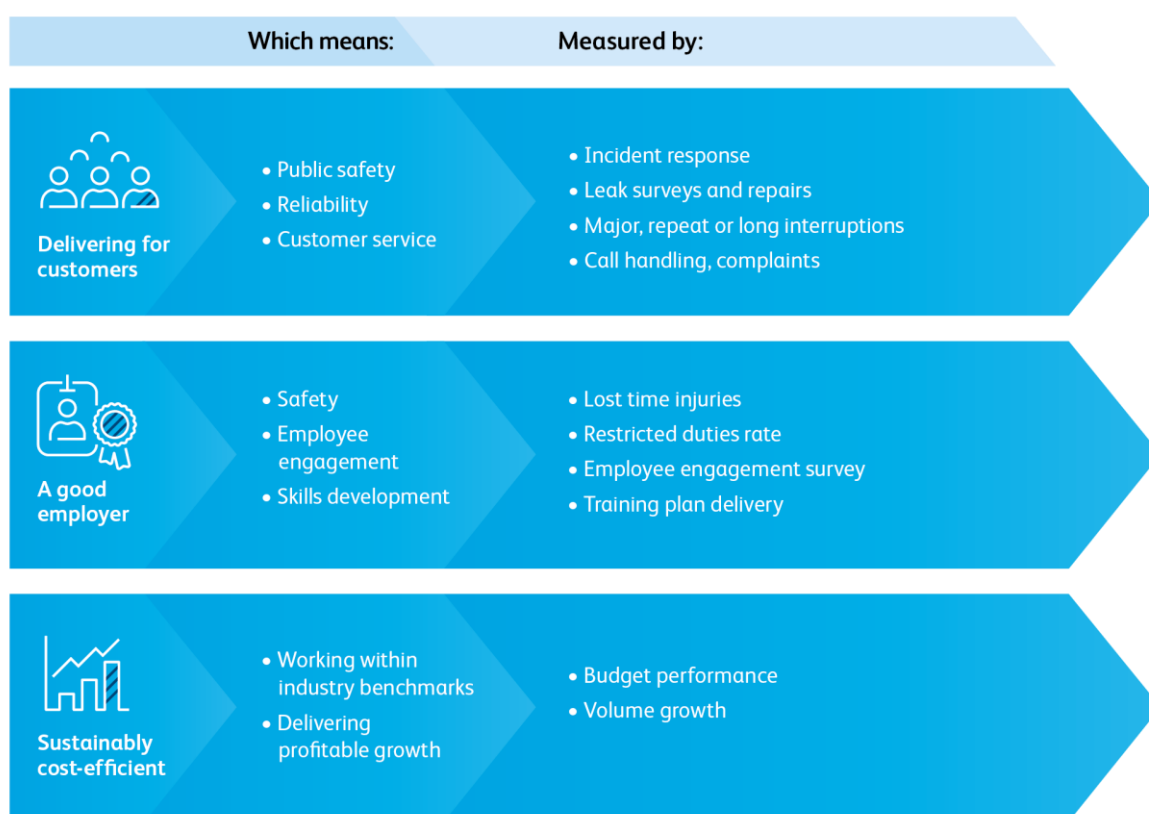
It is noteworthy that following the acquisition of AGN by the Cheung Kong Group in 2014, AGN changed its financial year from June to calendar year.

2. Business Plans

As detailed in Attachment 1, AGN aims to be the leading natural gas distributor in Australia. Our definition of leading is to achieve top quartile performance compared with other Australian natural gas distributors on all of our key targets (on the basis that the leading performance will be different across the different measures). The AGN Vision Statement (the Vision) sets out the following three key objectives that we consider are consistent with achieving our vision of being the leading natural gas distributor in Australia:

- *delivering for customers* – which means ensuring public safety and the provision of high levels of network reliability and customer service;
- *a good employer* – which means ensuring the safety of our employees (including contractors), ensuring employees are motivated to achieve our Vision and receive appropriate training; and
- *sustainably cost efficient* – undertaking the required scope/volume of work within the benchmarks set by the AER while growing the network in a prudent and efficient manner.

Figure 1: Australian Gas Networks Limited Vision Statement



Consistent with our Vision (delivering profitable growth and volume growth), we have identified the Mount Barker, Littlehampton and Nairne region (the District) to be suitable for connection to the natural gas distribution network (see Attachment 2).

Expanding our natural gas distribution network requires a large upfront investment from AGN to put the appropriate infrastructure in place. In order to mitigate risk, our strategy is to establish a LPG network in the first instance in order to build load ahead of the potential larger investment in a natural gas distribution network.

To this extent, in parallel to our LPG licence application, we are currently undertaking detailed analysis into the feasibility of bringing natural gas to the areas where we are seeking a LPG distribution licence. Should this expansion be feasible, we will consider converting our LPG networks to natural gas. Importantly however, our LPG licence application is not consistent on the feasibility of natural gas, as we consider the LPG network to be a growth opportunity in its own right.

Additionally, we are currently exploring other opportunities for LPG Networks within proximity of our natural gas distribution networks across Australia.

Further detail on our business objectives and performance against the Vision is provided in Attachment 3 – 2015 Annual Review.

Further detail on our Mount Barker gas reticulation strategy is provided in Attachment 6.

3. AGN Credit Ratings

CONFIDENTIAL

4. Financial Reports

CONFIDENTIAL