

12 November 2009

TO: ASX Limited
Singapore Exchange Securities Trading Limited

SP AusNet 2009/10 Half-Year Results

Please find attached the following:

1. Appendix 4D – Half-Year Report for Period Ended 30 September 2009; and
2. SP Australia Networks (Distribution) Limited General Purpose Interim Financial Report for the financial period ended 30 September 2009.

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Company Secretary

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SP AusNet

SP Australia Networks (Distribution) Ltd
ABN 37 108 788 245

SP Australia Networks (Transmission) Ltd
ABN 48 116 124 362

SP Australia Networks (Finance) Trust
ARSN 116 783 914

SP Australia Networks (RE) Ltd
ABN 46 109 977 371
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SP Australia Networks (Distribution) Ltd trading as SP AusNet
ACN: 108 788 245

Appendix 4D

Half year report
Half Year Ending 30 September 2009

1. The current reporting period is the half year ended 30 September 2009. The previous corresponding period is the half year ended 30 September 2008.
2. Results for announcement to the market

	30 September 2009 \$M	30 September 2008 \$M	% change	Up / down
2.1 Revenue from continuing operations	713.7	635.5	12.3	up
2.2 Profit from ordinary activities after tax attributable to stapled securityholders	135.4	92.2 ⁽ⁱ⁾	46.9	up
2.3 Net profit for the half year attributable to stapled securityholders	135.4	92.2 ⁽ⁱ⁾	46.9	up

(i) 2008 results include \$43.3 million (\$30.3 million after tax) non-cash impairment write-down on the meters to be replaced under the Advanced Metering Infrastructure roll-out program.

2.4 Distributions for the half year ended 30 September 2009:

	Cents per security
Interim 2010 distribution:	
Fully franked dividend	1.289
Assessable interest income	1.887
Return of capital	<u>0.824</u>
Total interim distribution	<u>4.000</u>
Previous corresponding period interim 2009 distribution:	
Fully franked dividend	1.911
Assessable interest income	1.839
Return of capital	<u>2.177</u>
Total interim distribution	<u>5.927</u>

2.5 The record dates for determining entitlements to the distributions:

Record date	Payment date
30 November 2009	22 December 2009

2.6 Brief explanation of revenues, profits after income tax and distributions:

Refer to the Directors' report within the attached Interim Financial Report.

3. Net tangible assets per security

	30 September 2009	30 September 2008
Net tangible assets per stapled security	\$0.91	\$1.00

Net tangible assets per stapled security have declined primarily due to the increase in the number of securities issued under the accelerated non-renounceable entitlement offer.

4. Gain or loss of control over entities

SP AusNet did not gain or lose control over any entities during the period.

5. Dividends and Distributions

Distributions paid during the interim period are:

	Cents per security	Total distribution \$M	Date paid
Fully franked dividend	1.911	40.5	25 June 2009
Assessable interest income	2.692	57.1	25 June 2009
Return of capital	1.324	28.1	25 June 2009
	5.927	125.7	

6. Distribution Reinvestment Plans

On 7 October 2008, the SP AusNet Board announced the introduction of a Distribution Reinvestment Plan (DRP). The DRP is available for participation by securityholders on both the ASX and SGX-ST.

Securityholders participating in the DRP for the 2009/10 interim distribution will be issued SP AusNet stapled securities at a 2.5% discount to the issue price of SP AusNet stapled securities established under the rules of the DRP. The issue price is calculated as the average of the volume weighted average price (as defined in the DRP rules) (VWAP) of sales of SP AusNet stapled securities during the 10 trading days immediately after the record date for the distribution. The record date for the 2009/10 interim distribution is 30 November 2009.

The deadline for the receipt of Election Notices for participation in the DRP for the 2009/10 interim distribution is 5.00pm (Australian Eastern Daylight Time) on 30 November 2009.

7. Details of associates/joint ventures

SP AusNet had no associates or joint ventures in operation as at or for the half year ended 30 September 2009.

8. Foreign Entities

Not Applicable

9. Status of audit of accounts

The half year report is based on accounts which have been subject to an independent review. The SP AusNet accounts are not subject to dispute or qualification.

Date: 11 November 2009

SP Australia Networks (Distribution) Ltd
ACN 108 788 245

General Purpose Interim Financial Report

For the financial period ended 30 September 2009

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This interim financial report covers the combined entity consisting of SP Australia Networks (Distribution) Ltd and its subsidiaries, SP Australia Networks (Transmission) Ltd and its subsidiaries, and SP Australia Networks (Finance) Trust. The interim financial report is presented in the Australian currency.

SP Australia Networks (Distribution) Ltd is a company limited by shares, incorporated and domiciled in Victoria, Australia. Its registered office and principal place of business is:

Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006
Australia

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2009, and any public announcements made by SP Australia Networks (Distribution) Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial report was authorised for issue by the Directors on 11 November 2009.

Directors' Report

The Directors of SP Australia Networks (Distribution) Ltd ("SP AusNet Distribution") present their report on the general purpose interim financial report of the combined entity for the financial period ended 30 September 2009.

This general purpose interim financial report has been prepared as an aggregation of the financial statements of SP AusNet Distribution and its controlled entities, SP Australia Networks (Transmission) Ltd ("SP AusNet Transmission") and its controlled entities and SP Australia Networks (Finance) Trust ("SP AusNet Finance Trust") as if all entities operate together. They are therefore treated as a combined entity ("the Stapled Group" or "SP AusNet").

Pursuant to the Stapling Deed effective 21 October 2005, the Stapled Group was established for the purpose of facilitating a joint quotation of SP AusNet Distribution, SP AusNet Transmission and SP AusNet Finance Trust on the Australian Securities Exchange ("ASX") and the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Stapled Group was listed on 14 December 2005.

So long as the three entities remain jointly quoted, the number of shares in each of SP AusNet Distribution and SP AusNet Transmission and the number of units in SP AusNet Finance Trust shall be equal and shareholders and unitholders shall be identical.

Directors

The persons listed below were Directors of SP AusNet Distribution during the whole of the financial period and up to the date of this report unless otherwise noted.

Non-executive Directors

Ng Kee Choe (Chairman)

Jeremy Guy Ashcroft **Davis** AM

Eric **Gwee** Teck Hai

Ho Tian Yee

Antonino (Tony) Mario **Iannello**

George Allister **Lefroy**

Martyn Kenneth **Myer** AO

Ian Andrew **Renard**

Executive Director

Nino **Ficca** (Managing Director)

Directors' Report

Distributions

Distributions paid to securityholders during the financial period were as follows:

	Final 2009 distribution paid 25 June 2009	
	Cents per security	Total distribution \$M
Fully franked dividend paid by SP AusNet Transmission	1.911	40.5
Assessable interest income paid by SP AusNet Finance Trust	2.692	57.1
Return of capital paid by SP AusNet Finance Trust	1.324	28.1
	<u>5.927</u>	<u>125.7</u>

In relation to the final distributions on 25 June 2009 of \$125.7 million, \$12.3 million was utilised in the allotment of new securities issued under the Distribution Reinvestment Plan.

Since the end of the financial period, the Directors have approved an interim distribution for 2010 of \$106.5 million (4.000 cents per stapled security) to be paid on 22 December 2009 comprised as follows:

	Interim 2010 distribution to be paid on 22 December 2009	
	Cents per security	Total distribution \$M
Fully franked dividend payable by SP AusNet Transmission	1.289	34.3
Assessable interest income payable by SP AusNet Finance Trust	1.887	50.3
Return of capital payable by SP AusNet Finance Trust	0.824	21.9
	<u>4.000</u>	<u>106.5</u>

The franked component of the interim distribution has been maintained at 32 per cent.

Directors' Report

Review of operations

A summary of the Stapled Group's revenues and results by significant industry segments is set out below:

	Electricity distribution \$M	Gas distribution \$M	Transmission \$M	Inter-segment eliminations \$M	Combined \$M
30 September 2009					
Regulated revenue	230.7	129.0	259.9	(4.8)	614.8
Excluded services	8.7	1.5	9.4	(1.6)	18.0
Customer contributions	14.4	2.2	-	-	16.6
Other revenue	48.8	1.4	14.2	(0.1)	64.3
Total segment revenue	302.6	134.1	283.5	(6.5)	713.7
Segment result before interest expense	88.0	88.3	139.2	-	315.5
Segment interest expense	(42.6)	(39.3)	(72.6)	-	(154.5)
Unallocated finance income less unallocated finance expenses					8.4
Profit before income tax					169.4
Income tax expense					(34.0)
Net profit for the period ending 30 September 2009					135.4
Net profit for the period ending 30 September 2008					92.2*

* Refer note 2 for further details.

Directors' Report

Discussion and analysis for the period ended 30 September 2009

This discussion and analysis is provided to assist readers in understanding the general purpose interim financial report.

SP AusNet achieved a net profit after tax ("NPAT") of \$135.4 million for the period ended 30 September 2009.

SP AusNet derives most of its earnings from three regulated energy network businesses, which include Victoria's high voltage electricity transmission network, an electricity distribution network located in eastern Victoria and a gas distribution network in western Victoria. Overall revenue increased by 12.3 per cent to \$713.7 million. The increase in revenue arose from the increase in the regulated revenue for transmission, the annual price adjustments for regulated revenues, as well as from an increase in competitive revenue following the establishment of Select Solutions. Select Solutions is the new commercial arm of SP AusNet, bringing together the existing Data and Measurement Solutions (DMS), Technical Services and Utility Services into one division. Revenue for each segment is discussed below.

As a diversified energy networks business, SP AusNet plays a vital role in underpinning the economic and social strength of Victorian communities, while contributing to the wider Australian energy market. The sustainability of the networks is key to SP AusNet's business decisions and SP AusNet is committed to continually improving its networks' performance.

Electricity distribution business

SP AusNet's electricity distribution business contributed \$302.6 million in total revenues (excluding interest income) for the period ended 30 September 2009. Revenues were favourably impacted by the increase in competitive revenue from Select Solutions, and the strong growth in customer numbers but were partially offset by the slower economic growth and milder weather which have resulted in lower consumption than for the same period last year. As at 30 September 2009, SP AusNet had 613,633 customers connected to its electricity distribution network representing an increase of 5,322 customers or 0.9 per cent during the period. During the financial period 4,054 GWh was distributed through the distribution network, representing a decrease of 2.1 per cent over the previous corresponding period. The segment result for 30 September 2009 is \$88.0 million (before interest) compared to the segment result for September 2008 of \$94.9 million (before interest and impairment). The difference in results is primarily due to additional costs incurred in the period to 30 September 2009 for bushfire related expenses as well as a one off revenue accrual adjustment in the period to 30 September 2008. Total capital expenditure for the period was \$151.2 million, of which \$53.6 million was customer-initiated.

During the period Select Solutions has contributed approximately \$38.5 million of additional revenue to the SP AusNet electricity distribution business from the delivery of competitive niche services to the Jemena group of companies. The agreements commenced in April 2009 which have seen SP AusNet extend its footprint to introduce these niche services into New South Wales.

Gas distribution business

SP AusNet's gas distribution business contributed \$134.1 million in total revenues (excluding interest income) for the period ended 30 September 2009. Revenues were favourably impacted by the new regulatory period taking effect 1 July 2008 and the annual price adjustment at 1 January 2009, and by strong growth in customer numbers offset by milder weather conditions. As at 30 September 2009, SP AusNet had 563,592 customers connected to its gas distribution network representing an increase of 9,095 or 1.6 per cent during the period. Total gas delivered through the network was 45.3 PJ, a decrease of 2.7 per cent over the previous corresponding period. Total capital expenditure for the period was \$35.4 million of which \$22.8 million was customer-initiated.

Transmission business

SP AusNet's electricity transmission business contributed \$283.5 million in total revenues (excluding interest income) for the period ended 30 September 2009. Revenues were favourably impacted as a result of the increase in the regulated revenue path and the pass through of the increase in land tax on easements due to a revised assessment by the State Revenue Office. Total electricity transmitted through the network was 25,603 GWh which is a decrease of 4.8 per cent over the previous corresponding period due to slower economic growth and milder weather conditions. Transmission regulated revenue is not subject to volume risk.

Total capital expenditure was \$69.4 million for the period, including \$17.4 million customer-initiated and \$48.9 million company-initiated projects, as well as \$3.1 million of general capital expenditure.

Directors' Report

Discussion and analysis for the period ended 30 September 2009 (continued)

Financial position

Securityholders' equity was \$2,766.9 million as at 30 September 2009. Total securityholders' equity includes 100 per cent of the ownership interests in SP AusNet Transmission and SP AusNet Finance Trust, which have been disclosed as minority interests, as they are owned by securityholders directly. The proceeds from the equity raising in May and June 2009 and the proceeds from the Distribution Reinvestment Plan ("DRP") issue on 25 June 2009 were allocated to units in SP AusNet Finance Trust with the shares in SP AusNet Transmission and SP AusNet Distribution issued at nominal consideration.

Reserves are negative due to the valuation of derivatives held under cash flow hedging arrangements. SP AusNet does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

SP AusNet recognises actuarial gains and losses on defined benefit superannuation funds directly in retained earnings. Actuarial gains for the period ended 30 September 2009 for SP AusNet were \$34.2 million (before tax). The actuarial gain was predominantly due to an increase in the discount rate since 31 March 2009 leading to a reduction in the valuation of the liabilities, and favourable investment returns compared to what was expected at the beginning of the year. Defined benefit funds are long-term in nature and the actuarial calculations are based on long-term expectations. Any short-term fluctuations from the long-term average will result in movements in the net surplus/deficit position of the fund. SP AusNet makes contributions to the defined benefit funds as requested by the funds.

The Directors have reviewed the assets held in the form of interest rate swaps, cross-currency swaps and other derivative contracts, and have also reviewed related counterparty credit exposures. The Directors are satisfied that these assets are not overstated. Included in borrowings are USD \$975.0 million and GBP £250 million facilities. As these facilities are accounted for as being in a hedge relationship, the decrease in the facilities arising from exchange rate movements is offset by an increase in the fair value of the derivatives that are hedging the exchange rate movement.

At balance date, SP AusNet's current assets exceed its current liabilities by \$4.5 million. In total, SP AusNet had access to undrawn but committed bank debt facilities of \$325.0 million at 30 September 2009 which were available under non-current bank debt facilities.

Cash flow statements

Net operating cash inflows for the period ended 30 September 2009 were \$225.5 million, an increase of \$51.3 million on the comparative period predominantly due to an increase in receipts from customers.

Net outflows from investing activities of \$285.1 million resulted primarily from payments for property, plant and equipment.

The net inflow from financing activities of \$189.3 million resulted primarily from the proceeds from issue of new securities of \$399.2 million (net of transaction costs), offset by repayment of borrowings, and the cash component of the distributions paid during the period of \$125.7 million.

Directors' Report

Discussion and analysis for the period ended 30 September 2009 (continued)

Victorian February bushfires

In early February 2009, the state of Victoria was impacted by bushfires. The Victorian Government subsequently established a Royal Commission of Inquiry into the Victorian bushfire crisis. SP AusNet has and continues to extend its full support and assistance to the Inquiry. It is too early for SP AusNet to provide any reliable estimate as to the outcomes or recommendations of the Royal Commission. An interim report from the Royal Commission was released in August 2009.

SP AusNet's bushfire mitigation and vegetation management programs fully comply with Electricity Safety (Bushfire Mitigation) Regulations and are audited annually by Energy Safe Victoria. Each year, SP AusNet enters the declared bushfire season with a "zero" bushfire mitigation index representing that the business has no outstanding bushfire mitigation works to attend to. SP AusNet has completed all its preparation for this year's bushfire season and attained a "zero" bushfire mitigation index at the commencement of the fire season. Litigation has been initiated against SP AusNet. Refer note 11(c) for further details.

Climate Change

The *National Greenhouse and Energy Reporting Act 2007* was passed in September 2007 to establish a mandatory corporate system for the reporting of greenhouse gas, energy production and consumption. Corporations that meet thresholds as determined by the legislation are required to report. The reporting period commenced on 1 July 2008, and covers the Australian financial year. Corporations meeting or exceeding the thresholds are required to register by 31 August 2009 and lodge their first full report by 31 October 2009. SP AusNet meets the current thresholds under the National Greenhouse and Energy Reporting ("NGER") framework and has been participating in the Department of Climate Change's NGER workshops. SP AusNet has registered with the Department of Climate Change and has lodged its first full report.

The Australian Government released its Green Paper for the National Carbon Pollution Reduction Scheme ("CPRS") in July 2008 as a consultation and discussion paper, followed by the release of its White Paper in December 2008. In March 2009, the Australian Government released its exposure draft legislation for consultation. On 4 May 2009, the Australian Government announced that it had delayed the commencement of the scheme by a year to July 2011. SP AusNet is closely monitoring the development of the regulatory framework for this emissions trading scheme. Under the draft legislation, SP AusNet is expected to have liabilities under the CPRS for unaccounted for gas losses from the gas distribution network. At this stage, it is too early to quantify the impacts and opportunities arising from the CPRS.

Directors' Report

Discussion and analysis for the period ended 30 September 2009 (continued)

Debt raising

SP AusNet's common or central funding vehicle ("CFV") operates through SPI Electricity & Gas Australia Holdings Pty Ltd, a subsidiary of SP AusNet Distribution. SP AusNet has access to the funds through the CFV.

In May 2009, SP AusNet successfully established \$275.0 million of three year bank debt facilities. These facilities were used to replace \$205.0 million of working capital facilities and commercial paper standby lines. In June 2009, SP AusNet successfully established a further \$50.0 million of three year bank debt facility, bringing the total raised under the bilateral facilities executed in May 2009 to \$325.0 million. This facility was used to replace \$50.0 million of commercial paper standby lines. The remaining \$50.0 million of working capital facilities were not renewed, and expired in August 2009. The bilateral bank debt facilities were undrawn as at 30 September 2009, and as a consequence there was \$325.0 million of undrawn but committed debt available under these facilities.

SP AusNet maintains its A- credit rating from Standard and Poor's and A1 from Moody's. At the date of this report, SP AusNet has no refinancing obligations until September 2010.

Capital Management Initiatives

In June 2009, SP AusNet successfully completed an accelerated non-renounceable entitlement offer ("Entitlement Offer") raising a total of \$408.4 million. \$336.6 million was raised from the institutional component of the Entitlement Offer and \$71.8 million was raised from the retail component of the Entitlement Offer. These amounts exclude the costs of raising these funds. The proceeds from the equity raising together with the proceeds from the distribution reinvestment plan issue on 25 June 2009 (\$12.3 million) were allocated to units in SP AusNet Finance Trust with the shares in SP AusNet Transmission and SP AusNet Distribution issued at nominal consideration.

The Directors expect that distributions for the year ended 31 March 2010 will be 8.0 Australian cents per security. Beyond the year ended 31 March 2010, distributions will be determined based on operating cash flows after funding 100 per cent of maintenance capital expenditure and a portion of growth capital expenditure. SP AusNet's long-term aim is to continue to deliver sustainable growth in securityholder value.

Advanced Metering Infrastructure roll-out Program

The Victorian Government has mandated completion for the roll-out of smart electricity meters by the end of 2013. SP AusNet is on target to meet this schedule. Planning for the meter installation roll-out, officially scheduled for SP AusNet to start in Victorian homes and small businesses in January 2010, is progressing steadily. The program's aims of enhanced customer relationships, improved existing network asset efficiency and network reliability and performance, with a staged approach to mitigate risk, are being effectively upheld.

Weather events

A number of severe weather events have affected SP AusNet's electricity distribution network during the first half of the 2009/10 financial year. Strong winds of up to 110km/hr, and storms, particularly during July, August and September, interrupted power supply to customers and resulted in an increase in the Unplanned Supply Average Interruption Duration Index ("USAIDI") with 136.7 minutes lost. The Financial impact on Guaranteed Service Level ("GSL") was immaterial. SP AusNet closely monitors extreme weather forecasts and puts emergency plans in place to enable the fastest and most efficient response.

Distribution Reinvestment Plan

The take up rate for the DRP in June 2009 was approximately ten per cent. The DRP will continue to be in operation for distributions in the current year.

Directors' Report

Significant changes in the state of affairs

Other than referred to above, in the opinion of the Directors, there were no significant changes in the state of affairs of SP AusNet that occurred during the period under review.

Matters subsequent to the end of the financial period

Distributions

Since the end of the financial period, the Directors have approved an interim distribution for 2010 of \$106.5 million (4.000 cents per stapled security) to be paid on 22 December 2009.

With the exception of the matter outlined above, the Directors are not aware of any circumstances that have arisen since 30 September 2009 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of SP AusNet in financial periods subsequent to 30 September 2009.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 11 and forms part of the Directors' report for the period ended 30 September 2009.

Rounding of amounts

SP AusNet Distribution is a company of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Class Order the nearest hundred thousand dollars.

This report is made in accordance with a resolution of the Directors.



Ng Lee Choe
Chairman



Nino Ficca
Managing Director

Melbourne
11 November 2009



Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of SP Australia Networks (Distribution) Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 September 2009 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.


KPMG



Alison Kitchen
Partner

Melbourne
11 November 2009

Combined interim income statements

For the period ended 30 September 2009

	30 September 2009	30 September 2008
Notes	\$M	\$M
Revenue	713.7	635.5
Expenses, excluding finance costs	(398.2)	(375.5)
Profit from operating activities	315.5	260.0
Finance income	6.0	7.3
Finance expense	(152.1)	(152.2)
Net finance costs	(146.1)	(144.9)
Profit before income tax	169.4	115.1
Income tax expense	(34.0)	(22.9)
Profit for the period	135.4	92.2
Profit attributable to SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	89.1	75.7
Profit attributable to SP AusNet Distribution	46.3	16.5
Total profit for the period	135.4	92.2
Earnings per share for profit attributable to the ordinary equityholders of SP AusNet Distribution		
Basic and diluted earnings per share (cents per share)	6	0.79

The above combined interim income statements should be read in conjunction with the accompanying notes, including note 6 which sets out the earnings per stapled security.

Combined interim statements of comprehensive income

For the period ended 30 September 2009

	30 September 2009 \$M	30 September 2008 \$M
Profit for the period	135.4	92.2
Other comprehensive income		
Movement in defined benefit funds		
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	13.7	(7.7)
SP AusNet Distribution	20.5	(17.1)
Movement in hedge reserve		
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	12.9	(3.0)
SP AusNet Distribution	121.2	(152.9)
Income tax on other comprehensive income	(50.5)	54.2
Other comprehensive income for the period, net of income tax	<u>117.8</u>	<u>(126.5)</u>
Total comprehensive income for the period	<u>253.2</u>	<u>(34.3)</u>
Attributable to:		
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	107.7	68.2
SP AusNet Distribution	145.5	(102.5)
Total comprehensive income for the period	<u>253.2</u>	<u>(34.3)</u>

The above combined interim statements of comprehensive income should be read in conjunction with the accompanying notes.

Combined interim statements of financial position

As at 30 September 2009

	Notes	30 September 2009 \$M	31 March 2009 \$M
ASSETS			
Current assets			
Cash and cash equivalents		136.9	7.2
Receivables		235.9	182.7
Inventories		14.3	15.8
Derivative financial instruments		281.3	54.3
Other current assets		11.6	11.0
Total current assets		680.0	271.0
Non-current assets			
Inventories		17.0	16.1
Property, plant and equipment		6,864.9	6,721.9
Intangible assets		354.5	354.5
Derivative financial instruments		29.0	455.4
Other non-current assets		0.9	0.9
Total non-current assets		7,266.3	7,548.8
Total assets		7,946.3	7,819.8
LIABILITIES			
Current liabilities			
Payables and other liabilities		207.3	225.3
Borrowings	7	313.5	225.1
Derivative financial instruments		94.8	240.0
Current tax payable		6.2	2.0
Provisions		53.7	51.0
Total current liabilities		675.5	743.4
Non-current liabilities			
Borrowings	7	3,649.1	4,267.1
Derivative financial instruments		488.4	245.9
Other liabilities		5.0	5.0
Deferred tax liabilities		307.5	237.3
Provisions		53.9	93.3
Total non-current liabilities		4,503.9	4,848.6
Total liabilities		5,179.4	5,592.0
Net assets		2,766.9	2,227.8
EQUITY			
Equityholders of SP AusNet Distribution			
Contributed equity		0.5	0.5
Reserves		(74.9)	(159.7)
Retained profits		626.2	565.5
		551.8	406.3
Equityholders of SP AusNet Transmission and SP AusNet Finance Trust (minority interest)		2,215.1	1,821.5
Total equity		2,766.9	2,227.8

The above combined interim statements of financial position should be read in conjunction with the accompanying notes.

Combined interim statements of changes in equity

For the period ended 30 September 2009

	Contributed equity \$M	Issued units \$M	Hedge reserve (i) \$M	Retained profits (ii) \$M	Fair value adjustment on stapling \$M	Other equity component (iii) \$M	Total equity \$M
30 September 2009							
SP AusNet Distribution							
Balance as at 1 April 2009	0.5	-	(159.7)	565.5	-	-	406.3
Total comprehensive income for the period							
Profit/(loss) for the period	-	-	-	46.3	-	-	46.3
Other comprehensive income							
Movement in hedge reserve	-	-	121.2	-	-	-	121.2
Movement in defined benefit funds	-	-	-	20.5	-	-	20.5
Income tax on other comprehensive income	-	-	(36.4)	(6.1)	-	-	(42.5)
Total other comprehensive income	-	-	84.8	14.4	-	-	99.2
Total comprehensive income for the financial period	-	-	84.8	60.7	-	-	145.5
Balance as at 30 September 2009	0.5	-	(74.9)	626.2	-	-	551.8
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)							
Balance as at 1 April 2009	650.1	1,737.6	(14.9)	492.4	51.4	(1,095.1)	1,821.5
Total comprehensive income for the period							
Profit/(loss) for the period	-	-	-	89.1	-	-	89.1
Other comprehensive income							
Movement in hedge reserve	-	-	12.9	-	-	-	12.9
Movement in defined benefit funds	-	-	-	13.7	-	-	13.7
Income tax on other comprehensive income	-	-	(3.9)	(4.1)	-	-	(8.0)
Total other comprehensive income	-	-	9.0	9.6	-	-	18.6
Total comprehensive income for the financial period	-	-	9.0	98.7	-	-	107.7
Transactions with owners, recorded directly in equity							
Distributions paid 25 June 2009	-	(28.1)	-	(97.6)	-	-	(125.7)
New units issued	-	411.6	-	-	-	-	411.6
Total transactions with owners	-	383.5	-	(97.6)	-	-	285.9
Balance as at 30 September 2009	650.1	2,121.1	(5.9)	493.5	51.4	(1,095.1)	2,215.1
Total stapled securityholders' equity as at 30 September 2009	650.6	2,121.1	(80.8)	1,119.7	51.4	(1,095.1)	2,766.9

Combined interim statements of changes in equity

For the period ended 30 September 2009

	Contributed equity \$M	Issued units \$M	Hedge reserve (i) \$M	Retained profits (ii) \$M	Fair value adjustment on stapling \$M	Other equity component (iii) \$M	Total equity \$M
30 September 2008							
SP AusNet Distribution							
Balance as at 1 April 2008	0.5	-	68.1	617.3	-	-	685.9
Total comprehensive income for the period							
Profit/(loss) for the period	-	-	-	16.5	-	-	16.5
Other comprehensive income							
Movement in hedge reserve	-	-	(152.9)	-	-	-	(152.9)
Movement in defined benefits	-	-	-	(17.1)	-	-	(17.1)
Income tax on other comprehensive income	-	-	45.9	5.1	-	-	51.0
Total other comprehensive income	-	-	(107.0)	(12.0)	-	-	(119.0)
Total comprehensive income for the financial period	-	-	(107.0)	4.5	-	-	(102.5)
Balance as at 30 September 2008	0.5	-	(38.9)	621.8	-	-	583.4
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)							
Balance as at 1 April 2008	650.1	1,827.7	0.3	490.2	51.4	(1,095.1)	1,924.6
Total comprehensive income for the period							
Profit/(loss) for the period	-	-	-	75.7	-	-	75.7
Other comprehensive income							
Movement in hedge reserve	-	-	(3.0)	-	-	-	(3.0)
Movement in defined benefits	-	-	-	(7.7)	-	-	(7.7)
Income tax on other comprehensive income	-	-	0.9	2.3	-	-	3.2
Total other comprehensive income	-	-	(2.1)	(5.4)	-	-	(7.5)
Total comprehensive income for the financial period	-	-	(2.1)	70.3	-	-	68.2
Transactions with owners, recorded directly in equity							
Distributions paid 23 June 2008	-	(71.1)	-	(50.0)	-	-	(121.1)
Total transactions with owners	-	(71.1)	-	(50.0)	-	-	(121.1)
Balance as at 30 September 2008	650.1	1,756.6	(1.8)	510.5	51.4	(1,095.1)	1,871.7
Total stapled securityholders' equity as at 30 September 2008	650.6	1,756.6	(40.7)	1,132.3	51.4	(1,095.1)	2,455.1

Combined interim statements of changes in equity

For the period ended 30 September 2009

- (i) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to highly probable forecast transactions. The future periods in which the cash flows associated with derivatives in the cash flow hedge reserve are expected to impact profit and loss are the same as when the associated cash flows are expected to occur (refer note 9).
- (ii) Actuarial gains and losses on the defined benefit obligation and the pension plan assets are recognised directly in retained earnings.
- (iii) SP AusNet Transmission other equity component results from the application of reverse acquisition accounting and represents the difference between the net assets of SP AusNet Transmission and SPI Australia Finance Pty Ltd and the purchase price paid by the legal acquirer, SP AusNet Transmission.

The above combined interim statements of changes in equity should be read in conjunction with the accompanying notes.

Combined interim statements of cash flows

For the period ended 30 September 2009

	30 September 2009	30 September 2008
Notes	\$M	\$M
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	724.9	649.1
Payments to suppliers and employees (inclusive of goods and services tax)	(321.3)	(308.0)
Income tax paid	(10.1)	(14.2)
Interest received	4.7	0.5
Interest and other costs of finance paid	(172.7)	(153.2)
Net cash inflow/(outflow) from operating activities	225.5	174.2
Cash flows from investing activities		
Payments for property, plant and equipment	(285.5)	(220.0)
Proceeds from sale of property, plant and equipment	0.4	0.3
Net cash inflow/(outflow) from investing activities	(285.1)	(219.7)
Cash flows from financing activities		
Proceeds from issue of new securities (net of costs)	399.2	-
Distributions paid (i)	5 (113.4)	(121.1)
Proceeds from borrowings	275.5	740.2
Repayment of borrowings	(372.0)	(574.0)
Net cash inflow/(outflow) from financing activities	189.3	45.1
Net increase/(decreases) in cash held	129.7	(0.4)
Cash and cash equivalents at the beginning of the financial period	7.2	12.0
Cash and cash equivalents at the end of the financial period	136.9	11.6

(i) Amount shown represents distributions of \$125.7 million offset by proceeds from the DRP of \$12.3 million.

The above combined interim statements of cash flows should be read in conjunction with the accompanying notes.

Condensed notes to the combined interim financial statements

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Condensed notes to the combined interim financial statements

Note 1 Summary of significant accounting policies

The combined interim financial report includes the financial statements for the Stapled Group, consisting of SP AusNet Distribution and its subsidiaries, SP AusNet Transmission and its subsidiaries and SP AusNet Finance Trust. The Stapled Group is also referred to as SP AusNet.

(a) Basis of preparation

The general purpose interim financial report for the period ended 30 September 2009 has been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2009 and any public announcements made by SP AusNet during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This general purpose interim financial report is presented in Australian dollars.

The financial statements were approved by the Board of Directors on 11 November 2009.

At balance date, SP AusNet's current assets exceeded its current liabilities by \$4.5 million. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations, as the Stapled Group is trading profitably and has been able to refinance maturing debt.

In May 2009, SP AusNet successfully established \$275.0 million of three year bank debt facilities. These facilities were used to replace \$205.0 million of working capital facilities and commercial paper standby lines. In June 2009, SP AusNet successfully established a further \$50.0 million of three year bank debt facility, bringing the total raised under the bilateral facilities executed in May 2009 to \$325.0 million. This facility was used to replace \$50.0 million of commercial paper standby lines. The remaining \$50.0 million of working capital facilities were not renewed, and expired in August 2009. The bilateral bank debt facilities were undrawn as at 30 September 2009, and as a consequence there was \$325.0 million of undrawn but committed debt available under these facilities.

In June 2009, SP AusNet successfully completed an accelerated non-renounceable entitlement offer ("Entitlement Offer") raising a total of \$408.4 million. \$336.6 million was raised from the institutional component of the Entitlement Offer and \$71.8 million was raised from the retail component of the Entitlement Offer. These amounts exclude the costs of raising these funds. The proceeds from the equity raising together with the proceeds from the distribution reinvestment plan issue on 25 June 2009 (\$12.3 million) were allocated to units in SP AusNet Finance Trust with the shares in SP AusNet Transmission and SP AusNet Distribution issued at nominal consideration.

(b) Significant accounting policies

Except as described below, the accounting policies applied by the Stapled Group in this combined interim financial report are the same as those applied by the Stapled Group in its combined financial report as at and for the year ended 31 March 2009. The standards relevant to the Stapled Group that have been adopted during the period are:

- Revised AASB 101 *Presentation of Financial Statements* is applicable to annual reporting periods commencing on or after 1 January 2009. This standard results in changes to the financial statements including the addition of a Statement of Comprehensive Income. This standard does not result in any changes to the financial results but affects how those results are presented.

Condensed notes to the combined interim financial statements

Note 1 Summary of significant accounting policies (continued)

(b) Significant accounting policies (continued)

- AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further amendments to Australian Accounting Standards arising from AASB 101* are applicable to annual reporting periods commencing on or after 1 January 2009. Both AASB 2007-8 and AASB 2007-10 amend the terms used in several accounting standards due to the changes made to AASB 101.
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share based Payment: Vesting Conditions and Cancellations* is applicable to annual reporting periods commencing on or after 1 January 2009. AASB 2008-1 clarifies the definition of vesting conditions and also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. As the vesting conditions present in SP AusNet's Long Term Incentive Plan consist of service and performance conditions and there were no relevant cancellations during the period, this standard does not result in any changes to financial results.
- AASB 2008-2 *Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation* is applicable to annual reporting periods commencing on or after 1 January 2009. This standard makes amendments to several other standards due to amendments to IAS 32 *Financial Instruments: Presentation* regarding puttable financial instruments and obligations arising from liquidation. As SP AusNet does not have financial instruments of the kind referred to in this standard, this standard does not result in any changes to financial results.
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* arising from the Annual Improvements Project are applicable to annual reporting periods commencing on or after 1 January 2009. The standard makes various minor amendments to other standards. However, the standard does not result in any changes to financial results.
- AASB Interpretation 18 *Transfers of Assets from Customers* is applicable for transfers occurring on or after 1 July 2009. This interpretation clarifies the accounting for agreements where an entity receives an item of property, plant and equipment (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to SP AusNet's network or to provide ongoing access to supply of goods or services. As revenue earned from customer contributions is in exchange for connection to the network, this interpretation results in no change to the accounting for customer contributions.

(c) Rounding of amounts

The Stapled Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

Condensed notes to the combined interim financial statements

Note 2 Segment information

The Stapled Group is organised into the following segments by service:

- **Electricity distribution** – The electricity distribution network carries electricity from the high voltage transmission network to end users. The Stapled Group's network covers eastern Victoria including the eastern metropolitan region of Melbourne.

The Stapled Group charges retailers and some large customers regulated rates for the use of the distribution network. The electricity distribution segment does not purchase or sell electricity.

Also included in this segment is revenue and expenses from services provided to the Jemena group of companies and other third parties, including metering and vegetation management services, which formed part of the long term operational arrangements announced on 30 September 2008. These services are similar in nature to those already within the electricity distribution segment.

- **Gas distribution** – The gas distribution network carries natural gas to commercial and residential end users. The Stapled Group charges retailers and some large customers regulated rates for the use of the distribution network. The Stapled Group network covers central and western Victoria. The gas distribution segment does not purchase or sell gas.
- **Transmission** – The Stapled Group owns and manages the majority of the electricity transmission network in Victoria. The Stapled Group's transmission network consists of the transmission lines and towers which carry electricity at high voltages from power stations to electricity distributors around Victoria forming the backbone of the Victorian electricity network. It is centrally located amongst the five eastern states of Australia that form the National Electricity Market, and provides key links between the electricity transmission networks of South Australia, New South Wales and Tasmania.

The electricity transmission segment does not purchase or sell electricity.

Condensed notes to the combined interim financial statements

Note 2 Segment information (continued)

	Electricity distribution	Gas distribution	Transmission	Inter-segment eliminations	Combined
	\$M	\$M	\$M	\$M	\$M
30 September 2009					
Regulated revenue	230.7	129.0	259.9	(4.8)	614.8
Excluded services	8.7	1.5	9.4	(1.6)	18.0
Customer contributions	14.4	2.2	-	-	16.6
Other revenue	48.8	1.4	14.2	(0.1)	64.3
Total segment revenue	302.6	134.1	283.5	(6.5)	713.7
Segment result before interest expense	88.0	88.3	139.2	-	315.5
Segment interest expense	(42.6)	(39.3)	(72.6)	-	(154.5)
Unallocated finance income less unallocated finance expenses					8.4
Profit before income tax					169.4
Income tax expense					(34.0)
Net profit for the period					135.4

	Electricity distribution	Gas distribution	Transmission	Inter-segment eliminations	Combined
	\$M	\$M	\$M	\$M	\$M
30 September 2008					
Regulated revenue	229.5	119.3	244.2	(5.3)	587.7
Excluded services	7.6	1.5	4.9	(0.1)	13.9
Customer contributions	9.2	1.3	-	-	10.5
Other revenue	11.3	0.6	11.7	(0.2)	23.4
Total segment revenue	257.6	122.7	260.8	(5.6)	635.5
Segment result before impairment and interest expense	94.9	75.9	132.5	-	303.3
Impairment on property, plant and equipment (before tax) (i)	(43.3)	-	-	-	(43.3)
Segment result before interest expense	51.6	75.9	132.5	-	260.0
Segment interest expense	(44.0)	(40.6)	(65.4)	-	(150.0)
Unallocated finance income less unallocated finance expenses					5.1
Profit before income tax					115.1
Income tax expense					(22.9)
Net profit for the period					92.2

- (i) In September 2008, the Victorian Government issued a revised timetable for the roll-out of smart electricity meters. Under the revised timetable, the roll-out is required to be completed by the end of 2013. The Department of Primary Industries has prepared a revised order in council to implement changes to the timing of the roll-out and the form of the cost recovery model for the advanced metering infrastructure roll-out. In recognition of the removal of the uncertainty regarding the roll-out timetable and the cost recovery model during the period ended 30 September 2008, the Directors concluded, that an impairment of \$43.3 million (before tax) be recognised on the existing meters to be replaced under the roll-out program. SP AusNet also accelerated the depreciation on these meters so that they will be fully written off in the financial year ending 31 March 2014.

Condensed notes to the combined interim financial statements

Note 3 Seasonality of operations

(a) Electricity distribution

Electricity distribution volume displays some seasonal variation with increased volumes in winter due to higher demand for heating and increased volumes in summer as a result of higher demand for air conditioning. However, the impact of seasonal volume variation on electricity distribution revenue is limited due to the tariff structure, which includes a fixed component and a contract demand capacity component. The high proportion of process related consumption of commercial and industrial customers also limits seasonal variation in electricity distribution revenue.

(b) Gas distribution

Gas distribution volume is seasonal with a distinct winter peak due to gas demand for heating. A component of the seasonal revenue variation is mitigated due to the tariff structure, which includes a fixed component and a demand capacity based component.

(c) Transmission

Electricity transmission revenue is not seasonal. Transmission revenue is earned in accordance with the monthly revenue schedule determined by the Australian Energy Regulator.

Note 4 Income tax expense

The Stapled Group's effective tax rate for the period ended 30 September 2009 is approximately 20 per cent. The divergence in the effective rate, from the prima facie rate of 30 per cent, is mainly caused by SP AusNet Finance Trust's interest income not being assessable in the Trust on the basis that all beneficiaries are presently entitled to trust income at the end of the reporting period. However, the corresponding interest expense incurred in SP AusNet Distribution and SP AusNet Transmission is deductible for tax purposes.

Note 5 Distributions

The following distributions were approved and paid by SP AusNet to securityholders during the current and previous interim financial periods:

		Final 2009 distribution paid 25 June 2009		Final 2008 distribution paid 23 June 2008	
Payable by		Cents per security	Total distribution \$M	Cents per security	Total distribution \$M
Distributions from earnings					
Fully franked dividend	SP AusNet Transmission	1.911	40.5	0.736	15.4
Assessable interest income	SP AusNet Finance Trust	2.692	57.1	1.655	34.6
Total distributions from earnings		4.603	97.6	2.391	50.0
Return of capital	SP AusNet Finance Trust	1.324	28.1	3.397	71.1
Total distributions from capital		1.324	28.1	3.397	71.1
Total distributions		5.927	125.7	5.788	121.1

Condensed notes to the combined interim financial statements

Note 6 Earnings per share

(a) Basic earnings per share for SP AusNet Distribution

(i) As reported in income statements

	30 September 2009 \$M	30 September 2008 \$M
Profit attributable to the ordinary equityholders of SP AusNet Distribution	46.3	16.5
Profit attributable to the ordinary equityholders of SP AusNet Distribution	46.3	16.5
Weighted average number of shares (million)	2,480.3	2,092.7
	Cents	Cents
Earnings per share from profit	1.87	0.79

(ii) Adjusted for individually material items

Reconciliation of earnings used in the calculation of earnings per share adjusted for individually material items attributable to the ordinary equityholders of SP AusNet Distribution:

	30 September 2009 \$M	30 September 2008 \$M
Profit attributable to the ordinary equityholders of SP AusNet Distribution	46.3	16.5
Adjusted for the after tax impact of the impairment of existing meters to be replaced under the Advanced Metering Infrastructure roll-out program	-	30.3
Profit attributable to the ordinary equityholders of the SP AusNet Distribution adjusted for individually material items	46.3	46.8
Weighted average number of shares ('000)	2,480.3	2,092.7
	Cents	Cents
Earnings per share from profit	1.87	2.24

(b) Diluted earnings per share

There were no factors causing a dilution of either the profit or loss attributable to ordinary equityholders or the weighted average number of ordinary shares outstanding. Accordingly, basic and diluted earnings per share are the same.

Condensed notes to the combined interim financial statements

Note 6 Earnings per share (continued)

(c) Earnings per stapled security

As the stapling is a business combination by contract alone, the total ownership interest in SP AusNet Transmission and SP AusNet Finance Trust is presented as minority interest in the combined financial statements of SP AusNet Distribution.

By virtue of the stapling arrangement, SP AusNet Distribution, SP AusNet Transmission and SP AusNet Finance Trust have common equityholders (the securityholders) with the effect that total equity belongs to the securityholders. Therefore an alternative measure of earnings per stapled security has been calculated as follows which includes minority interest and hence the earnings of SP AusNet Transmission and SP AusNet Finance Trust.

(d) Basic earnings per stapled security

(i) As reported in income statements

	30 September 2009 \$M	30 September 2008 \$M
Profit attributable to the ordinary securityholders of the Stapled Group	135.4	92.2
Profit attributable to the ordinary securityholders of the Stapled Group	135.4	92.2
Weighted average number of securities (million)	2,480.3	2,092.7
	Cents	Cents
Earnings per security from profit (Stapled Group)	5.46	4.41

(ii) Adjusted for individually material items

Reconciliation of earnings used in the calculation of earnings per security adjusted for individually material items attributable to the ordinary securityholders of the Stapled Group:

	30 September 2009 \$M	30 September 2008 \$M
Profit attributable to the ordinary securityholders of the Stapled Group	135.4	92.2
Adjusted for the after tax impact of the impairment of existing meters to be replaced under the Advanced Metering Infrastructure roll-out program	-	30.3
Profit attributable to the ordinary securityholders of the Stapled Group adjusted for individually material items	135.4	122.5
Weighted average number of securities (million)	2,480.3	2,092.7
	Cents	Cents
Earnings per security from profit (Stapled Group)	5.46	5.85

(e) Diluted earnings per stapled security

There were no factors causing a dilution of either the profit or loss attributable to ordinary securityholders or the weighted average number of ordinary securities outstanding. Accordingly, basic and diluted earnings per security are the same.

Condensed notes to the combined interim financial statements

Note 7 Borrowings

In May 2009, SP AusNet successfully established \$275.0 million of three year bank debt facilities. These facilities were used to replace \$205.0 million of working capital facilities and commercial paper standby lines. In June 2009, SP AusNet successfully established a further \$50.0 million of three year bank debt facility, bringing the total raised under the bilateral facilities executed in May 2009 to \$325.0 million. This facility was used to replace \$50.0 million of commercial paper standby lines. The remaining \$50.0 million of working capital facilities were not renewed, and expired in August 2009. The bilateral bank debt facilities were undrawn as at 30 September 2009, and as a consequence there was \$325.0 million of undrawn but committed debt available under these facilities.

SP AusNet maintains its A- credit rating from Standard and Poor's and A1 from Moody's. At the date of this report, SP AusNet has no refinancing obligations until September 2010.

Note 8 Equity

In June 2009, SP AusNet successfully completed an accelerated non-renounceable entitlement offer ("Entitlement Offer") raising a total of \$408.4 million. \$336.6 million was raised from the institutional component of the Entitlement Offer and \$71.8 million was raised from the retail component of the Entitlement Offer. These amounts exclude the costs of raising these funds.

The Distribution Reinvestment Plan ("DRP") was introduced during October 2008 and is available for participation by securityholders on both the ASX and SGX ST. Approximately 15.8 million new securities (\$12.3 million) were issued under the DRP on 25 June 2009. Since the introduction of the DRP, 43.6 million new securities have been issued. SP AusNet's majority securityholder, Singapore Power International Pte Ltd, elected to participate to the extent required to maintain its 51 per cent stapled security holding.

(a) Movements in ordinary share capital

Date	Details	Number of shares	\$M
1 April 2009	Opening balance	2,120,423,315	0.5
28 May 2009	Institutional capital raising	431,541,856	*
28 May 2009	Retail capital raising	9,967,159	*
17 June 2009	Retail capital raising	85,169,591	*
25 June 2009	Distribution reinvestment plan	15,829,499	*
30 September 2009	Closing balance	2,662,931,420	0.5

* The proceeds from the equity raising together with the proceeds from the distribution reinvestment plan issue on 25 June 2009 (\$12.3 million) were allocated to units in SP AusNet Finance Trust with the shares in SP AusNet Transmission and SP AusNet Distribution issued at nominal consideration.

Condensed notes to the combined interim financial statements

Note 9 Financial risk management

The use of financial derivatives is governed by the Stapled Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The internal audit department periodically reviews compliance with financial risk management policies and exposure limits.

The objective of hedge activities carried out by SP AusNet is to minimise the exposure to changes in interest rates by matching the actual cost of debt with the cost of debt assumed by the regulator when setting the rate of return for the relevant business.

The Stapled Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Stapled Group's financial risk management objectives and policies are consistent with those disclosed in the combined financial report as at and for the year ended 31 March 2009.

It is the Stapled Group's policy to ensure, whenever possible, that all hedging complies with the hedge accounting requirements of AASB 139 Financial Instruments: Recognition and Measurement. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised directly in the hedge reserve. The gain or loss relating to any ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are recycled to the Income Statement in the same periods when the hedged item affects the Income Statement. Derivatives used by the Stapled Group that qualify as cash flow hedges include interest rate swaps entered into for the purpose of fixing interest rate exposures. For the interim period ended 30 September 2009, the increase in the hedge reserve, net of tax, was \$93.8 million. This resulted primarily from the increase in medium to long-term market interest rate curves used to fair value cashflow hedges from 1 April 2009 to 30 September 2009.

Note 10 Critical accounting estimates and assumptions

The preparation of financial reports requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing this combined interim financial report, the significant judgements made by management in applying the Stapled Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial report as at and for the year ended 31 March 2009.

Note 11 Contingent liabilities

Details of contingent liabilities of the Stapled Group for which no provisions are included, other than noted below, in the financial statements are as follows:

(a) Environmental

Provisions have been made for land remediation for sites in Victoria based on the estimate of the land remediation costs following site reviews and testing. These costs may increase if the extent of contamination is worse than testing indicated at the time of the reviews. Under the current environmental legislation, the Victorian Environment Protection Authority has the power to order the Stapled Group to incur such costs to remedy the contamination.

Hazardous materials are used in certain operational areas of the Stapled Group. A system of control to ensure that all such hazardous materials are identified, managed and disposed of safely, in accordance with current legislation and other obligations has been implemented.

Condensed notes to the combined interim financial statements

Note 11 Contingent liabilities (continued)

(a) Environmental (continued)

The Directors are not aware of any significant breaches of legislation, which are material in nature. The Directors are not aware of any other remedial action required, and based on the results received to date, have no reason to believe that any possible legal or remedial action would result in a material cost or loss to the Stapled Group, other than as provided for in these financial statements and as noted above.

(b) Tax audits

The Stapled Group is subject to tax audits by the ATO in regard to the deductibility of the S163AA imposts and intellectual property deductions taken by SP AusNet Transmission.

Prior to the year ended 31 March 2007, SP AusNet Transmission recognised deferred tax liabilities in relation to these potential deductible outgoings. In the year ended 31 March 2007, SP AusNet Transmission de-recognised \$81.4 million of previously recognised deferred tax liabilities in relation to the S163AA imposts, intellectual property and the related general interest charges and \$1.8 million of general interest charges on the basis that further expert advice received enabled the company to be satisfied that the deductions were properly taken for income tax purposes. Despite the formal ATO audit, the Stapled Group has not changed its view in regard to the availability of deductions for the S163AA imposts and intellectual property. The deferred tax liabilities that were de-recognised in 2007 are not necessarily indicative of any outflow or liability that may initially arise from an adverse ATO audit outcome or that may ultimately arise in the event that the matters are subject to litigation. The ultimate timeframe or likely outcomes of these audits is not known.

(c) Victorian February bushfires

In early February 2009, the state of Victoria was impacted by bushfires. The Victorian Government subsequently established a Royal Commission of Inquiry into the Victorian bushfire crisis and SP AusNet is extending its full support and assistance to the Inquiry.

On 16 April 2009, SP AusNet was served with a writ, an earlier version of which was previously filed in the Supreme Court of Victoria on 16 February 2009, and other associated documents. The writ alleges that "faulty and/or defective power lines" caused loss and damage. SP AusNet believes the claim is both premature and inappropriate, given the establishment of the 2009 Victorian Bushfires Royal Commission. SP AusNet will vigorously defend the claim.

It is too early for SP AusNet to provide any reliable estimate as to the prospects of success or the quantum of damages, if any, that may be awarded in either this claim or any other claim which may be instituted by third parties. If the claim is pursued, SP AusNet has liability insurance which provides cover for bushfire liability. SP AusNet reviews its insurance cover annually and ensures it is commensurate with the scale and size of its operations and the risks assessed to be associated with its operations and with industry standards and practice. SP AusNet's bushfire mitigation and vegetation management programs fully comply with Electricity Safety (Bushfire Mitigation) Regulations and are audited annually by Energy Safe Victoria. Last year, SP AusNet entered the declared bushfire season with a "zero" bushfire mitigation index representing that the business has no outstanding bushfire mitigation works to attend to.

Other than those listed above, the contingent liabilities are consistent with those disclosed in the combined financial report as at 31 March 2009.

Condensed notes to the combined interim financial statements

Note 12 Events occurring after the balance sheet date

(a) Distributions

Since the end of the financial period the Directors have approved the payment of an interim distribution for 2009 of \$106.5 million (4.000 cents per security) to be paid on 22 December 2009 comprised as follows:

	Interim 2010 distribution to be paid on 22 December 2009	
	Cents per security	Total distribution \$M
Fully franked dividend payable by SP AusNet Transmission	1.289	34.3
Assessable interest income payable by SP AusNet Finance Trust	1.887	50.3
Return of capital payable by SP AusNet Finance Trust	0.824	21.9
	4.000	106.5

(b) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 30 September 2009 up to the date of issue of this financial report that has significantly affected or may significantly affect:

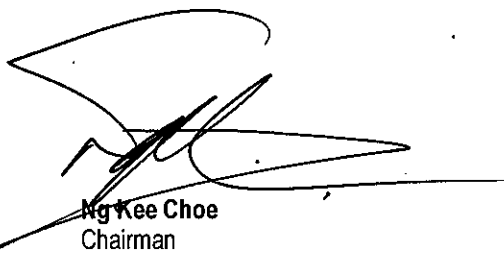
- (a) the operations in financial periods subsequent to 30 September 2009 of the Stapled Group; or
- (b) the results of those operations; or
- (c) the state of affairs, in financial periods subsequent to 30 September 2009, of the Stapled Group.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 12 to 30, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and the other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of SP AusNet's financial position as at 30 September 2009 and its performance, as represented by the results of its operations and its cash flows, for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that SP AusNet 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 Directors.



Ng Kee Choe
Chairman



Nino Ficca
Managing Director

Melbourne
11 November 2009



Independent auditor's review report to the stapled security holders of SP Australia Networks (Distribution) Ltd, SP Australia Networks (Transmission) Ltd and SP Australia Networks (Finance) Trust

Report on the financial report

We have reviewed the accompanying interim financial report of SP Australia Networks (Distribution) Ltd (the Company), which comprises the combined statements of financial position as at 30 September 2009, combined income statements, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the interim period ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 12 and the directors' declaration set on pages 12 to 31. The combined interim financial report of SP Australia Networks (Distribution) Ltd comprises the financial statements of SP Australia Networks (Distribution) Limited and the entities it controlled at the half-year's end or from time to time during the interim period, SP Australia Networks (Transmission) Ltd and the entities it controlled at the half-year's end or from time to time during the interim period and SP Australia Networks (Finance) Trust (the Combined Entity).

Directors' responsibility for the interim financial report

The directors of the Company, SP Australia Networks (Transmission) Ltd, and the directors of the Responsible Entity of SP Australia Networks (Finance) Trust, SP Australia Networks (RE) Pty Ltd, are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Combined Entity's financial position as at 30 September 2009 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of SP Australia Networks (Distribution) Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with



Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of SP Australia Networks (Distribution) Ltd is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Combined Entity's financial position as at 30 September 2009 and of its performance for the interim period ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

Alison Kitchen
Partner

Melbourne
11 November 2009