

21 November 2007

TO: ASX Limited
Singapore Exchange Securities Trading Limited

SP AusNet 2007/08 Half-Year Results

Please find attached the following:

1. Appendix 4D – Half-Year Report for Period Ended 30 September 2007; and
2. SP Australia Networks (Distribution) Limited General Purpose Interim Financial Report for the financial period ended 30 September 2007.

Elizabeth Mildwater
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
AFS Licence No. 294117 as responsible entity
for SP Australia Networks (Finance) Trust

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SP Australia Networks (Distribution) Ltd trading as SP AusNet
ACN: 108 788 245

Appendix 4D

Half year report
Half Year Ended 30 September 2007

1. The current reporting period is the half year ended 30 September 2007. The previous corresponding period is the half year ended 30 September 2006.
2. Results for announcement to the market:

| | 30 September 2007 \$'000 | 30 September 2006 \$'000 | % change | Up / down |
|--|--------------------------------|--------------------------------|-------------|--------------|
| 2.1 Revenue from continuing operations | 583,345 | 555,443 | 5.0 | Up |
| 2.2 Profit from ordinary activities after tax attributable to stapled securityholders comprises: | | | | |
| Profit from continuing operations | 119,631 | 97,570 | 22.6 | Up |
| Profit from discontinued operations | - | 17,051 | N/A | |
| 2.3 Net profit for the year attributable to stapled securityholders | 119,631 | 114,621 | 4.4 | Up |

2.4 Distributions approved for the half year ended 30 September 2007:

| | Cents per security |
|---|---------------------------|
| Interim 2008 distribution: | |
| Fully franked dividend | 0.870 |
| Assessable interest income | 1.618 |
| Capital distribution | <u>3.288</u> |
| Total interim distribution | 5.776 |
| Previous corresponding period interim 2007 distribution: | |
| Fully franked dividend | 0.507 |
| Assessable interest income | 1.509 |
| Capital distribution | <u>3.619</u> |
| Total final distribution | 5.635 |

2.5 The record date for determining entitlement to the distributions:

| Record date | Payment date |
|--------------------|---------------------|
| 5 December 2007 | 19 December 2007 |

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 2007 | 30 September 2006 |
|----------------------------------|--------------------------|--------------------------|
| Net tangible assets per security | \$1.11 | \$1.11 |

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 \$ | Date paid |
|----------------------------|-------------------------------|----------------------------------|------------------|
| Fully franked dividend | 0.507 | 10,609,888 | 28 June 2007 |
| Assessable interest income | 1.584 | 33,148,051 | 28 June 2007 |
| Capital distribution | 3.544 | 74,164,580 | 28 June 2007 |
| | 5.635 | 117,922,519 | |

6. Dividend Reinvestment Plans

SP AusNet does not have a dividend reinvestment plan.

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 2007.

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 20 November 2007

SP Australia Networks (Distribution) Ltd
ACN 108 788 245

General Purpose Interim Financial Report
For the financial period ended 30 September 2007

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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. This interim financial report is presented in 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 2007, 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*.

This interim financial report was authorised for issue by the Directors on 20 November 2007.

Directors' report

The Directors of SP Australia Networks (Distribution) Ltd ("SP AusNet Distribution") submit herewith the general purpose interim financial report of the combined entity for the period ended 30 September 2007.

This general purpose interim financial report has been prepared as an aggregation of the financial statements of SP AusNet Distribution and its subsidiaries, SP Australia Networks (Transmission) Ltd ("SP AusNet Transmission") and its subsidiaries 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 Stock Exchange and the Singapore Exchange Securities Trading Limited. 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.

Non-executive Directors

Ng Kee Choe (Chairman)
Jeremy Guy Ashcroft Davis
Eric Gwee Teck Hai
 Antonino (Tony) Mario **Iannello**
 George Allister **Lefroy**
 Martyn Kenneth **Myer**
Quek Poh Huat
 Ian Andrew **Renard**

Executive Director

Nino **Ficca** (Managing Director)

Review of operations

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

| 30 September 2007 | Electricity distribution \$'000 | Gas distribution \$'000 | Electricity Transmission \$'000 | Inter-segment eliminations \$'000 | Combined \$'000 |
|---|--|--|--|--|----------------------------|
| Regulated revenue | 203,124 | 103,797 | 211,675 | (4,706) | 513,890 |
| Excluded services | 19,581 | 8,161 | 17,610 | (551) | 44,801 |
| Customer contributions | 8,060 | 4,768 | - | - | 12,828 |
| Other revenue | 6,917 | 10 | 4,947 | (48) | 11,826 |
| Total segment revenue | 237,682 | 116,736 | 234,232 | (5,305) | 583,345 |
| Segment result before interest expense | 95,304 | 71,135 | 100,081 | - | 266,520 |
| Segment interest expense | (49,523) | (33,015) | (36,442) | - | (118,980) |
| Unallocated finance income less unallocated finance expenses | | | | | 7,602 |
| Profit before income tax | | | | | 155,142 |
| Income tax expense | | | | | (35,511) |
| Net profit for the period | | | | | 119,631 |

Discussion and analysis for the period ended 30 September 2007

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

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.

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.

For the period ended 30 September 2007, SP AusNet achieved a net profit after tax ("NPAT") of \$119.6 million (2006: \$114.6 million) which was 4.4% ahead of the previous interim financial period. NPAT from continuing operations was \$119.6 million (2006: \$97.6 million) an increase of 22.6%. Excluding the prior period one-off \$15.9 million legal provision, comparable NPAT growth from continuing operations is 10.0%.

The NPAT result was driven by revenues of \$583.3 million (2006: \$555.4 million) up \$27.9 million on the previous interim financial period despite significantly warmer autumn and winter seasons this period. The increase was largely due to annual tariff increases on all networks and positive reliability incentives on the electricity distribution network. Expenses, excluding finance costs, were \$316.8 million, unchanged from the prior interim period and included increased retirement of transmission assets as a result of the station rebuild program and higher costs in respect of asbestos removal.

Electricity distribution business

SP AusNet's electricity distribution business contributed \$237.7 million in total revenues (excluding interest income) for the period ended 30 September 2007. The impact of unfavourable weather conditions in Victoria was offset by underlying volume growth and a positive correction factor applied to Transmission Use of System tariffs relating to an under-recovery in the year ended 31 March 2007.

In the period to 30 September 2007, almost 5,000 additional customers were connected to the network. Growth in revenues for the electricity distribution business continues to be driven by increased load growth from the penetration of air-conditioning into the residential market and new customer growth. During the financial period, 3,903 GWh was distributed through the distribution network, which is consistent with the volume distributed in the prior corresponding interim period. Total capital expenditure for the period was \$78.1 million, of which \$35.6 million was customer-initiated.

Gas distribution business

SP AusNet's gas distribution business contributed \$116.7 million in total revenues (excluding interest income) for the period ended 30 September 2007. The impact of unfavourable weather conditions in Victoria was offset by the annual tariff increase on the gas distribution network.

In the period to 30 September 2007, approximately 7,500 additional customers were connected to the network. Strong demand in Victoria's growth corridors is continuing to generate high customer connections to the network. Capital expenditure for the period was \$34.9 million of which \$17.9 million was customer-initiated, including \$8.0 million for new town connections. Total gas delivered through the network was 42.9 PJ, a decrease of 4% over the previous interim financial period.

Electricity transmission business

SP AusNet's electricity transmission business contributed \$234.2 million in total revenues (excluding interest income) for the period ended 30 September 2007. Total electricity transmitted through the network was 26,444 GWh which is consistent with the volume transmitted in the previous interim financial period.

Total capital expenditure on the transmission network was \$56.9 million for the period, including \$34.4 million customer-initiated and \$22.5 million company-initiated projects.

Discussion and analysis for the period ended 30 September 2007 (continued)

Balance sheets

SP AusNet's total assets as at 30 September 2007, were \$7,184.5 million comprising principally property, plant and equipment of \$6,378.0 million. Cash was \$8.9 million, current receivables were \$162.7 million, current derivative financial instruments were \$181.3 million and intangible assets were \$354.5 million. The increase of \$154.5 million in current derivative financial instruments during the current interim period was primarily due to interest rate movements having a favourable impact on SP AusNet's interest rate swap portfolio.

Current liabilities as at 30 September 2007 were \$971.0 million due mostly to borrowings of \$767.7 million, payables of \$138.6 million and derivative financial instruments of \$11.5 million.

Non-current liabilities as at 30 September 2007 were \$3,546.2 million comprising mostly borrowings of \$2,761.9 million, derivative financial instruments of \$380.3 million and deferred tax liabilities of \$377.3 million. The increase of \$292.4 million in non-current derivative financial instruments during the current interim period was primarily due to exchange rate movements having an unfavourable impact on SP AusNet's cross currency swaps. As these cross currency swaps hedge foreign currency borrowings, the unfavourable impact is negated by favourable movements in the fair value of the hedged borrowings.

Securityholders' equity was \$2,667.3 million as at 30 September 2007. Total securityholders' equity includes 100% 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 Stapled Group's current liabilities exceed its current assets due primarily to the maturity of certain debt securities within 12 months of the reporting date. The Directors are considering a range of re-financing options for the maturing debt. Given SP AusNet's investment grade credit rating and the strong interest shown by a number of banks, the Directors are confident of being able to refinance the maturing debt. In addition, the Stapled Group has the ability to draw down on existing loan facilities to re-finance the maturing debt.

Cash flow statements

Net operating cash flows for the period ended 30 September 2007 were \$199.3 million, a decrease of \$19.6 million on the comparative period.

Net outflows from investing activities of \$173.5 million resulted primarily from payments for property, plant and equipment.

The net outflow from financing activities of \$25.9 million resulted primarily from distributions paid during the period of \$117.9 million which was partially offset by net proceeds from borrowings.

Distributions

Distributions paid to securityholders during the period were as follows:

Final 2007 distribution paid on 28 June 2007

| | Cents per security | Total distribution \$'000 |
|--|-----------------------|---------------------------------|
| Fully franked dividend paid by SP AusNet Transmission | 0.507 | 10,610 |
| Assessable interest income paid by SP AusNet Finance Trust | 1.584 | 33,148 |
| Capital distribution paid by SP AusNet Finance Trust | 3.544 | 74,165 |
| | 5.635 | 117,923 |

Since 30 September 2007 the Directors have approved an interim distribution for 2008 of \$120,873,197 (5.776 cents per Stapled Security) to be paid on 19 December 2007 comprised as follows:

Interim 2008 distribution to be paid on 19 December 2007

| | Cents per security | Total distribution \$'000 |
|---|-----------------------|---------------------------------|
| Fully franked dividend payable by SP AusNet Transmission | 0.870 | 18,206 |
| Assessable interest income payable by SP AusNet Finance Trust | 1.618 | 33,860 |
| Capital distribution payable by SP AusNet Finance Trust | 3.288 | 68,807 |
| | 5.776 | 120,873 |

Directors' report (continued)

Debt refinancing

During the period, SP AusNet simplified its funding arrangements by utilising a subsidiary of SP AusNet Distribution, SPI Electricity and Gas Australia Holdings Pty Ltd, as its 'common' or 'central' funding vehicle ("CFV"). This process has been undertaken for administrative efficiency and to improve future borrowing programs of both the transmission and distribution businesses. The majority of SP AusNet's external borrowings, which were previously held in separate entities on the distribution and transmission sides of the business, are being consolidated into the CFV.

During the period SP AusNet established an \$850 million, 364-day bank debt facility in the CFV, a portion of which was used to refinance \$563 million of maturing medium term notes.

Significant changes in the state of affairs

On 20 September 2007, SP AusNet announced that it had agreed with Singapore Power International Pte Ltd ("SPI") to acquire the Alinta assets being purchased by SPI. SP AusNet will acquire the assets for \$8,142 million, which is the price paid by SPI, plus transaction and holding costs between the time of acquisition by SPI and completion of the sale to SP AusNet. The acquisition is conditional upon SP AusNet obtaining securityholder approval, securing the necessary funding, final documentation, completion of the restructure of Alinta following the scheme of arrangement and any applicable consents or approvals. The acquiring entity within SP AusNet will be SP AusNet Transmission.

Other than referred to above, in the opinion of the Directors, there were no other 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

Acquisition of Alinta assets from SPI

SP AusNet's Independent Directors have unanimously recommended that securityholders vote in favour of the acquisition of certain Alinta assets and businesses from SPI. The Corporations Act and ASX Listing Rules regulate transactions between related parties. SPI is a related party of SP AusNet.

Accordingly, approval is being sought from eligible Securityholders in respect of:

- the acquisition of the Acquired Businesses by SP AusNet from SPI on the terms of the SSPA;
- the amendment of the existing Management Services Agreement (which will change the amount of fees payable by SP AusNet to SPIMS (a subsidiary of SPI)); and
- the issue of New Securities by SP AusNet to SPI under the Entitlement Offer and the Institutional Placement.

The Meeting to consider the Resolutions will be held on 11 December 2007. The transaction must be approved by at least 50% of votes cast by Securityholders entitled to vote. SPI and any associate of SPI are excluded from voting on the transaction. Subject to the satisfaction of any outstanding conditions, the Transaction is expected to complete on 21 December 2007.

In the event that all of the Resolutions are not approved by the requisite majorities of SP AusNet Securityholders, the transaction will not proceed and it is intended that SP AusNet will continue to operate in its current form. In doing so, it will have already incurred a portion of the costs of the transaction, estimated at approximately \$26 million. Even if the Resolutions are approved by the requisite majorities of SP AusNet Securityholders, in some circumstances the transaction may still not proceed. For example, if underwriting arrangements are not able to be agreed, if underwriting terms are agreed after the Meeting and SPI does not waive the relevant condition precedent, or if SPI does not subscribe for its entitlement under the Entitlement Offer or for 51% of the Securities offered under the Institutional Placement.

An Explanatory Memorandum which details the nature of the transaction, including financial forecasts and risks and benefits, has been issued to all Securityholders.

The transaction will be funded through a combination of equity and debt (subject to approval by the requisite majorities of Securityholders). SP AusNet intends to undertake an equity offering to partially fund the transaction. It is currently proposed that this equity offering will include:

- a pro-rata Entitlement Offer to eligible existing Securityholders (including an ability, in the event of an overall undersubscription of the Entitlement Offer, for Securityholders to elect to receive more Securities than their entitlement); and
- an Institutional Placement of Securities to eligible institutional and professional investors.

The Entitlement Offer will be non-renounceable. The exact and relative sizes of the Entitlement Offer and the Institutional Placement have not yet been determined, and will only be determined closer to the time of the Entitlement Offer. At the time of signing this Directors' report, the price of the Offer has not been determined but it will not be less than \$1.10.

The debt component of the Acquisition Cost will initially be funded by a mixture of a Syndicated Facility and a Bridge Facility. SP AusNet has obtained commitment letters in respect of a \$2,500 million Syndicated Facility and a \$3,700 million Bridge Facility. The current intention of SP AusNet is to refinance the Bridge Facility during 2008 after completion of the transaction by

Directors' report (continued)

accessing local and international capital markets to deliver a mixture of products with varying maturities. This may include, but is not limited to, senior bank facilities, bonds, a Hybrid Offer and other debt capital market instruments.

In order to conduct the proposed Entitlement Offer and any Institutional Placement, certain changes are required to be made to the constitution of SP AusNet Finance Trust. Securityholders have been invited to approve these changes at the General Meeting of securityholders scheduled for 11 December 2007. The effect of these changes is to make the provisions of the constitution relating to the pricing of units under an entitlement offer or placement consistent with the applicable ASIC class order and to facilitate the proposed Institutional Placement.

Transmission regulatory reset

The transmission business is currently undergoing a regulatory reset with the AER. SP AusNet submitted the Electricity Transmission Revenue Proposal 2008-2014 to the AER on 28 February 2007, proposing \$2,941.2 million revenues for the reset period. The proposal was carefully developed to ensure continuing high levels of asset performance and reliability, whilst providing services in the most efficient manner. In addition, SP AusNet is proposing for the first time a 6 year regulatory period for the transmission business instead of a 5 year regulatory period.

On 31 August 2007, the AER released its draft decision with respect to the SP AusNet transmission determination 2008-2014, proposing revenues of \$2,760.3 million. SP AusNet responded to the draft decision on 12 October 2007 advocating an increase in revenue and has provided additional supporting material where applicable. The final decision is expected to be released on 31 January 2008.

Gas access arrangement revision

The gas distribution business is currently undergoing a regulatory reset with the ESC. SP AusNet submitted the Gas Access Arrangement Revision Information 2008-2012 to the ESC on 30 March 2007, proposing revenue of \$864.7 million for the reset period. The proposal was carefully developed to ensure continuing high levels of asset performance and reliability, whilst providing services in the most efficient manner and ensuring SP AusNet maintains its current levels of investor return.

On 28 August 2007, the ESC released its draft decision with respect to the Gas Access Arrangement Revision 2008-2012, proposing revenues of \$730.9 million. The new reset period was scheduled to commence on 1 January 2008, however the date is subject to change due to delays in the process. The existing arrangements will continue until the final decision takes effect.

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 8 and forms part of the Directors' report for the period ended 30 September 2007.

Rounding off

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 to the nearest thousand dollars or, in certain cases, to the nearest dollar.

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



Ng Kee Choe
Chairman



Nino Ficca
Managing Director

Melbourne
20 November 2007



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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 September 2007 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.

A small, stylized KPMG logo consisting of the letters 'KPMG' in a handwritten or script font, with a smaller, standard KPMG logo below it.

A handwritten signature in black ink, appearing to read 'Alison Kitchen'.

Alison Kitchen
Partner

Melbourne
20 November 2007

Combined interim income statements

For the period ended 30 September 2007

| | Notes | 30 Sep 2007 \$'000 | 30 Sep 2006 \$'000 |
|---|-------|--------------------------|--------------------------|
| Revenue from continuing operations | | 583,345 | 555,443 |
| Expenses, excluding finance costs | | <u>(316,825)</u> | <u>(316,761)</u> |
| Profit from operating activities | | 266,520 | 238,682 |
| Finance income | | 7,190 | 7,414 |
| Finance expenses | | <u>(118,568)</u> | <u>(119,107)</u> |
| Net finance costs | | (111,378) | (111,693) |
| Profit before income tax | | 155,142 | 126,989 |
| Income tax expense | 6 | <u>(35,511)</u> | <u>(29,419)</u> |
| Profit from continuing operations | | 119,631 | 97,570 |
| Profit from discontinued operations (after tax) | | - | 17,051 |
| Profit for the period | | 119,631 | 114,621 |
| Profit attributable to SP AusNet Transmission and SP AusNet Finance Trust (minority interest) | | 58,686 | 56,450 |
| Profit attributable to SP AusNet Distribution | | <u>60,945</u> | <u>58,171</u> |
| Total profit for the period | | 119,631 | 114,621 |
| | | Cents | Cents |
| Earnings per share for profit attributable to the ordinary equityholders of SP AusNet Distribution: | | | |
| Basic and diluted earnings per share | 8 | 2.91 | 2.78 |
| Earnings per share for profit from continuing operations attributable to the ordinary equityholders of SP AusNet Distribution: | | | |
| Basic and diluted earnings per share | 8 | 2.91 | 1.96 |

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

Combined interim statements of recognised income and expense

For the period ended 30 September 2007

| | Notes | 30 Sep 2007 \$'000 | 30 Sep 2006 \$'000 |
|---|-------|--------------------------|--------------------------|
| Cash flow hedges | 10 | <u>13,027</u> | 22,452 |
| Net income recognised directly in equity | | <u>13,027</u> | 22,452 |
| Profit for the period | | <u>119,631</u> | 114,621 |
| Total recognised income and expense for the period | | <u>132,658</u> | 137,073 |
| Total recognised income and expense for the period is attributable to: | | | |
| SP AusNet Transmission and SP AusNet Finance Trust (minority interest) | | <u>55,968</u> | 61,995 |
| SP AusNet Distribution | | <u>76,690</u> | 75,078 |
| Total recognised income and expense for the period | | <u>132,658</u> | 137,073 |

Other movements in equity arising from transactions with owners as owners are set out in note 10. The amounts recognised directly in equity are disclosed net of tax.

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

Combined interim balance sheets

As at 30 September 2007

| | Notes | 30 Sep 2007 \$'000 | 31 Mar 2007 \$'000 |
|--|-------|--------------------------|--------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 8,918 | 9,098 |
| Receivables | | 162,737 | 140,885 |
| Inventories | | 6,601 | 5,886 |
| Derivative financial instruments | | 181,340 | 26,878 |
| Other current assets | | 5,318 | 7,361 |
| Total current assets | | 364,914 | 190,108 |
| Non-current assets | | | |
| Inventories | | 12,765 | 12,773 |
| Property, plant and equipment | | 6,378,018 | 6,312,214 |
| Intangible assets | | 354,505 | 354,505 |
| Derivative financial instruments | | 42,935 | 32,382 |
| Other non-current assets | | 31,360 | 30,372 |
| Total non-current assets | | 6,819,583 | 6,742,246 |
| Total assets | | 7,184,497 | 6,932,354 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables and other liabilities | | 138,648 | 165,673 |
| Borrowings | 9 | 767,700 | 619,933 |
| Derivative financial instruments | | 11,477 | 31,759 |
| Current tax payable | | 4,354 | 18,911 |
| Provisions | | 48,803 | 44,669 |
| Total current liabilities | | 970,982 | 880,945 |
| Non-current liabilities | | | |
| Borrowings | 9 | 2,761,881 | 2,940,265 |
| Derivative financial instruments | | 380,284 | 87,913 |
| Other financial liabilities | | 6,445 | 6,109 |
| Deferred tax liabilities | | 377,281 | 348,313 |
| Provisions | | 20,280 | 16,200 |
| Total non-current liabilities | | 3,546,171 | 3,398,800 |
| Total liabilities | | 4,517,153 | 4,279,745 |
| Net assets | | 2,667,344 | 2,652,609 |
| EQUITY | | | |
| Equityholders of SP AusNet Distribution | | | |
| Contributed equity | 10 | 547 | 547 |
| Reserves | 10 | 42,394 | 26,649 |
| Retained profits | 10 | 618,367 | 557,422 |
| | | 661,308 | 584,618 |
| Equityholders of SP AusNet Transmission and SP AusNet Finance Trust (minority interest) | | | |
| | 10 | 2,006,036 | 2,067,991 |
| Total equity | | 2,667,344 | 2,652,609 |

The above combined interim balance sheets should be read in conjunction with the accompanying notes.

Combined interim cash flow statements

For the period ended 30 September 2007

| | 30 Sep 2007 \$'000 | 30 Sep 2006 \$'000 |
|---|-----------------------------------|--------------------------|
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of goods and services tax) | 617,778 | 573,665 |
| Payments to suppliers and employees (inclusive of goods and services tax) | (283,054) | (233,371) |
| Income tax paid | (26,688) | (11,006) |
| Interest received | 172 | 1,566 |
| Interest and other costs of finance paid | (108,944) | (111,965) |
| Net cash inflow from operating activities | 199,264 | 218,889 |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (173,942) | (186,290) |
| Proceeds from sale of property, plant and equipment | 421 | 97 |
| Net cash outflow from investing activities | (173,521) | (186,193) |
| Cash flows from financing activities | | |
| Repayment of loans to related parties | - | (3,169) |
| Distributions paid | (117,923) | (68,012) |
| Proceeds from borrowings | 970,900 | 793,363 |
| Repayment of borrowings | (878,900) | (443,322) |
| Net cash (outflow)/inflow from financing activities | (25,923) | 278,860 |
| Net (decrease)/increase in cash held | (180) | 311,556 |
| Cash and cash equivalents at the beginning of the financial period | 9,098 | 8,708 |
| Cash and cash equivalents at the end of the financial period | 8,918 | 320,264 |

The above combined interim cash flows statements 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 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 2007 has been prepared in accordance with Accounting Standard 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 2007 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 financial report is presented in Australian dollars.

The financial statements were approved by the Board of Directors on 20 November 2007.

The Stapled Group's current liabilities exceed its current assets due primarily to the maturity of certain debt securities within 12 months of the reporting date. The Directors are considering a range of re-financing options for the maturing debt. Given SP AusNet's investment grade credit rating and the strong interest shown by a number of banks, the Directors are confident of being able to refinance the maturing debt. In addition, the Stapled Group has the ability to draw down on existing loan facilities to re-finance the maturing debt.

(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 2007.

The Stapled Group has elected, in accordance with Section 334(5) of the *Corporations Act 2001*, to early adopt the following standards for the reporting period beginning 1 April 2007:

- AASB 123 *Borrowing costs* (June 2007). The revised AASB 123 is mandatory for annual reporting periods beginning on or after 1 January 2009 however early adoption is permitted. The revised AASB 123 removes the option to expense borrowing costs directly attributable to the acquisition or construction of a qualifying asset. Under the revised AASB 123 capitalisation of such costs is required. The adoption of this Standard did not result in any impact to SP AusNet as SP AusNet had elected to capitalise such costs under the superseded AASB 123; and
- AASB 2007 - 6 *Amendments to Australian Accounting Standards arising from AASB 123*. The issuance of the revised AASB 123 necessitated consequential minor amendments to existing Australian Accounting Standards. These amendments are contained in AASBS 2007-6.

(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 thousand dollars, or in certain cases, to the nearest dollar.

Note 2 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 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 2007.

Condensed notes to the combined interim financial statements**Note 3 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 2007.

Note 4 Segment information

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

- **Electricity distribution** – delivery of electricity to approximately 594,000 consumer supply points over 80,000 square kilometres in eastern Victoria including Melbourne's outer eastern suburbs;
- **Gas distribution** – delivery of natural gas to approximately 530,000 consumer connection points over 60,000 square kilometres in central and western Victoria including some of Melbourne's western suburbs; and
- **Electricity transmission** – the transmission of electricity within the state of Victoria.

| 30 September 2007 | Electricity distribution \$'000 | Gas distribution \$'000 | Electricity Transmission \$'000 | Inter-segment eliminations \$'000 | Combined \$'000 |
|---|--|--|--|--|----------------------------|
| Regulated revenue | 203,124 | 103,797 | 211,675 | (4,706) | 513,890 |
| Excluded services | 19,581 | 8,161 | 17,610 | (551) | 44,801 |
| Customer contributions | 8,060 | 4,768 | - | - | 12,828 |
| Other revenue | 6,917 | 10 | 4,947 | (48) | 11,826 |
| Total segment revenue | 237,682 | 116,736 | 234,232 | (5,305) | 583,345 |
| Segment result before interest expense | 95,304 | 71,135 | 100,081 | - | 266,520 |
| Segment interest expense | (49,523) | (33,015) | (36,442) | - | (118,980) |
| Unallocated finance income less unallocated finance expenses | | | | | 7,602 |
| Profit before income tax | | | | | 155,142 |
| Income tax expense | | | | | (35,511) |
| Net profit for the period | | | | | 119,631 |

Condensed notes to the combined interim financial statements**Note 4 Segment information (continued)**

| 30 September 2006 (i) | Electricity distribution \$'000 | Gas distribution \$'000 | Electricity Transmission \$'000 | Discontinued operations \$'000 | Inter-segment eliminations \$'000 | Combined \$'000 |
|--|------------------------------------|----------------------------|------------------------------------|-----------------------------------|--------------------------------------|--------------------|
| Regulated revenue | 187,328 | 104,012 | 206,299 | - | (4,495) | 493,144 |
| Excluded services | 16,272 | 8,737 | 14,284 | - | (514) | 38,779 |
| Customer contributions | 11,571 | 2,697 | - | - | - | 14,268 |
| Other revenue | 4,338 | 402 | 4,720 | - | (208) | 9,252 |
| Total segment revenue | 219,509 | 115,848 | 225,303 | - | (5,217) | 555,443 |
| Segment result before interest expense | 82,750 | 62,170 | 93,762 | 9,607 | - | 248,289 |
| Segment interest expense | (49,419) | (27,798) | (35,328) | - | - | (112,545) |
| Unallocated finance income less unallocated finance expenses | | | | | | 852 |
| Profit before income tax | | | | | | 136,596 |
| Income tax expense | | | | | | (21,975) |
| Net profit for the period | | | | | | 114,621 |

(i) The Stapled Group has restated the comparative period information to conform with the requirements of AASB 8 which was early adopted in preparing the 31 March 2007, financial statements.

Note 5 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) Electricity transmission

Electricity transmission revenue is not seasonal. Transmission revenue is earned in accordance with the monthly revenue schedule determined by the Australian Competition and Consumer Commission.

Note 6 Income tax expense

The Stapled Group's effective tax rate for the period ended 30 September 2007 is approximately 23 percent. The divergence in the effective rate, from the prima facie rate of 30 percent, 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.

Condensed notes to the combined interim financial statements**Note 7 Distributions**

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

| | Paid by | Final 2007 Distribution paid 28 June 2007 | | Final 2006 Distribution paid 26 June 2006 | |
|--|-------------------------|--|---------------------------------|--|---------------------------------|
| | | Cents per security | Total distribution \$'000 | Cents per security | Total distribution \$'000 |
| Distributions from earnings | | | | | |
| Fully franked dividend | SP AusNet Transmission | 0.507 | 10,610 | 0.150 | 3,139 |
| Assessable interest income | SP AusNet Finance Trust | 1.584 | <u>33,148</u> | 0.890 | <u>18,625</u> |
| Total distributions from earnings | | | <u>43,758</u> | | <u>21,764</u> |
| Distributions from capital | | | | | |
| Capital distribution | SP AusNet Finance Trust | 3.544 | <u>74,165</u> | 2.210 | <u>46,248</u> |
| Total distributions from capital | | | <u>74,165</u> | | <u>46,248</u> |
| Total distributions | | | <u>117,923</u> | | <u>68,012</u> |

Note 8 Earnings per share**(a) Basic earnings per share for SP AusNet Distribution**

| | 30 Sep 2007 \$'000 | 30 Sep 2006 \$'000 |
|--|--------------------------|--------------------------|
| Profit from continuing operations attributable to the ordinary equityholders of SP AusNet Distribution | 60,945 | 41,120 |
| Profit from discontinued operations attributable to the ordinary equityholders of SP AusNet Distribution | - | <u>17,051</u> |
| Profit attributable to the ordinary equityholders of SP AusNet Distribution | 60,945 | 58,171 |
| Weighted average number of shares ('000) | 2,092,680 | 2,092,680 |
| | Cents | Cents |
| Earnings per share from profit | 2.91 | 2.78 |
| Earnings per share from profit from continuing operations | 2.91 | 1.96 |

(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.

(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.

Condensed notes to the combined interim financial statements**Note 8 Earnings per share (continued)****(d) Basic earnings per stapled security**

| | 30 Sep 2007 \$'000 | 30 Sep 2006 \$'000 |
|---|-----------------------------------|--------------------------|
| Profit from continuing operations attributable to the ordinary securityholders of the Stapled Group | 119,631 | 97,570 |
| Profit from discontinued operations attributable to the ordinary securityholders of the Stapled Group | - | 17,051 |
| Profit attributable to the ordinary securityholders of the Stapled Group | 119,631 | 114,621 |
| Weighted average number of securities ('000) | 2,092,680 | 2,092,680 |
| | Cents | Cents |
| Earnings per security from profit (stapled) | 5.72 | 5.48 |
| Earnings per security from profit from continuing operations (stapled) | 5.72 | 4.66 |

(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.

Note 9 Borrowings

During the period, SP AusNet simplified its funding arrangements by utilising a subsidiary SPI Electricity and Gas Australia Holdings Pty Ltd as its 'common' or 'central' funding vehicle ("CFV"). This process has been undertaken for administrative efficiency and to improve future borrowing programs of both the transmission and distribution businesses. The majority of SP AusNet's external borrowings, which were previously held in separate entities on the distribution and transmission sides of the business, are being consolidated into the CFV.

During the period SP AusNet established an \$850 million, 364-day bank debt facility in the CFV, a portion of which was used to refinance \$563 million of maturing medium term notes.

Condensed notes to the combined interim financial statements**Note 10 Equity**

| | Contributed equity | Issued units | Hedging reserve | Defined benefit reserve | Retained profits | Fair value adjustment on stapling | Other equity component (i) | Total |
|---|-----------------------|------------------|--------------------|-------------------------------|---------------------|---|-------------------------------------|------------------|
| 30 September 2007 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| SP AusNet Distribution | | | | | | | | |
| Balance as at 1 April 2007 | 547 | - | 12,230 | 14,419 | 557,422 | - | - | 584,618 |
| Total recognised income and expense | - | - | 15,745 | - | 60,945 | - | - | 76,690 |
| Balance as at 30 September 2007 | 547 | - | 27,975 | 14,419 | 618,367 | - | - | 661,308 |
| SP AusNet Transmission and SP AusNet Finance Trust (minority interest) | | | | | | | | |
| Balance as at 1 April 2007 | 650,051 | 1,970,698 | 5,042 | 8,925 | 476,931 | 51,411 | (1,095,067) | 2,067,991 |
| Distributions paid 28 June 2007 | - | (74,165) | - | - | (43,758) | - | - | (117,923) |
| Total recognised income and expense | - | - | (2,718) | - | 58,686 | - | - | 55,968 |
| Balance as at 30 September 2007 | 650,051 | 1,896,533 | 2,324 | 8,925 | 491,859 | 51,411 | (1,095,067) | 2,006,036 |
| Total stapled securityholders' equity at 30 September 2007 | 650,598 | 1,896,533 | 30,299 | 23,344 | 1,110,226 | 51,411 | (1,095,067) | 2,667,344 |

- (i) SP AusNet Transmission other equity 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.

Condensed notes to the combined interim financial statements**Note 10 Equity (continued)**

| | Contributed equity | Issued units | Hedging reserve | Defined benefit reserve | Retained profits | Fair value adjustment on stapling | Other equity component (i) | Total |
|---|-----------------------|------------------|--------------------|-------------------------------|---------------------|---|-------------------------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 30 September 2006 | | | | | | | | |
| SP AusNet Distribution | | | | | | | | |
| Balance as at 1 April 2006 | - | - | (16,688) | 5,981 | 486,688 | - | - | 475,981 |
| Employee share gift | 547 | - | - | - | - | - | - | 547 |
| Total recognised income and expense | - | - | 16,907 | - | 58,171 | - | - | 75,078 |
| Balance as at 30 September 2006 | 547 | - | 219 | 5,981 | 544,859 | - | - | 551,606 |
| SP AusNet Transmission and SP AusNet Finance Trust (minority interest) | | | | | | | | |
| Balance as at 1 April 2006 | 649,787 | 2,092,680 | (868) | 6,198 | 433,321 | 51,411 | (1,095,067) | 2,137,462 |
| Employee share gift | 264 | - | - | - | - | - | - | 264 |
| Distributions paid 26 June 2006 | - | (46,248) | - | - | (21,764) | - | - | (68,012) |
| Total recognised income and expense | - | - | 5,545 | - | 56,450 | - | - | 61,995 |
| Balance as at 30 September 2006 | 650,051 | 2,046,432 | 4,677 | 6,198 | 468,007 | 51,411 | (1,095,067) | 2,131,709 |
| Total stapled securityholders' equity as at 30 September 2006 | 650,598 | 2,046,432 | 4,896 | 12,179 | 1,012,866 | 51,411 | (1,095,067) | 2,683,315 |

- (i) SP AusNet Transmission other equity 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.

Condensed notes to the combined interim financial statements**Note 11 Events occurring after the balance sheet date****(a) Distribution**

Since 30 September 2007, the Directors have approved an interim distribution for 2008 of \$120,873,197 (5.776 cents per Stapled Security) to be paid on 19 December 2007, comprised as follows:

| | Cents per security | Total distribution \$'000 |
|---|-----------------------|---------------------------------|
| Fully franked dividend payable by SP AusNet Transmission | 0.870 | 18,206 |
| Assessable interest income payable by SP AusNet Finance Trust | 1.618 | 33,860 |
| Capital distribution payable by SP AusNet Finance Trust | 3.288 | 68,807 |
| | 5.776 | 120,873 |

(b) Likely developments

On 20 September 2007, SP AusNet announced that it had agreed with Singapore Power International Pte Ltd ("SPI") to acquire the Alinta assets being purchased by SPI. SP AusNet will acquire the assets for \$8,142 million, which is the price paid by SPI, plus transaction and holding costs between the time of acquisition by SPI and completion of the sale to SP AusNet. The acquisition is conditional upon SP AusNet obtaining securityholder approval, securing the necessary funding, final documentation, completion of the restructure of Alinta following the scheme of arrangement and any applicable consents or approvals. The acquiring entity within SP AusNet will be SP AusNet Transmission.

The Corporations Act and ASX Listing Rules regulate transactions between related parties. SPI is a related party of SP AusNet.

Accordingly, Securityholder approval is being sought in respect of:

- the acquisition of the Acquired Businesses by SP AusNet from SPI on the terms of the SSPA;
- the amendment of the existing Management Services Agreement (which will change the amount of fees payable by SP AusNet to SPIMS (a subsidiary of SPI)); and
- the issue of New Securities by SP AusNet to SPI under the Entitlement Offer and the Institutional Placement.

The Meeting to consider the Resolutions will be held on 11 December 2007.

At the date of this interim financial report, the price of the Offer has not been determined but it will not be less than \$1.10.

In the event that all of the Resolutions are not approved by the requisite majorities of SP AusNet Securityholders, the Transaction will not proceed and it is intended that SP AusNet will continue to operate in its current form. In doing so, it will have already incurred a portion of the costs of the Transaction, estimated at approximately \$26 million. Even if the Resolutions are approved by the requisite majorities of SP AusNet Securityholders, in some circumstances the Transaction may still not proceed. For example, if underwriting arrangements are not able to be agreed, if underwriting terms are agreed after the Meeting and SPI does not waive the relevant condition precedent, or if SPI does not subscribe for its entitlement under the Entitlement Offer or for 51% of the Securities offered under the Institutional Placement.

(c) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 30 September 2007 up to the date of issue of this financial report that has significantly affected or may significantly affect:

- (i) the operations in financial periods subsequent to 30 September 2007 of the Stapled Group; or
- (ii) the results of those operations; or
- (iii) the state of affairs, in financial periods subsequent to 30 September 2007, of the Stapled Group.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 9 to 21 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 2007, 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
20 November 2007



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, which comprises the combined interim balance sheet as at 30 September 2007, income statement, statement of recognised income and expense and cash flow statement for the half-year period ended on that date, a statement of accounting policies and other explanatory notes 1 to 11 and the directors' declaration set out on pages 9 to 22 of the Stapled Group comprising SP Australia Networks (Distribution) Ltd and its controlled entities, SP Australia Networks (Transmission) Ltd and its controlled entities and SP Australia Networks (Finance) Trust.

Directors' responsibility for the financial report

The directors of the SP Australia Networks (Distribution) Ltd, the directors of 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 Standard AASB 134 *Interim Financial Reporting* 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 Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report 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 Stapled Group's financial position as at 30 September 2007 and its performance for the half-year 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.

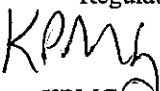

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards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

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:

(a) giving a true and fair view of the Stapled Group's financial position as at 30 September 2007 and of its performance for the half-year period ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.


KPMG

Alison Kitchen
Partner
Melbourne
20 November 2007