ASX & SGX-ST Release

22 May 2008

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Results for the Year Ended 31 March 2008

Please find attached the following:

1. ASX Appendix 4E – Final Report; and

2. Financial Report of SP Australia Networks (Distribution) Ltd for the period ended 31 March 2008.

Geoff Nicholson
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 4E

Final report
Period Ending 31 March 2008

1. The current reporting period is the year ended 31 March 2008. The previous corresponding period is the year ended 31 March 2007.

2. Results for announcement to the market

	31 March 2008 $'000	31 March 2007 $'000	% change	Up / down
2.1 Revenue from continuing operations	1,055,136	1,019,459	3.5	up
2.2 Profit from ordinary activities after tax attributable to stapled securityholders comprises:				
Profit from continuing operations	151,024[1]	161,246[2]	6.3	down
Profit from discontinued operations	6,431	17,051	62.3	down
2.3 Net profit for the year attributable to stapled securityholders	157,455	178,297	11.7	down

1. Includes $24.630 million ($17.241 million after tax), of one-off transaction costs associated with the proposed acquisition of the Alinta assets and businesses from Singapore Power International Pte Ltd which did not proceed. Excluding these one-off transaction costs, profit after tax from continuing operations would be $168.265 million.

2. Includes $9.660 million after tax of one-off costs associated with the settlement of the unaccounted for gas legal claim. Excluding these one-off costs, profit after tax from continuing operations would be $170.906 million.

2.4 Distributions for the financial year ended 31 March 2008:

	Cents per security
Interim distribution:	
Fully franked dividend	0.870
Assessable interest income	1.618
Return of capital	3.288
Total interim distribution	5.776
Final distribution:	
Fully franked dividend	0.736
Assessable interest income	1.655
Return of capital	3.397
Total final distribution	5.788

2.5 The record dates for determining entitlements to the distributions:

Distribution	Record date	Payment date
Interim	5 December 2007	19 December 2007
Final	6 June 2008	23 June 2008

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

Refer to the analysis contained in the Directors' report within the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

3. Income statements

Refer to the Income Statements contained within the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

4. Balance sheets

Refer to the Balance Sheets contained within the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

5. Cash flow statements

Refer to the Cash Flow Statements contained within the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

6. Dividends and Distributions

The following distributions have been paid or are payable to securityholders:

	Cents per security	Total distribution $	Date paid/payable
2008:			
Final Distribution payable			
Fully franked dividend	0.736	15,402,125	23 June 2008
Assessable interest income	1.655	34,633,854	23 June 2008
Return of capital	3.397	71,088,340	23 June 2008
Total Final Distribution	5.788	121,124,319	
Interim Distribution paid			
Fully franked dividend	0.870	18,206,316	19 December 2007
Assessable interest income	1.618	33,859,562	19 December 2007
Return of capital	3.288	68,807,319	19 December 2007
Total Interim Distribution	5.776	120,873,197	
Total 2008 Distribution	11.564	241,997,516	

	Cents per security	Total distribution $	Date paid
2007:			
Final Distribution payable			
Fully franked dividend	0.507	10,609,888	28 June 2007
Assessable interest income	1.584	33,148,051	28 June 2007
Return of capital	3.544	74,164,580	28 June 2007
Total Final Distribution	5.635	117,922,519	
Interim Distribution paid			
Fully franked dividend	0.507	10,609,888	14 December 2006
Assessable interest income	1.509	31,578,541	14 December 2006
Return of capital	3.619	75,734,090	14 December 2006
Total Interim Distribution	5.635	117,922,519	
Total 2007 Distribution	11.270	235,845,038	

7. Dividend Reinvestment Plans

SP AusNet does not have a dividend reinvestment plan.

8. Statement of Retained Earnings

Refer to Note 28 in the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

9. Net tangible assets per security

	2008	2007
Net tangible assets per stapled security	$1.08	$1.10

10. Gain or loss of control over entities

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

11. Details of associates/joint ventures

SP AusNet had no associates or joint ventures in operation at balance date.

12. Other significant information

Refer to the analysis contained in the Directors' Report within the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

13. Foreign Entities

Not Applicable

14. Commentary on results for the period

14.1 Earnings per security

Company	31 March 2008	31 March 2007
Earnings per share from profit (Company)	2.54 cents	3.38 cents
Earnings per share from profit from continuing operations (Company)	2.23 cents	2.57 cents
Dilution aspects	None	None

Stapled Group	31 March 2008	31 March 2007
Earnings per stapled security from profit	7.52 cents	8.52 cents
Earnings per stapled security from profit from continuing operations	7.22 cents	7.71 cents
Dilution aspects	None	None

14.2 Returns to Securityholders

Returns to Securityholders are detailed in section 6 above.

14.3 Significant features of operating performance

Refer to the analysis contained in the Directors' Report within the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

14.4 Segment results

Refer to Note 4 in the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

14.5 Trends in performance

Refer to the analysis contained in the Directors' Report within the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

14.6 Other factors affecting the results

Refer to the analysis contained in the Directors' Report within the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

15 Status of audit of accounts

The financial report is based on accounts which have been audited.

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Date: 21 May 2008

SP Australia Networks (Distribution) Ltd
ACN 108 788 245

General Purpose Financial Report

For the financial year ended 31 March 2008

CONTENTS

This financial report covers both SP Australia Networks (Distribution) Ltd as an individual entity and 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 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

A description of the nature of SP Australia Networks (Distribution) Ltd's operations and its principal activities is included in the Directors' report.

The financial report was authorised for issue by the Directors on 21 May 2008.

Directors' report

The Directors of SP Australia Networks (Distribution) Ltd ("SP AusNet Distribution") present their report on the general purpose financial report of the company and combined entity for the financial year ended 31 March 2008.

This general purpose financial report has been prepared as an aggregation of the financial statements of SP AusNet Distribution and controlled entities, SP Australia Networks (Transmission) Ltd ("SP AusNet Transmission") and 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 ("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 year 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)

Principal activities

During the year the principal activities of SP AusNet were:

- **Electricity distribution** – delivery of electricity to approximately 599,000 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 537,000 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.

The principal activities of SP AusNet are conducted through the following main operating group companies:

- SPI Electricity Pty Ltd;
- SPI Networks (Gas) Pty Ltd; and
- SPI PowerNet Pty Ltd.

Distributions

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

	Final 2007 distribution paid 28 June 2007		Interim 2008 distribution paid 19 December 2007	
	Cents per security	Total distribution $'000	Cents per security	Total distribution $'000
Fully franked dividend paid by SP AusNet Transmission	0.507	10,610	0.870	18,206
Assessable interest income paid by SP AusNet Finance Trust	1.584	33,148	1.618	33,860
Return of capital paid by SP AusNet Finance Trust	3.544	74,165	3.288	68,807
	5.635	117,923	5.776	120,873

Since the end of the financial year the Directors have approved a final distribution for 2008 of $121,124,319 (5.788 cents per fully paid Stapled Security) to be paid on 23 June 2008 comprised as follows:

	Final 2008 distribution to be paid on 23 June 2008	
	Cents per security	Total distribution $'000
Fully franked dividend payable by SP AusNet Transmission	0.736	15,402
Assessable interest income payable by SP AusNet Finance Trust	1.655	34,634
Return of capital payable by SP AusNet Finance Trust	3.397	71,088
	5.788	121,124

Review of operations

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

	Electricity distribution $'000	Gas distribution $'000	Transmission $'000	Inter-segment eliminations $'000	Combined $'000
Regulated revenue	417,415	147,473	391,648	(9,407)	947,129
Excluded services	14,444	11,822	33,681	(1,110)	58,837
Customer contributions	18,010	7,311	-	-	25,321
Other revenue	13,725	1,109	9,101	(86)	23,849
Total segment revenue	**463,594**	**167,715**	**434,430**	**(10,603)**	**1,055,136**
Segment result before interest expense	**153,623**	**87,635**	**181,488**	**-**	**422,746**
Segment interest expense	(90,195)	(55,280)	(101,376)	-	(246,851)
Unallocated finance income less unallocated finance expenses					7,897
Profit before income tax					**183,792**
Income tax expense					(26,337)
Net profit for the year					**157,455**

Discussion and analysis for the year ended 31 March 2008

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

SP AusNet achieved a net profit after tax ("NPAT") of $157.5 million for the 12 months ended 31 March 2008. The parent entity incurred a loss of $94.0 million but this was attributable to interest expense incurred on loans from subsidiaries and from SP AusNet Finance Trust totalling $134.0 million. The intercompany interest eliminates in the combined entity.

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. The increase in revenue from continued strong housing development in the existing electricity and gas distribution areas was partially offset by unfavourable weather conditions during the year. Overall revenue increased by 3.5% to $1,055.1 million. The 12 months ended 31 March 2008 was significantly warmer than the previous year, which impacted energy usage for heating.

As a diversified energy networks business, SP AusNet plays a vital role in underpinning the economic and social strength of Victorian communities, while also 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.

Comparison to the previous financial year is affected by the settlement in the prior year of a legal claim of $10.7 million with AGL Victoria Pty Ltd regarding unaccounted for gas, and one-off transaction costs of $24.6 million in the current year associated with the proposed acquisition of the Alinta assets and businesses from Singapore Power International Pte Ltd ("SPI") which did not proceed. Operating costs were $607.8 million after excluding the one-off transaction costs.

On 20 September 2007, SP AusNet announced its intention to acquire from its 51% majority securityholder SPI, all the issued shares in SPI (Australia) Assets Pty Ltd ("SPIAA"), the holder of the east coast assets of the former Alinta Group. An Explanatory Memorandum regarding the transaction was released on 9 November 2007 and a securityholder vote was scheduled for 11 December 2007.

On 10 December 2007, the SP AusNet Board announced its decision not to proceed with the proposed acquisition due to the ongoing deterioration in capital markets, in particular debt capital markets, since the Explanatory Memorandum was released. Changing market conditions would have had a material impact on the overall transaction metrics, as well as SP AusNet's ability to achieve the forecasts provided in the Explanatory Memorandum. The Board therefore considered it no longer in the best interests of SP AusNet to proceed with the transaction.

Electricity distribution business

SP AusNet's electricity distribution business contributed $463.6 million in total revenues (excluding interest income) for the year ended 31 March 2008. Revenues were favourably impacted by continued strong housing development in the existing network area in eastern Victoria.

Growth in revenues for the electricity distribution business primarily arises from new customer growth. In the year to 31 March 2008 approximately 9,500 additional customers, representing an increase of 1.6%, were connected to the network. During the financial year 7,543 GWh was distributed through the distribution network, representing an increase of 1.4% over the previous financial year. Total capital expenditure for the year was $185.3 million, of which $69.7 million was customer-initiated. The $15.7 million Lang Lang zone sub-station and 66kV line from Pakenham South was commissioned in November 2007, ahead of schedule.

Gas distribution business

SP AusNet's gas distribution business contributed $167.7 million in total revenues (excluding interest income) for the year ended 31 March 2008. Revenues were favourably impacted by increased customer connections but volumes were slightly down due to the warmer weather conditions in Victoria.

In the year to 31 March 2008 approximately 14,000 additional customers, representing an increase of 2.7%, were connected to the network, including 2,000 new customers under the rollout of gas to regional towns. Strong demand in Victoria's growth corridors continues to generate high customer connections to the network. Capital expenditure for the year was $75.1 million of which $46.4 million was customer-initiated, including $9.2 million for new town connections. Total gas delivered through the network was 70.3 PJ, a decrease of 2.0% over the previous financial year.

Electricity transmission business

SP AusNet's electricity transmission business contributed $434.4 million in total revenues (excluding interest income) for the year ended 31 March 2008. Total electricity transmitted through the network was 52,104 GWh which is an increase of 0.6% over the previous financial year.

Capital expenditure on the transmission network is progressing with the completion of the refurbishment of nine transmission terminal stations. The installation of additional 500/220kV transformers at Rowville Terminal Station is proceeding well with 80 per cent of the project completed. Total capital expenditure was $141.9 million for the year, including $73.4 million customer-initiated and $63.4 million company-initiated projects as well as $5.1 million of general capital expenditure. The additional capital investment will result in future increased revenues.

Discussion and analysis for the year ended 31 March 2008 (continued)

Balance sheets

SP AusNet's total assets as at 31 March 2008 were $7,419.6 million comprising principally property, plant and equipment of $6,504.6 million. Cash was $12.0 million, current receivables were $134.5 million, current derivative financial instruments were $216.2 million and intangible assets were $354.5 million.

Current liabilities as at 31 March 2008 were $627.0 million due mostly to borrowings of $331.1 million, payables of $198.3 million and derivative financial instruments of $43.9 million.

Non-current liabilities as at 31 March 2008 were $4,182.1 million comprising mostly borrowings of $3,340.1 million.

Securityholders' equity was $2,610.6 million as at 31 March 2008. 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 refinancing options for the maturing debt. 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 partially refinance the maturing debt.

Cash flow statements

Net operating cash inflows for the year ended 31 March 2008 were $373.4 million, a decrease of $19.8 million on the comparative period predominantly due to the increase in income tax paid.

Net outflows from investing activities of $370.3 million resulted primarily from payments for property, plant and equipment.

The net outflow from financing activities of $0.2 million resulted primarily from the proceeds from borrowings offset by distributions paid during the year of $238.8 million.

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. Subsequently SP AusNet successfully refinanced $1.55 billion through a syndicated bank debt facility. The facility replaced the $850 million 364-day bank debt facility which was due to mature in late July 2008, together with $600 million of existing syndicated bank debt. The facility also provided $100 million of undrawn but committed spare capacity. In total, SP AusNet had access to committed but undrawn bank debt facilities of $357.7 million (excluding the undrawn bank overdraft) as at 31 March 2008.

Credit rating

Standard & Poor's lowered its long-term rating on SP AusNet from A to A-. The change in rating was due to Standard & Poor's lowering its corporate credit ratings on Singapore Power Limited from AA to AA-. The adjustment in credit rating will not have a material impact on SP AusNet's finance costs. Moody's reaffirmed its long-term credit rating on SP AusNet at A1.

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 the Stapled Group that occurred during the year under review.

Matters subsequent to the end of the financial year

Dividends from subsidiaries

On 15 May 2008, the Board of SPI PowerNet Pty Ltd resolved to pay a dividend of at least $15.4 million to SP AusNet Transmission, payable in June 2008.

Distributions

Since the end of the financial year, the Directors have approved a final distribution for 2008 of $121,124,319 (5.788 cents per Stapled Security) to be paid on 23 June 2008.

Matters subsequent to the end of the financial year (continued)

Storms

On 2 April 2008, the state of Victoria experienced a severe storm event which affected all of the electricity distribution networks across Victoria. The storm had a significant impact on the electricity distribution network of SP AusNet and left many consumers off supply for long periods of time. The preliminary analysis indicates a total customer "minutes off supply" outcome in the order of 175 minutes for SP AusNet. This represents a significant variation to normal results and could potentially give rise to a financial penalty under the "S-factor" scheme in future periods. However, given the extreme nature of this event it is expected that an exemption will be granted by the Essential Services Commission and that there will be no material financial impact on SP AusNet.

With the exception of the matters outlined above, the Directors are not aware of any circumstances that have arisen since 31 March 2008 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the Stapled Group in financial years subsequent to 31 March 2008.

Likely developments and expected results of operations

Information on likely developments in the operations of SP AusNet and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to SP AusNet.

Environmental regulation

SP AusNet was subject to both Federal and State Government environmental legislation during the year. The most significant areas of environmental legislation affecting the Stapled Group in Victoria are those which regulate noise emissions, greenhouse gas emissions, the discharge of emissions to land, air and water, the management of oils, chemicals and dangerous goods, the disposal of wastes, and those which govern the assessment of land use including the approval of developments. The Directors are not aware of any breaches of legislation during the period which are material in nature.

Information on Directors

Ng Kee Choe – *Chairman – Non-executive*

Bachelor of Science (Honours), University of Singapore

Experience and expertise

Mr Ng is Chairman and Director of Singapore Power Limited. He also serves as Chairman and Director of NTUC Income Insurance Co-operative Ltd and as President-Commissioner of PT Bank Danamon Indonesia, Tbk. He is also a Director of Singapore Airport Terminal Services Ltd and Singapore Exchange Ltd, and a member of the International Advisory Council of China Development Bank. Mr Ng was formerly Vice-Chairman and Director of DBS Group Holdings Ltd. He retired from his executive position with DBS Group Holdings Ltd in 2003 after 33 years of service in various executive roles.

Other current listed company directorships

Singapore Airport Terminal Services Ltd (SGX-ST listed entity)
Singapore Exchange Ltd (SGX-ST listed entity)
PT Bank Danamon Indonesia, Tbk (SGX-ST listed entity)

Former listed company directorships in last 3 years

None

Date of initial appointment

SP AusNet Transmission - 26 October 2005
SP AusNet Distribution - 31 May 2005
Responsible Entity - 9 September 2005

Special responsibilities

Chairman of the SP AusNet Board and Chairman of the Nomination and Remuneration Committee.

Information on Directors (continued)

Nino Ficca – *Managing Director*

Bachelor of Engineering (Electrical) (Honours), Deakin University
Graduate Diploma in Management, Deakin University

Experience and expertise

Mr Ficca has over 25 years' experience in the energy industry, including numerous senior management roles with SPI PowerNet Pty Ltd including as Managing Director since 2003. He also serves as a Director of SPI Management Services Pty Ltd. He is a member of the Australian Institute of Company Directors and of the National Electricity Market Operations Committee. Mr Ficca was formerly Deputy Chairman and Director of the Energy Supply Association of Australia.

Other current listed company directorships

None

Former listed company directorships in last 3 years

None

Date of initial appointment

SP AusNet Transmission - 7 September 2005
SP AusNet Distribution - 31 May 2005
Responsible Entity - 31 May 2005

Special responsibilities

Managing Director and member of the Advanced Metering Infrastructure Due Diligence Committee and the Due Diligence Committee for the proposed Alinta acquisition.

Jeremy Guy Ashcroft Davis AM - *Non-executive Director*

Bachelor of Economics (Honours), University of Sydney
MBA, Stanford University
AM (Economics), Stanford University
FAICD

Experience and expertise

Professor Davis is a Professor Emeritus of the University of New South Wales, after retiring from the Australian Graduate School of Management (AGSM) in January 2006. He is a Director of Singapore Power Limited, Transurban Group and CHAMP Ventures Pty Ltd. He is Deputy Chairman of AMWIN Management Pty Ltd. Previously, Professor Davis spent 10 years as a management consultant with the Boston Consulting Group and has served as a Director of the Australian Stock Exchange Ltd.

Other current listed company directorships

Transurban Group (1997 to date)

Former listed company directorships in last 3 years

None

Date of initial appointment

SP AusNet Transmission - 26 October 2005
SP AusNet Distribution - 31 May 2005
Responsible Entity - 9 September 2005

Special responsibilities

Member of the Audit and Risk Management Committee and the Compliance Committee, and Chairman of the Due Diligence Committee for the proposed Alinta acquisition.

Information on Directors (continued)

Eric Gwee Teck Hai - *Non-executive Director*

Bachelor of Engineering (Mechanical), University of Melbourne

Experience and expertise

Mr Gwee is a Director of Singapore Power Limited and Chairman of SP Services Limited. He is also a Director of WorleyParsons Ltd and of Melbourne Business School Ltd. He has served as Chairman of the Board of Governors for the Institute of Technical Education (ITE) and ITE Holding Pte Ltd, both in Singapore. Mr Gwee has also served as Chairman of CPG Corporation Pte Ltd and the Public Transport Council and was formerly a Director of ExxonMobil Singapore Private Ltd.

Other current listed company directorships

WorleyParsons Ltd (2005 to date)

Former listed company directorships in last 3 years

None

Date of initial appointment

SP AusNet Transmission - 26 October 2005
SP AusNet Distribution - 31 May 2005
Responsible Entity - 9 September 2005

Special responsibilities

Member of the Audit and Risk Management Committee, the Compliance Committee and the Due Diligence Committee for the proposed Alinta acquisition.

Antonino (Tony) Mario Iannello – *Independent Non-executive Director*

Bachelor of Commerce, University of Western Australia
Advanced Management Programme, Harvard Business School, USA

Experience and expertise

Mr Iannello is a Director of HBF Health Fund Inc, Chairman of HBF Insurance Pty Ltd, Chairman of MG Kailis Group of Companies, Chairman of Harrier Resourcing People Pty Ltd and Chairman of Aviva Corporation Ltd. He is also a member of the Murdoch University Senate and Unisys Australia Advisory Council. Mr Iannello was formerly Managing Director of Western Power Corporation. Previously he held a number of senior executive roles at the Bank of Western Australia including General Manager Finance and Corporate Services, General Manager Corporate and Interstate Banking, Head of Consumer Marketing and Head of Strategic Planning.

Other current listed company directorships

Aviva Corporation Ltd (2008 to date)

Former listed company directorships in last 3 years

None

Date of initial appointment

SP AusNet Transmission – 6 June 2006
SP AusNet Distribution – 6 June 2006
Responsible Entity – 6 June 2006

Special responsibilities

Chairman of the Audit and Risk Management Committee and member of the Compliance Committee, the Independent Directors' Committee for the proposed Alinta acquisition and the Due Diligence Committee for the proposed Alinta acquisition.

Information on Directors (continued)

George Allister Lefroy - *Non-executive Director*

Bachelor of Engineering (Honours), University of Western Australia
Master of Engineering Science, University of Western Australia
PhD of Chemical Engineering, Cambridge University

Experience and expertise

Dr Lefroy is President Commissioner of PT Chandra Asri, Jakarta. He was formerly Executive Vice President of Shell Chemicals Ltd and a Director of Singapore Power Limited and Australian Power and Energy Limited (now Monash Energy Holdings Limited).

Other current listed company directorships

Cobar Consolidated Resources Ltd (2006 to date)

Former listed company directorships in last 3 years

None

Date of initial appointment

SP AusNet Transmission - 26 October 2005
SP AusNet Distribution - 31 May 2005
Responsible Entity - 9 September 2005

Special responsibilities

Member of the Nomination and Remuneration Committee and Chairman of the Advanced Metering Infrastructure Due Diligence Committee.

Martyn Kenneth Myer - *Independent Non-executive Director*

Bachelor of Engineering (Mechanical), Swinburne College of Technology
Master of Engineering Science, Monash University
Master of Science in Management, Sloan School of Management, Massachusetts Institute of Technology (MIT)

Experience and expertise

Mr Myer has extensive experience in financial services, engineering and biotechnology. He is Chairman of Cogstate Ltd (a health services company involved in cognitive performance testing), and a Director of Diversified United Investments Ltd. He was formerly a Director of Coles Myer Limited and was Managing Director of Merlyn Asset Management Pty Ltd, a boutique funds management company. Prior to his move into the financial services industry, he had extensive experience with some of Australia's leading manufacturers. Mr Myer is involved in several philanthropic activities, including as a member of the board of the Florey Neuroscience Institutes at the University of Melbourne and Vice President of the Myer Foundation.

Other current listed company directorships

Cogstate Ltd (Chairman) (1999 to date)
Diversified United Investments Ltd (1991 to date)

Former listed company directorships in last 3 years

Coles Myer Limited (now Wesfarmers Limited) (1996 to 2006)

Date of initial appointment

SP AusNet Transmission - 26 October 2005
SP AusNet Distribution - 9 September 2005
Responsible Entity - 9 September 2005

Special responsibilities

Member of the Audit and Risk Management Committee, the Compliance Committee, the Nomination and Remuneration Committee and the Independent Directors' Committee for the proposed Alinta acquisition.

Information on Directors (continued)

Quek Poh Huat – *Non-executive Director*

Bachelor of Science (Chemical Engineering), (Honours), University of Leeds, UK
Master of Science (Management) with Distinction, Naval Postgraduate School, Monterey, USA
Advanced Management Programme, Harvard Business School, USA

Experience and expertise

Mr Quek is the Group Chief Executive Officer and a Director of Singapore Power Limited. Within Singapore Power Limited he serves as a Director on the boards of SP PowerAssets Limited and SP Services Limited. Mr Quek is currently also Chairman and a Director of SPI Management Services Pty Ltd, SPI (Australia) Assets Pty Ltd, PowerGas Limited and SP PowerGrid Limited, and a Director of Singapore Technologies Engineering Ltd. Mr Quek was formerly the President of Temasek Holdings (Pte) Ltd.

Other current listed company directorships

None

Former listed company directorships in last 3 years

None

Date of initial appointment

SP AusNet Transmission - 26 October 2005
SP AusNet Distribution - 31 May 2005
Responsible Entity - 9 September 2005

Special responsibilities

Member of the Nomination and Remuneration Committee and the Due Diligence Committee for the proposed Alinta acquisition.

Ian Andrew Renard – *Independent Non-executive Director*

Bachelor of Arts, University of Melbourne
Bachelor of Laws, University of Melbourne
Master of Laws, University of Melbourne

Experience and expertise

Mr Renard is Chancellor of the University of Melbourne and trustee of the R E Ross Trust. He served as a partner of the law firm Arthur Robinson & Hedderwicks from 1979 to 2001, including as the firm’s full-time Managing Partner from 1989 to 1991. Mr Renard is a Director of CSL Ltd and a Director of Hillview Quarries Pty Ltd.

Other current listed company directorships

CSL Ltd (1998 to date)

Former listed company directorships in last 3 years

Newcrest Mining Ltd (1998 to 2006)

Date of initial appointment

SP AusNet Transmission - 26 October 2005
SP AusNet Distribution - 31 May 2005
Responsible Entity - 9 September 2005

Special responsibilities

Chairman of the Compliance Committee and the Independent Directors’ Committee for the proposed Alinta acquisition, and member of the Audit and Risk Management Committee, the Advanced Metering Infrastructure Due Diligence Committee and the Due Diligence Committee for the proposed Alinta acquisition.

Information on Directors (continued)

Company Secretary

Elizabeth Marie Mildwater

Bachelor of Economics, Sydney University
Bachelor of Laws (Honours), Sydney University
Master of Contemporary Asian Analysis, University of Melbourne

Ms Mildwater has been Company Secretary of SP AusNet Distribution since 12 July 2005, SP AusNet Transmission since 7 September 2005 and the Responsible Entity since 5 August 2005. She has over 15 years of legal, company secretarial and other relevant experience, including significant in-house legal and company secretarial experience in the electricity transmission and project development areas with SPI PowerNet Pty Ltd and PowerGen UK Plc. Prior to her in-house work, she was a solicitor with the Australian law firms Blake Dawson Waldron and Freehills.

Ms Mildwater resigned as Company Secretary effective 29 April 2008. Mr Geoff Nicholson, Chief Financial Officer, has been appointed as interim Company Secretary.

Meetings of Directors

The number of meetings of the Board of Directors of SP AusNet Distribution, SP AusNet Transmission and the Responsible Entity held during the year ended 31 March 2008, and the number of meetings attended by each Director, are set out in the following table. All meetings were held jointly.

Name	Board of SP AusNet Distribution		Board of SP AusNet Transmission		Board of Responsible Entity	
	Attended	Held	Attended	Held	Attended	Held
Ng Kee Choe	19	20	19	20	19	20
Nino **Ficca**	19	20	19	20	19	20
Jeremy **Davis**	20	20	20	20	20	20
Eric **Gwee**	20	20	20	20	20	20
Tony **Iannello**	20	20	20	20	20	20
George **Lefroy**	19	20	19	20	19	20
Martyn **Myer**	19	20	19	20	19	20
Quek Poh Huat	20	20	20	20	20	20
Ian **Renard**	20	20	20	20	20	20

The number of meetings of each standing Board committee of SP AusNet Distribution, SP AusNet Transmission and the Responsible Entity held during the year ended 31 March 2008, and the number of meetings attended by each Director, are set out in the following table.

Name	Audit and Risk Management Committee		Compliance Committee		Nomination and Remuneration Committee	
	Attended	Held	Attended	Held	Attended	Held
Ng Kee Choe	**	**	**	**	2	2
Nino **Ficca**	**	**	**	**	**	**
Jeremy **Davis**	6	6	4	4	**	**
Eric **Gwee**	6	6	4	4	**	**
Tony **Iannello**	6	6	4	4	**	**
George **Lefroy**	**	**	**	**	2	2
Martyn **Myer**	4	6	3	4	1	2
Quek Poh Huat	**	**	**	**	2	2
Ian **Renard**	6	6	4	4	**	**

**** = Not a member of the relevant committee**

The number of meetings of the special-purpose Independent Directors' Committee for the proposed Alinta acquisition, the special-purpose Advanced Metering Infrastructure Due Diligence Committee and the special-purpose Due Diligence Committee for the proposed Alinta acquisition held during the year ended 31 March 2008, and the number of meetings attended by each Director, are set out in the following table.

Name	Independent Directors' Committee for the proposed Alinta acquisition		Advanced Metering Infrastructure Due Diligence Committee		Due Diligence Committee for the proposed Alinta acquisition	
	Attended	Held	Attended	Held	Attended	Held
Ng Kee Choe	**	**	**	**	**	**
Nino **Ficca**	**	**	2	2	11	15
Jeremy **Davis**	**	**	**	**	15	15
Eric **Gwee**	**	**	**	**	14	15
Tony **Iannello**	16	16	**	**	13	15
George **Lefroy**	**	**	2	2	**	**
Martyn **Myer**	15	16	**	**	**	**
Quek Poh Huat	**	**	**	**	13	15
Ian **Renard**	12	16	2	2	13	15

**** = Not a member of the relevant committee**

Retirement, election and continuation in office of Directors

Quek Poh Huat, Ian Renard and Jeremy Davis each retire by rotation in accordance with the constitutions of SP AusNet Distribution and SP AusNet Transmission. Ian Renard and Jeremy Davis being eligible, offer themselves for re-election. Quek Poh Huat does not offer himself for re-election and will resign as a Director with effect from the date of SP AusNet's 2008 Annual General Meeting.

Remuneration report (Audited)

Key management personnel

The Directors and other key management personnel of SP AusNet are engaged to provide services to the SP AusNet Group and are not exclusive to any particular entity within SP AusNet. Accordingly, this report includes information which is common to SP AusNet Distribution, SP AusNet Transmission (together "the Companies") and the Responsible Entity. The remuneration amounts reported represent the total remuneration received by key management personnel during the year for services to the SP AusNet Group, and have not been apportioned between particular entities within the SP AusNet Group.

The persons listed below were Directors of SP AusNet for the whole of the financial year and up to the date of this report.

Name	Position
Ng Kee Choe	Non-executive Chairman
Nino **Ficca**	Managing Director
Jeremy **Davis**	Non-executive Director
Eric **Gwee**	Non-executive Director
Tony **Iannello**	Non-executive Director
George **Lefroy**	Non-executive Director
Martyn **Myer**	Non-executive Director
Quek Poh Huat	Non-executive Director
Ian **Renard**	Non-executive Director

SPI Management Services Pty Ltd ("SPI Management Services"), a wholly-owned subsidiary of related party Singapore Power International Pte Ltd ("SPI"), entered into a management services agreement with the Companies and a management services agreement with the Responsible Entity respectively to provide the services of key senior management, including the Managing Director and the executive management team, to SP AusNet. Although not employed by SP AusNet, the individuals set out below are deemed to qualify as key management personnel of SP AusNet on the basis that they had the authority and the responsibility for planning, directing and controlling the activities of SP AusNet during the financial year. This group includes the five most highly remunerated executives during the financial year.

Name	Position
Nino **Ficca**	Managing Director
Paul **Adams**	General Manager, Network Services
Norman **Drew**	General Manager, Network Development
Adrian **Hill**	General Manager, Corporate Development and Investor Relations
Geoff **Nicholson**	Chief Financial Officer
Charles **Popple**	General Manager, Regulatory and Business Strategy

Nomination and Remuneration Committee

The Nomination and Remuneration Committee makes recommendations to the Board regarding the remuneration framework for Directors and senior executives. It also reviews and approves the general remuneration framework for SP AusNet employees and reviews SP AusNet's obligations on matters such as superannuation and other employment benefits and entitlements.

From time to time, external specialist remuneration advice is sought in respect of general remuneration arrangements and in particular, advice on remuneration market movements is sought on an annual basis. Principal advisers are Mercer Human Resource Consulting and the Godfrey Remuneration Group.

Further information in relation to the Nomination and Remuneration Committee is set out in the Corporate Governance Statement.

Remuneration report (Audited) (continued)

Stapled Group performance

SP AusNet's executive remuneration is directly linked to the performance of the Stapled Group across a range of measures. The Short Term Incentive ("STI") is focussed on achieving operational targets and short-term profitability and the Long Term Incentive ("LTI") is focussed on achieving long-term growth and retaining talented executives.

The table below shows SP AusNet's consolidated operating revenue and net profit after tax for the current reporting period and previous years and the effect of SP AusNet's performance on securityholder value. As the Stapled Group was formed on 21 October 2005 and listed on 14 December 2005, the 2006 results are not for a full year. The 2007 results include $10.7 million regarding the settlement of the unaccounted for gas legal claim. The 2008 results include one-off transaction costs of $24.6 million.

	2004	2005	2006	2007	2008
Revenue	-	-	$737.5m	$1,019.5m	**$1,055.1m**
NPAT from continuing operations	-	-	$136.9m	$161.2m	**$151.0m**
Closing security price as at 31 March	-	-	$1.30	$1.42	**$1.21**
Distributions in respect of financial year (cents per security)	-	-	3.25	11.27	**11.564**

Principles used to determine the nature and amount of remuneration

Non-executive Directors

The remuneration of Non-executive Directors consists of Directors' fees and committee fees. Non-executive Directors are not provided with any form of retirement benefit or equity-based compensation. The remuneration information provided below is for SP AusNet. It is not possible to allocate remuneration to individual entities within the SP AusNet Group.

Fees paid to Non-executive Directors are set at levels that reflect both the responsibilities of, and the time commitments required from, each Non-executive Director to discharge their duties. Fee levels are set having regard to independent professional advice and fees paid by comparable companies. The fees paid to Non-executive Directors are not linked to the performance of SP AusNet in order to maintain objectivity and independence.

The constitutions of SP AusNet Distribution, SP AusNet Transmission and the Responsible Entity provide that Non-executive Directors are entitled to such remuneration for their services as the Board decides, but the total amount provided to all Non-executive Directors must not exceed in aggregate in any financial year the amount approved by securityholders in general meeting.

The securityholders of SP AusNet Distribution and SP AusNet Transmission approved a total remuneration pool for Non-executive Directors of $1,500,000 per year at the Annual General Meeting of SP AusNet held on 17 July 2007. Each year, the Nomination and Remuneration Committee reviews the fees payable to Non-executive Directors taking into account market rates and the time commitment and responsibilities involved in carrying out their duties.

In general, Directors are paid a fixed fee for their services to the Stapled Group. The Chairman, taking into account the greater time commitment required, receives a higher amount. Directors who serve on committees of the Board receive additional yearly fees and the chairs of these committees are also paid an additional amount. The annual fees payable to Non-executive Directors of SP AusNet approved at the Board meeting of 21 May 2008 and effective from 1 April 2008 are set out in the table below:

Non-executive Director Base Fees

	Board		Audit and Risk Management Committee		Compliance Committee		Nomination and Remuneration Committee	
	Chair	Member	Chair	Member	Chair	Member	Chair	Member
Fee	$180,000	$100,000	$25,000	$15,000	$18,000	$10,000	$15,000	$10,000

Directors are also entitled to be reimbursed for all business related expenses, including travel on company business, as may be incurred in the discharge of their duties. The above fees are inclusive of superannuation contributions made on behalf of the Non-executive Directors in accordance with SP AusNet's statutory superannuation obligations.

In accordance with the constitutions of SP AusNet Distribution, SP AusNet Transmission and the Responsible Entity, Directors may also be paid additional fees for special duties or exertions.

In recognition of their additional efforts associated with the proposed acquisition of the Alinta assets and businesses from SPI, including efforts associated with attending and preparing for meetings of the Independent Directors' Committee and the Due Diligence Committee for the proposed Alinta acquisition, special payments were made to certain Non-executive Directors during the year as detailed below. The amounts are included in the total remuneration pool approved by securityholders.

Remuneration report (Audited) (continued)

Non-executive Directors	Special Payment for the year ended 31 March 2008 ($)
Ng Kee Choe (Chairman)	-
Jeremy **Davis**	45,000
Eric **Gwee**	25,000
Tony **Iannello**	50,000
George **Lefroy**	25,000
Martyn **Myer**	37,500
Quek Poh Huat	25,000
Ian **Renard**	70,000
Total	**277,500**

These payments are included in the "cash salary and fees" column of the Director remuneration table for the year ended 31 March 2008.

The Board will continue to review its approach to Non-executive Director remuneration to ensure it remains in line with general industry practice and principles of good corporate governance.

Executive Directors and senior executives

The key objective of SP AusNet's policy for senior executive remuneration is to manage a total reward framework designed to:

- focus on creating value for securityholders by rewarding executives based on enhancement of sustainable securityholder value;
- create an environment that will attract appropriate talent and where people can be motivated with energy and passion to deliver superior performance;
- recognise capabilities and promote opportunities for career and professional development;
- provide rewards, benefits and conditions that are competitive in the market in which SP AusNet operates; and
- provide fair and consistent rewards across SP AusNet that support corporate values and principles.

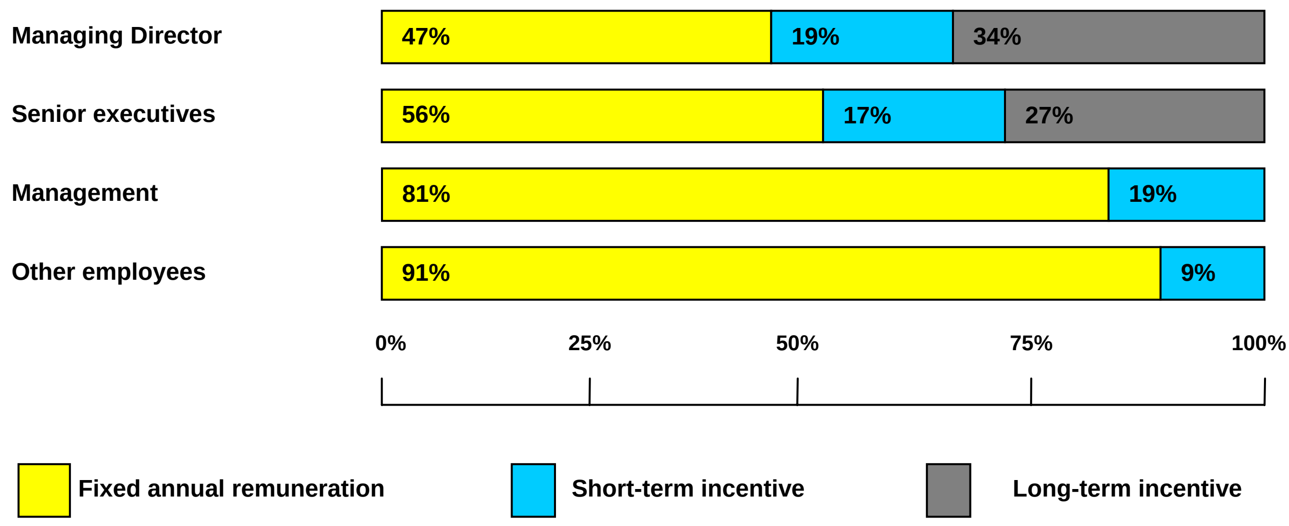
The remuneration and incentive package for the Managing Director and other senior executives (including the Company Secretary) is determined and paid by SPI Management Services. However, SPI Management Services must consider any recommendations made by SP AusNet in relation to remuneration, incentive payments and programs, and key performance measures in respect of senior executives which promotes alignment of "owner-management" interests.

Structure of total reward

The reward principles set out the relevant elements of remuneration to make up "total reward". For the majority of senior executives and SP AusNet employees, total reward consists of fixed remuneration and "at risk" remuneration through a STI plan. In the prior reporting period, a LTI plan was introduced into the pay structure for the Managing Director and senior executives. An appropriate mix of these components is determined for each level of management and employees.

The potential reward mix for various levels of seniority in SP AusNet for the reporting period, expressed as a percentage of total maximum reward, is shown in the table below.

Remuneration report (Audited) (continued)



Fixed annual remuneration

Fixed annual remuneration ("FAR") represents the fixed component of executive remuneration and consists of a mix of cash, superannuation, prescribed benefits and salary-sacrificed items such as motor vehicles and fringe benefits tax. FAR is reviewed annually against market rates for comparable roles. There are no guaranteed FAR increases fixed in any senior executive's contract of employment.

Benefits

Senior executives receive benefits including car parking and reimbursement of business related expenses. These amounts are not included in FAR.

Short-term incentives

SP AusNet makes available STI payments to senior executives for the achievement of key performance indicators ("KPIs") based on corporate financial and non-financial measures as well as stretch individual performance hurdles. The payments under the STI plan consist entirely of cash bonuses and do not involve Stapled Securities. Generally, senior executives must complete the business year to qualify for any short-term bonus payments. In some circumstances, the Board may in its discretion determine that a pro-rata bonus payment be awarded to a departing executive.

A target STI amount, expressed as a percentage of the senior executive's FAR, is specified for each senior executive. However, the amount of STI payable is dependent on:

- the extent to which SP AusNet has achieved or outperformed the corporate KPIs; and
- the extent to which the senior executive has achieved or outperformed his or her individual KPIs.

The key corporate KPIs set for the year ended 31 March 2008 included:

- net profit;
- safety targets;
- network performance and reliability targets;
- program delivery (capital and maintenance) targets; and
- completion of business integration programs.

By linking individual rewards to the achievement of overall corporate targets, this framework aligns the interests of employees and managers with those of SP AusNet.

Share-based payment

During the previous year SPI Management Services offered a one-off gift of $1,000 worth of SP AusNet Stapled Securities to all SP AusNet eligible employees and managers (excluding the Managing Director).

Remuneration report (Audited) (continued)

Long-term incentives

The SP AusNet Board approved a LTI plan for the Managing Director and senior executives which came into effect on 1 April 2006. The Board may in its discretion invite additional employees who are in a position to influence long-term securityholder value to participate in the LTI plan.

The LTI plan is a cash plan that rewards participants for increasing securityholder value. The Board issues annual invitations to participate in the plan which set out the maximum percentage of FAR that the participant is eligible to receive as a cash bonus at the end of a three year performance period ("the Award"). For the 1 April 2006 and 1 April 2007 grant, the performance measures used to determine the amount of Award payable are Relative Total Securityholder Returns ("TSR") (for 50% of the Award) and growth in Earnings Per Security ("EPS") (for the other 50% of the Award). The Award is calculated as a percentage of the participant's FAR prevailing at the test date. For the performance period commencing 1 April 2006 and 1 April 2007, the quantum of Awards available to participants expressed as a percentage of the prevailing FAR at the performance test date, are:

- Managing Director – 75%
- Reporting executives – 50%
- Other participants – 25%

The comparator group used for the grant performance testing consists of the companies included in the S&P/ASX 200 index. In assessing whether the performance hurdles have been met, SP AusNet receives independent data which provides both SP AusNet's TSR growth from the commencement of each grant and that of the companies in the comparator group. The level of TSR growth achieved by SP AusNet is given a percentile ranking having regard to its performance compared with the performance of other companies in the comparator group. The LTI plan does not allow for retesting of performance measures in subsequent years

The EPS growth measure is based on SP AusNet achieving a nominal compound annual growth ("CAGR") of 5% per annum over the three year period. A sliding scale applies as follows:

- below 2.5% per annum CAGR, no EPS component of the reward is achieved;
- between 2.5% and 7.5% per annum CAGR, a linear scale from 50% to 150% EPS reward is achieved; and
- the maximum achievable EPS component is 150%.

Where Awards vest after meeting performance hurdles, participants are required under the plan rules to purchase on-market, during an approved trading window, SP AusNet Stapled Securities to the value of the after tax cash payment received by the participant. The participants are then required to hold the Stapled Securities purchased for a period not less than 12 months. Reasonable brokerage costs incurred by the participants are reimbursed.

Retention awards

SPI Management Services has offered retention awards to key individuals who joined from TXU Australia Group Pty Ltd ("TXU") whose ongoing involvement with the SP AusNet Group is considered to be critical over the medium term. Details of these awards are set out below.

In order to retain Paul Adams (General Manager, Network Services), who was identified as a key executive following the acquisition of TXU in 2004, he was offered a form of retention payment based on his entitlement under the arrangement in place with TXU. However, instead of a lump sum payment, the amount was made payable over four years (ending 1 April 2008) as part of his remuneration structure. In addition, his entitlement is subject to a fixed and variable formula with the latter being linked to his achievement of individual performance targets.

Loans to Directors and senior executives

No loans have been made by SP AusNet to any Directors or senior executives.

Details of remuneration

Details of the nature and amount of each element of the emoluments of each Director and key management personnel of SP AusNet are set out in the following tables (unless otherwise noted, positions were held for the full financial year). The key management personnel are not employees of SP AusNet but are employed by SPI Management Services. Under management services agreements between SPI Management Services and SP AusNet, the services of these key management personnel, including the Managing Director, are provided to SP AusNet. The total of payments made to Non-executive Directors during the year ended 31 March 2008 was $1,092,500 which is within the total remuneration pool of $1,500,000 approved by securityholders at the 2007 Annual General Meeting.

Remuneration report (Audited) (continued)

For the year ended 31 March 2008

Director remuneration

	Short-term				Post-employment	Termination benefits	Equity based payments	
	Cash salary and fees[1]	Retention payments	Cash bonus[2]	Other short-term benefits[3]	Super-annuation[4]			Total
Non-executive Directors								
Ng Kee Choe (Chairman)	121,101	-	-	-	10,899	-	-	132,000
Jeremy **Davis**	131,193	-	-	-	11,807	-	-	143,000
Eric **Gwee**	123,000	-	-	-	-	-	-	123,000
Tony **Iannello**	140,367	-	-	-	12,633	-	-	153,000
George **Lefroy**	103,670	-	-	-	9,330	-	-	113,000
Martyn **Myer**	131,652	-	-	-	11,848	-	-	143,500
Quek Poh Huat[5]	113,000	-	-	-	-	-	-	113,000
Ian **Renard**	157,798	-	-	-	14,202	-	-	172,000
Total for Non-executive Directors	**1,021,781**	-	-	-	**70,719**	-	-	**1,092,500**
Executive Director								
Nino **Ficca**	568,960	-	600,000	6,108	41,388	-	280,771	1,497,227

1 Cash salary and fees for Non-executive Directors include the special payments discussed under Non-executive Director Base Fees above. No special payment was made to Mr Ng.
2 This bonus includes the bonus in respect of performance for the year ended 31 March 2008. This amount has been approved but not yet paid. This bonus also includes the special payment made in recognition of the additional efforts associated with the proposed acquisition of the Alinta assets and businesses from SPI.
3 This amount represents car parking benefits. In previous years, this amount also included an allocation of the premium for Directors' and Officers' insurance. Under the terms of the current policy this information cannot be disclosed and so the premiums are not included in the current year remuneration.
4 Superannuation contributions made on behalf of Non-executive Directors to satisfy SP AusNet's obligations under applicable Superannuation Guarantee legislation. This does not include any salary sacrifice or employee contributions which are included under cash salary and fees.
5 As Mr Quek is an executive of Singapore Power Limited and a nominee Director of Singapore Power Limited on the Board of SP AusNet, Singapore Power Limited receives the fees for Mr Quek's services as a Director of SP AusNet.

Senior executive remuneration

	Short-term				Post-employment	Termination benefits	Equity based payments[1]	
	Cash salary and fees	Retention payments[2]	Cash bonus[3]	Other short-term benefits[4]	Super-annuation			Total
Nino **Ficca**	568,960	-	600,000	6,108	41,388	-	280,771	1,497,227
Paul **Adams**	329,915	344,273	246,419	6,108	105,538	-	111,041	1,143,294
Norman **Drew**	300,173	-	210,667	6,108	34,034	-	106,281	657,263
Adrian **Hill**	219,357	-	145,572	6,108	30,504	-	79,315	480,856
Geoff **Nicholson**	419,266	-	280,853	6,108	43,202	-	128,488	877,917
Charles **Popple**	273,503	-	178,119	6,108	37,842	-	90,417	585,989
Total	**2,111,174**	**344,273**	**1,661,630**	**36,648**	**292,508**	-	**796,313**	**5,242,546**

1 The Stapled Group has determined, based on its best estimate that in relation to the year ended 31 March 2008 the amount payable under the LTIP will only be for the EPS component based on historical and forecast performance. Management's best estimate of the amount payable for the TSR component based on historical performance is currently nil. Historic performance is not necessarily an indicator of the amount that will actually vest in year 3 but does form the best estimate at present. Refer to the table below under the heading of cash bonuses – long-term incentive for the maximum amounts payable at the end of three years.
2 Further details in relation to the retention payments to Mr Adams are set out under the heading retention awards above.
3 Cash bonuses include bonuses in respect of performance for the year ended 31 March 2008. These amounts have been approved but not yet paid. Cash bonuses also include special payments made to senior executives in recognition of the additional efforts associated with the proposed acquisition of the Alinta assets and business from SPI.
4 These amounts represent car parking benefits. In previous years, this amount also included an allocation of the premium for Directors' and Officers' insurance. Under the terms of the current policy this information cannot be disclosed and so the premiums are not included in the current year remuneration.

Remuneration report (Audited) (continued)

Cash bonuses – short-term incentive

The percentage of the available bonus that was paid, or that vested, in the financial years ended 31 March 2007 and 31 March 2008, and the percentage that was forfeited because the person did not meet the service and performance criteria are set out below.

	Cash Bonus (2007)			Cash Bonus (2008)[1]		
	Paid ($)	Percentage of available bonus		Payable ($)	Percentage of available bonus	
		Paid	Not Paid		Payable	Not Payable
Nino **Ficca**	180,000	83.3%	16.7%	305,000	129.0%	0.0%
Paul **Adams**	80,000	83.3%	16.7%	143,000	136.0%	0.0%
Norman **Drew**	68,000	78.2%	21.8%	99,000	98.6%	1.4%
Adrian **Hill**	47,000	72.9%	27.1%	73,000	96.6%	3.4%
Geoff **Nicholson**	20,000	72.8%	27.2%	157,000	129.0%	0.0%
Charles **Popple**	61,000	75.3%	24.7%	96,000	111.6%	0.0%

1 Bonuses for performance for the year ended 31 March 2008 have been approved but not yet paid.

Cash bonuses – long-term incentive (equity based payments)

The SP AusNet Board approved a LTI plan for the Managing Director and senior executives that came into effect from 1 April 2006. For accounting purposes, amounts paid under the LTI plan are required to be disclosed as equity based payments. The following table shows the value of cash grants subject to future performance testing, percentage paid or forfeited and future financial years that grants may vest and be paid. As the grants made in 2006 will not be tested until 2009 and the grants made in 2007 will not be tested until 2010, no grants have been paid or forfeited at the date of this report.

	Date of Grant	Percentage of grant paid (%)	Percentage of grant forfeited (%)	Date grant may vest	Minimum total value of grant ($)	Maximum total value of grant ($)[1]
Nino **Ficca**	1 April 2006	-	-	31 March 2009	0	580,781
Paul **Adams**	1 April 2006	-	-	31 March 2009	0	229,688
Norman **Drew**	1 April 2006	-	-	31 March 2009	0	219,844
Adrian **Hill**	1 April 2006	-	-	31 March 2009	0	164,063
Geoff **Nicholson**	1 April 2006	-	-	31 March 2009	0	265,781
Charles **Popple**	1 April 2006	-	-	31 March 2009	0	187,031
Total Granted 1 April 2006						**1,647,188**
Nino **Ficca**	1 April 2007	-	-	31 March 2010	0	609,820
Paul **Adams**	1 April 2007	-	-	31 March 2010	0	241,172
Norman **Drew**	1 April 2007	-	-	31 March 2010	0	230,836
Adrian **Hill**	1 April 2007	-	-	31 March 2010	0	172,266
Geoff **Nicholson**	1 April 2007	-	-	31 March 2010	0	279,070
Charles **Popple**	1 April 2007	-	-	31 March 2010	0	196,383
Total Granted 1 April 2007						**1,729,547**

1 These amounts are estimates based on SP AusNet achieving the maximum possible performance conditions at the end of the three year performance period described above. The assumed prevailing FARs used to calculate the estimates are based on a 5% annual increase in each senior executive's FAR to the test date. The maximum value of the 1 April 2006 grants has been updated to reflect actual FAR for the year ended 31 March 2008.

Remuneration report (Audited) (continued)

For the year ended 31 March 2007

Director remuneration

	Short-term				Post-employment	Termination benefits	Equity based payments	
	Cash salary and fees	Retention payments	Cash bonus[1]	Other short-term benefits[2]	Super-annuation[3]			Total
Non-executive Directors								
Ng Kee Choe (Chairman)	109,327	-	-	3,800	9,839	-	-	122,966
Jeremy **Davis**	83,227	-	-	3,800	7,495	-	-	94,522
Eric **Gwee**	89,833	-	-	3,800	-	-	-	93,633
Tony **Iannello**[4]	71,483	-	-	3,800	6,433	-	-	81,716
George **Lefroy**	76,731	-	-	3,800	6,906	-	-	87,437
Martyn **Myer**	84,941	-	-	3,800	7,645	-	-	96,386
Quek Poh Huat[5]	81,579	-	-	3,800	-	-	-	85,379
Ian **Renard**	85,550	-	-	3,800	7,700	-	-	97,050
Total for Non-executive Directors	**682,671**	**-**	**-**	**30,400**	**46,018**	**-**	**-**	**759,089**
Executive Director								
Nino **Ficca**	444,154	-	180,000	8,970[6]	46,544	-	-	679,668

1 This bonus is in respect of performance for the year ended 31 March 2007.
2 These amounts represent an allocation of the premium for Directors' and Officers' insurance.
3 Superannuation contributions made on behalf of Non-executive Directors to satisfy SP AusNet's obligations under applicable Superannuation Guarantee legislation. This does not include any salary sacrifice or employee contributions which are included under cash salary and fees.
4 Mr Iannello commenced on 6 June 2006.
5 As Mr Quek is an executive of Singapore Power Limited and a nominee Director of Singapore Power Limited on the Board of SP AusNet, Singapore Power Limited receives the fees for Mr Quek's services as a Director of SP AusNet.
6 This amount represents car parking and an allocation of the premium for Directors' and Officers' insurance.

Senior executive remuneration

	Short-term				Post-employment	Termination benefits	Equity based payments[1]	
	Cash salary and fees	Retention payments[2]	Cash bonus[3]	Other short-term benefits[4]	Super-annuation			Total
Nino **Ficca**	444,154	-	180,000	8,970	46,544	-	-	679,668
Paul **Adams**	272,027	243,700	80,000	8,970	25,805	-	1,000	631,502
Peter **Buck**[5]	62,252	68,402	-	2,990	8,093	-	1,000	142,737
Norman **Drew**	234,494	-	68,000	8,970	28,212	-	1,000	340,676
Terrence **Fowler**[6]	284,158	-	-	6,728	34,078	609,929[7]	1,000	935,893
Adrian **Hill**[8]	119,914	62,032	47,000	5,980	10,987	-	1,000	246,913
Geoff **Nicholson**[9]	72,129	-	20,000	2,243	6,492	-	-	100,864
Charles **Popple**	220,344	-	61,000	8,970	22,085	-	1,000	313,399
Total	**1,709,472**	**374,134**	**456,000**	**53,821**	**182,296**	**609,929**	**6,000**	**3,391,652**

1 These amounts represent the one-off gift from SPI Management Services described above under the heading share-based payment. The Stapled Group has determined, based on its best estimate, that in relation to the year ended 31 March 2007 no amount will be payable under the LTI plan. This estimate is based on historical performance over the last twelve months. Historic performance is not necessarily an indicator of the amount that will actually vest in year 3 but did form the best estimate at that time. Refer to the table above under the heading of cash bonuses – long-term incentive for the maximum amounts payable at the end of three years.
2 Further details in relation to the retention payments to Mr Adams are set out under the heading retention awards above. Retention payments to Mr Buck and Mr Hill were finalised in the year ended 31 March 2007.
3 These bonuses are in respect of performance for the year ended 31 March 2007.
4 These amounts represent car parking and an allocation of the premium for Directors' and Officers' insurance. The amount is on a pro-rata basis when the senior executive has been a member of the key management personnel for less than 12 months.

Remuneration report (Audited) (continued)

Senior executive remuneration (continued)

5 Mr Buck ceased as a member of the key management personnel on 24 July 2006. Remuneration is only for the period Mr Buck was a member of the key management personnel.
6 Mr Fowler ceased as a member of the key management personnel on 22 December 2006. Remuneration represents all entitlements during the period Mr Fowler was a member of the key management personnel.
7 Mr Fowler's termination payment includes a termination amount payable under his employment agreement and an additional payment from SPI Management Services in recognition of his long-standing service.
8 Mr Hill commenced as a member of the key management personnel on 1 August 2006. Remuneration is only for the period Mr Hill was a member of the key management personnel.
9 Mr Nicholson commenced as a member of the key management personnel on 2 January 2007. Remuneration is for the period from when Mr Nicholson was appointed.

Directors' interests

The Directors of SP AusNet have disclosed relevant interests in Stapled Securities as follows:

Name	**Number of Stapled Securities**
Ng Kee Choe	150,000[1]
Nino **Ficca**	150,000[2]
Jeremy **Davis**	50,000
Eric **Gwee**	100,000[1]
Tony **Iannello**	100,000[3]
George **Lefroy**	100,000[4]
Martyn **Myer**	650,000[5]
Quek Poh Huat	206,000[6]
Ian **Renard**	50,000

1 Securities held by The Central Depository (Pte) Limited.
2 25,000 securities held by immediate family members of Mr Ficca.
3 30,000 securities held by immediate family members of Mr Iannello through a Superannuation Plan held by Summit Custodial Services and 70,000 securities held by ADI Investment Trust.
4 Securities held by Serp Hills Pty Ltd (as trustee for Serp Hills Super Fund).
5 Securities held by MF Custodian Ltd as custodian for Mpyer Investments Pty Ltd.
6 200,000 securities held by The Central Depository (Pte) Limited. 6,000 securities held by immediate family members of Mr Quek.

The Directors of SP AusNet have disclosed relevant interests in related bodies corporate as follows:

Name	Singapore Tele-communications Limited	Singapore Airport Terminal Services Limited	PT Bank Danamon Indonesia Tbk	Singapore Technologies Engineering Ltd	Singapore Computer Systems Limited	SMRT Corporation Ltd	Keppel Corporation Limited	STATS ChipPac Ltd
Ng Kee Choe	3,080[1]	11,000	50,000	-	-	-	10,000	-
Nino **Ficca**	720[2]	-	-	-	-	-	-	-
Jeremy **Davis**	-	-	-	-	-	-	-	-
Eric **Gwee**	1,980[3]	-	-	-	-	-	-	-
Tony **Iannello**	-	-	-	-	-	-	-	-
George **Lefroy**	158,792[4]	-	-	-	-	-	-	-
Martyn **Myer**	-	-	-	-	-	-	-	-
Quek Poh Huat	5,210[5]	-	-	297,000[6] 841,228[7] 18,500[8]	15,000	8,000[9]	-	1,000[9]
Ian **Renard**	-	-	-	-	-	-	-	-

1 1,540 securities held by immediate family members of Mr Ng.
2 Securities held by immediate family members of Mr Ficca.
3 620 securities held by immediate family members of Mr Gwee.
4 Securities held by Serp Hills Pty Ltd (as trustee for Serp Hills Super Fund).
5 1,540 held by immediate family members of Mr Quek.
6 Options over ordinary securities.
7 Ordinary securities.
8 Restricted securities.
9 Securities held by immediate family members of Mr Quek.

Remuneration report (Audited) (continued)

Service agreements

Remuneration and other terms of employment for the Managing Director and specified senior management are formalised in individual employment agreements. Each of these agreements provides for short-term performance-related cash bonuses, fringe benefits plus other benefits. Participation in the long-term incentive plan is not a term of the agreements. Other major provisions of the agreements, relating to remuneration, are set out below.

Managing Director

The main provisions of the Managing Director's service agreement are set out below:

- term of agreement – permanent, subject to one month's notice of termination by either party;
- fixed remuneration including base salary and superannuation, for the year ended 31 March 2008 of $590,000 to be reviewed annually by the Nomination and Remuneration Committee and the Board;
- annual short-term incentive of up to 40% of FAR; and
- termination benefits calculated at three weeks' pay for every year of service paid at the Managing Director's FAR rate and capped at six months.

Senior executives

The major provisions contained in the services agreements of the key management personnel listed are substantially the same except as noted below:

- term of agreement – permanent, subject to termination on one month's notice by either party (except Mr Adams whose agreement provides for a notice period of three months);
- SP AusNet may make a payment in lieu of notice; and
- termination benefits calculated at three weeks' pay for every year of service paid at the executive's FAR rate and capped at six months (except Mr Adams whose termination payment cap is set at nine months and in the event that SP AusNet or Mr Adams terminates his employment in prescribed circumstances, he is entitled to be paid the remainder of the fixed and variable amounts of retention payment outstanding as at the date of his termination).

Proceedings on behalf of SP AusNet

No person has applied to the Court under section 237 of the *Corporations Act* 2001 for leave to bring proceedings on behalf of SP AusNet, or to intervene in any proceedings to which SP AusNet is a party, for the purpose of taking responsibility on behalf of SP AusNet for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of SP AusNet with leave of the court under section 237 of the *Corporations Act* 2001.

Indemnification and insurance

The constitutions of SP AusNet Distribution, SP AusNet Transmission and the Responsible Entity each provide for the company to indemnify each current and former Director, executive officer (as defined in the constitutions), and such other current and former officers of the company or of a related body corporate as the Directors determine (each an "Officer"), on a full indemnity basis and to the full extent permitted by law against all liabilities (as defined in the constitutions) incurred by the Officer as an officer of the company or of a related body corporate.

The constitutions also provide for SP AusNet Distribution, SP AusNet Transmission and the Responsible Entity to, to the extent permitted by law, to purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability (as defined in the constitutions) incurred by the Officer as an officer of the company or of a related body corporate.

SP AusNet Distribution, SP AusNet Transmission and the Responsible Entity may enter into a deed with any Officer to give effect to the rights conferred by the constitutions as described above.

The companies have executed protection deeds in favour of each of the Directors, the Company Secretary and certain general managers on substantially the same terms as provided in the constitutions. The deeds also give a right of access to the books of the companies and to Board documents (to the Directors only).

During the financial year, the Stapled Group paid a premium to insure the Directors and Company Secretaries of the Australian-based combined entities and the general managers of each of the divisions of SP AusNet. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance policy, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the policy.

No insurance premiums are paid by the Stapled Group in regard to insurance cover provided to the auditor of the Stapled Group, KPMG. The auditor is not indemnified.

Non-audit services

SP AusNet may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the relevant company and/or combined entity are important.

Details of the amounts paid or payable to the auditor, KPMG, for audit and non-audit services provided during the year are set out in note 30 of the general purpose financial report.

In accordance with the advice provided by the Audit and Risk Management Committee, the Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act* 2001. The Directors are satisfied for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 Code *of Ethics for Professional Accountants*.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act* 2001 is set out on page 25.

Rounding off

SP AusNet Distribution is a company of a kind referred to in Class Order 98/0100, 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.

Auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act* 2001.

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

Ng Kee Choe
Chairman

Nino Ficca
Managing Director

Melbourne
21 May 2008

KPMG

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 audit for the financial year ended 31 March 2008 there have been:

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

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

KPMG

KPMG

Alison Kitchen
Partner

Melbourne
21 May 2008

Income statements
For the year ended 31 March 2008

	Notes	Combined 2008 $'000	Combined 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Revenue	5	**1,055,136**	1,019,459	**300**	553
Expenses, excluding finance costs	6	**(632,390)**	(594,798)	**(600)**	(1,260)
Profit/(loss) from operating activities		**422,746**	424,661	**(300)**	(707)
Finance income	7	**15,648**	17,089	**2**	8
Finance expenses	7	**(254,602)**	(236,540)	**(134,033)**	(114,767)
Net finance costs		**(238,954)**	(219,451)	**(134,031)**	(114,759)
Profit/(loss) before income tax		**183,792**	205,210	**(134,331)**	(115,466)
Income tax benefit/(expense)	8	**(32,768)**	(43,964)	**40,299**	34,640
Profit/(loss) from continuing operations		**151,024**	161,246	**(94,032)**	(80,826)
Profit from discontinued operations (after tax)	11	**6,431**	17,051	**-**	-
Profit/(loss) for the year		**157,455**	178,297	**(94,032)**	(80,826)
Profit attributable to SP AusNet Transmission and SP AusNet Finance Trust (minority interest)		**104,302**	107,563	**-**	-
Profit/(loss) attributable to SP AusNet Distribution		**53,153**	70,734	**(94,032)**	(80,826)
Total profit/(loss) for the year		**157,455**	178,297	**(94,032)**	(80,826)
Earnings per share for profit attributable to the ordinary equityholders of the Company					
Basic and diluted earnings per share (cents per share)	10	**2.54**	3.38	**-**	-
Earnings per share for profit from continuing operations attributable to the ordinary equityholders of the Company:					
Basic and diluted earnings per share (cents per share)	10	**2.23**	2.57	**-**	-

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

Statements of recognised income and expense

For the year ended 31 March 2008

		Combined		Parent entity	
		2008	2007	**2008**	2007
	Notes	**$'000**	$'000	**$'000**	$'000
Movement in defined benefit reserve	28(c)	**(11,783)**	11,165	**-**	-
Movement in hedge reserve	28(c)	**51,079**	34,828	**-**	-
Net income recognised directly in equity		**39,296**	45,993	**-**	-
Profit/(loss) for the year		**157,455**	178,297	**(94,032)**	(80,826)
Total recognised income and expense for the year		**196,751**	224,290	**(94,032)**	(80,826)
Total recognised income and expense for the year is attributable to:					
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)		**95,439**	116,200	**-**	-
SP AusNet Distribution		**101,312**	108,090	**(94,032)**	(80,826)
Total recognised income and expense for the year		**196,751**	224,290	**(94,032)**	(80,826)

Other movements in equity arising from transactions with owners as owners are set out in note 28. The amounts recognised directly in equity are disclosed net of tax.

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

Balance sheets

As at 31 March 2008

	Notes	Combined 2008 $'000	Combined 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	**12,013**	9,098	**42**	48
Receivables	13	**134,511**	140,885	**13,651**	-
Inventories	14	**11,622**	5,886	**-**	-
Derivative financial instruments	15	**216,233**	26,878	**-**	-
Other current assets	16	**4,545**	7,361	**300**	300
Total current assets		**378,924**	190,108	**13,993**	348
Non-current assets					
Receivables	13	**-**	-	**-**	1,694
Inventories	14	**14,395**	12,773	**-**	-
Property, plant and equipment	18	**6,504,603**	6,312,214	**-**	-
Deferred tax assets	19	**-**	-	**78,189**	53,581
Intangible assets	20	**354,505**	354,505	**-**	-
Derivative financial instruments	15	**151,644**	32,382	**-**	-
Other non-current assets	16	**15,516**	30,372	**-**	-
Other financial assets	17	**-**	-	**2,227,018**	2,227,018
Total non-current assets		**7,040,663**	6,742,246	**2,305,207**	2,282,293
Total assets		**7,419,587**	6,932,354	**2,319,200**	2,282,641
LIABILITIES					
Current liabilities					
Payables and other liabilities	21	**198,285**	160,598	**6,978**	17,856
Borrowings	22	**331,062**	619,933	**820,362**	937,695
Derivative financial instruments	15	**43,888**	31,759	**-**	-
Current tax payable		**6,349**	18,911	**-**	-
Provisions	23	**47,388**	49,744	**-**	-
Total current liabilities		**626,972**	880,945	**827,340**	955,551
Non-current liabilities					
Borrowings	22	**3,340,095**	2,940,265	**1,671,791**	1,412,989
Derivative financial instruments	15	**447,193**	87,913	**-**	-
Other financial liabilities	24	**5,858**	6,109	**-**	-
Deferred tax liabilities	25	**370,474**	348,313	**-**	-
Provisions	26	**18,430**	16,200	**-**	-
Total non-current liabilities		**4,182,050**	3,398,800	**1,671,791**	1,412,989
Total liabilities		**4,809,022**	4,279,745	**2,499,131**	2,368,540
Net assets		**2,610,565**	2,652,609	**(179,931)**	(85,899)
EQUITY					
Equityholders of SP AusNet Distribution					
Contributed equity	28(c)	**547**	547	**547**	547
Reserves	28(c)	**74,808**	26,649	**-**	-
Retained profits	28(c)	**610,575**	557,422	**(180,478)**	(86,446)
		685,930	584,618	**(179,931)**	(85,899)
Equityholders of SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	28(c)	**1,924,635**	2,067,991	**-**	-
Total equity		**2,610,565**	2,652,609	**(179,931)**	(85,899)

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

Cash flow statements

For the year ended 31 March 2008

		Combined		Parent entity	
		2008	2007	**2008**	2007
	Notes	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		**1,171,506**	1,131,749	**592**	-
Payments to suppliers and employees (inclusive of goods and services tax)		**(524,470)**	(492,119)	**(9,730)**	(1,217)
Income tax paid		**(33,579)**	(14,665)	**-**	-
Interest received		**1,256**	5,420	**2**	7
Interest and other costs of finance paid		**(241,277)**	(237,109)	**(134,033)**	(23,319)
Net cash inflow/(outflow) from operating activities	36	**373,436**	393,276	**(143,169)**	(24,529)
Cash flows from investing activities					
Payments for property, plant and equipment		**(370,806)**	(401,302)	**-**	-
Proceeds from sale of property, plant and equipment		**481**	553	**-**	-
Net cash inflow/(outflow) from investing activities		**(370,325)**	(400,749)	**-**	-
Cash flows from financing activities					
Proceeds of loans with related parties		**-**	-	**278,323**	95,366
Repayment of loans with related parties		**-**	-	**(135,160)**	(70,820)
Distributions paid	9	**(238,796)**	(185,934)	**-**	-
Proceeds from borrowings		**2,617,200**	1,281,234	**-**	-
Repayment of borrowings		**(2,378,600)**	(1,087,437)	**-**	-
Net cash inflow/(outflow) from financing activities		**(196)**	7,863	**143,163**	24,546
Net increase/(decrease) in cash held		**2,915**	390	**(6)**	17
Cash and cash equivalents at the beginning of the financial year		**9,098**	8,708	**48**	31
Cash and cash equivalents at the end of the financial year	12	**12,013**	9,098	**42**	48

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

Contents

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. The combined financial report includes separate financial statements for SP AusNet Distribution as an individual entity and for the Stapled Group (refer note 1(b)(i)), 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 financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASBs") and interpretations adopted by the Australian Accounting Standards Board and the *Corporations Act* 2001. The combined financial statements and notes also comply with International Financial Reporting Standards ("IFRSs") and interpretations adopted by the International Accounting Standards Board.

This general purpose financial report is presented in Australian dollars.

The financial statements were approved by the Board of Directors on 21 May 2008.

The Stapled Group's current liabilities exceed its current assets due primarily to the maturity of certain debt securities within 12 months of balance date. 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 the capacity to refinance short-term debts. The Directors are considering a range of refinancing options for the maturing debt. In addition, the Stapled Group has the ability to draw down on existing loan facilities to partially refinance the maturing debt.

The parent entity made a loss of $94.0 million for the year ended 31 March 2008 and has a net asset deficiency of $179.9 million as at 31 March 2008. The financial report of the parent has been prepared on a going concern basis as it is the loan agreement with SP AusNet Finance Trust that has generated the loss and net asset deficiency. The Directors and other key management personnel of SP AusNet are engaged to provide services to the SP AusNet Group and are not exclusive to any particular entity. Accordingly, funding and other policy matters are managed for the whole of SP AusNet and not on an individual entity basis. Whilst repayable on demand the loan agreement between SP AusNet Distribution and SP AusNet Finance Trust is for a term of ten years maturing in July 2014 (refer to Note 33(g) for further details on terms and conditions). The Directors are confident that SP AusNet Finance Trust will not demand repayment of the outstanding principal and unpaid accrued interest prior to the expiration of the term.

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. Subsequently SP AusNet successfully refinanced $1.55 billion through a syndicated bank debt facility. The facility replaced the $850 million 364-day bank debt facility which was due to mature in late July 2008, together with $600 million of existing syndicated bank debt. The facility also provided $100 million of undrawn but committed spare capacity. In total, SP AusNet has access to committed but undrawn bank debt facilities of $357.7 million (excluding the undrawn bank overdraft) as at 31 March 2008.

(i) New standards adopted

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

- Revised 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 of expensing borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset and requires such costs to be included as part of the cost of that asset. There was no impact from the adoption of the revised AASB 123 as the Stapled Group had elected to capitalise such costs under the superseded AASB 123.

- AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123*. The issuance of the revised AASB 123 necessitates consequential amendments to existing Australian Accounting Standards, principally to remove references to expensing borrowing costs on qualifying assets.

Note 1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards not yet adopted

The following standards are available for early adoption at 31 March 2008, but have not been applied in preparing the financial statements:

- Revised AASB 3 *Business Combinations* is applicable to annual reporting periods commencing on or after 1 July 2009. This standard results in changes to how mergers and acquisitions are accounted for. As SP AusNet has not undertaken any mergers or acquisitions during the year, this standard would not result in any changes to historical financial results if it was early adopted.

- 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 replacement of the Income Statements with a Statements of Comprehensive Income. This standard will not result in any changes to the financial results but will affect how those results are presented.

- AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments* is applicable to annual reporting periods beginning on or after 1 July 2007. These amendments are the result of the AASB's decision that, in principle, all accounting policy options available under International Financial Reporting Standards should be included in Australian Accounting Standards and additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.

- AASB 2007-7 *Amendments to Australian Accounting Standards* is applicable to annual reporting periods beginning on or after 1 July 2007. AASB 2007-7 eliminates wording errors, inconsistencies and discrepancies in several accounting standards.

- Interpretation 4 *Determining whether an Arrangement contains a Lease* is applicable to annual reporting periods beginning on or after 1 January 2008. Interpretation 4 specifies the criteria for determining whether an arrangement is, or contains, a lease.

- Interpretation 14 *AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, is applicable to reporting periods beginning on or after 1 January 2008. Interpretation 14 clarifies how to determine the limit on the asset that can be recognised in respect of a defined benefit fund surplus.

There are also other minor amendments and revisions to standards and interpretations as well as disclosure changes issued during the year that have not been early adopted. As these changes are minor in nature or relate to disclosure rather than measurement issues, they are not expected to result in any material changes to the Stapled Group's financial results.

The potential effect of these standards and interpretations is yet to be fully determined. However it is not expected that the new standards and interpretations will significantly affect the Stapled Group's financial report.

(iii) Historical cost convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities (including derivative instruments) at fair value through the income statement.

(iv) Critical accounting estimates and judgements

The preparation of financial statements in conformity with AASBs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Stapled Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Note 1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

(i) Stapling

Pursuant to the Stapling Deed effective from 21 October 2005, a 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 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.

For statutory reporting purposes the purchase method of accounting has been applied to the stapling arrangement (refer note 1(h) for further details). SP AusNet Distribution has been identified as the acquirer in the Stapled Group based on the size of its net assets and its operations and accordingly, it presents the combined financial report on the Stapled Group.

In applying the purchase method of accounting in the preparation of the combined financial statements of SP AusNet, the carrying amounts of the assets and liabilities of SP AusNet Distribution at the date of the stapling arrangement have been combined with the fair values of the identifiable assets, liabilities and contingent liabilities of SP AusNet Transmission and SP AusNet Finance Trust at the date of stapling.

The figures in the combined income statements, combined statements of recognised income and expense and combined cash flow statements reflect the combined results, recognised income and expense and cash flows of SP AusNet Distribution, SP AusNet Transmission and SP AusNet Finance Trust for the full financial years ended 31 March 2007 and 31 March 2008.

The figures in the combined balance sheets reflect the combined positions of SP AusNet Distribution, SP AusNet Transmission and SP AusNet Finance Trust.

As the business combination has been effected 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, notwithstanding that by virtue of the stapling arrangement SP AusNet Distribution, SP AusNet Transmission and SP AusNet Finance Trust have common equityholders (securityholders) with the effect that total equity of the Stapled Group belongs to those securityholders.

The components of minority interest, being share capital, reserves and retained earnings in the case of SP AusNet Transmission and unitholders' funds in the case of SP AusNet Finance Trust have been separately presented in the notes to the financial statements. The retained earnings of SP AusNet Transmission and the unitholders' funds of SP AusNet Finance Trust are available for distribution directly to securityholders.

(ii) Subsidiaries

Subsidiaries are entities, including special purpose entities, controlled by the Stapled Group. Control exists when the Stapled Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

Subsidiaries are fully consolidated from the date on which control is transferred to the Stapled Group and are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Stapled Group (refer note 1(h) for further details).

Intercompany transactions, balances and unrealised gains on transactions between entities within the Stapled Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are consistent with the accounting policies of the Stapled Group.

Minority interest in the results and equity of subsidiaries are shown separately in the combined income statements, combined statements of recognised income and expense and combined balance sheets respectively and reflect the interest of securityholders in SP AusNet Transmission and SP AusNet Finance Trust (refer note 1(b)(i)).

Note 1 Summary of significant accounting policies (continued)

(c) Segment reporting

An operating segment is a component of the Stapled Group that engages in business activities from which it earns revenues and incurs expenses for which discrete financial information is available and whose operating results are regularly reviewed by the chief operating decision maker.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the entities within the Stapled Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Australian dollars, which is the Stapled Group's presentation currency.

(ii) Transactions and balances

All foreign currency transactions are accounted for using the exchange rate at the date of the transaction. At balance date, monetary items denominated in foreign currencies are translated at the exchange rate existing at that date. Resultant exchange differences are recognised in the income statement for the year, except for exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received net of the amount of Goods and Services Tax ("GST") payable to the taxation authority. Revenue is recognised for the major business activities as follows:

(i) Sale of goods and rendering of services

Transmission regulated revenue

Transmission regulated revenue is revenue earned from the transmission of electricity and related services and is recognised as the services are rendered.

Distribution regulated revenue

- Distribution regulated revenue is revenue earned from the distribution of electricity and gas and related services and is recognised as the services are rendered.
- Revenues from services rendered under a contract are recognised by reference to the stage of completion of the contract.

(ii) Other excluded services revenue

Other excluded services revenue is recognised as the services are rendered.

(iii) Contributions from customers for capital works

Contributions received from customers to assist in the financing of construction of assets are recognised as revenue when the project is complete. Customer contributions of cash are measured with reference to the cash contribution received and customer contributions of assets are measured at the fair value of the assets contributed at the date SP AusNet gains control of the asset.

(iv) Interest income

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(v) Dividends and distributions

Revenue from dividends and distributions from controlled, associated and joint venture entities is recognised by the parent entity when they are declared by the entities, being the date that the parent establishes the right to receive payment.

Note 1 Summary of significant accounting policies (continued)

(f) Income tax

(i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using a comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination), which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Stapled Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Stapled Group intends to settle its tax assets and liabilities on a net basis.

(iii) Tax expense

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

(iv) Tax consolidations

SP AusNet Distribution and SP AusNet Transmission are the head entities in two separate tax consolidated groups comprising each of these entities and their wholly-owned subsidiaries.

The current and deferred tax amounts for each tax consolidated group are allocated among the entities in each group using the separate taxpayer within group method.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by each head entity from the subsidiaries in its tax consolidated group are recognised in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the relevant head entity as an equity contribution to, or distribution from, the subsidiary. Distributions firstly reduce the carrying amount of the investment in the subsidiary and are then recognised as revenue.

Each head entity recognises deferred tax assets arising from unused tax losses of its tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the assets can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

The members of each tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangement requires payments to/(from) the head entity equal to the current tax liability/(asset) assumed by the head entity and any deferred tax asset relating to tax losses assumed by the head entity. The members of each tax consolidated group have also entered into valid tax sharing agreements under the tax consolidation legislation which set out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated group.

Note 1 Summary of significant accounting policies (continued)

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Stapled Group does not have any finance lease arrangements.

(i) Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Acquisitions of assets and liabilities

The purchase method of accounting is used for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued as part of an acquisition, the value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date, irrespective of the extent of any minority interest. All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. The excess of the cost of acquisition over the fair value of the Stapled Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

The purchase method of accounting was applied to the establishment of the Stapled Group. Refer note 1(b) for further details.

(i) Impairment of assets

At each reporting date, the Stapled Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Stapled Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately.

Note 1 Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and investments in money market instruments. Bank overdrafts are repayable on demand and form an integral part of the Stapled Group's cash management, therefore these are included as a component of cash and cash equivalents for the purpose of the cash flow statements.

(k) Receivables

Accounts receivable, loans and non-accounts receivable are initially recognised at the fair value of the amounts to be received and are subsequently measured at amortised cost, less any allowance for impairment costs.

Collectibility of accounts receivable is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. An allowance for impairment is established when there is objective evidence that the Stapled Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The change in the amount of the allowance is recognised in the income statement.

(l) Customer deposits

Customer deposits are recognised as liabilities and represent refundable payments received in advance from customers as security on capital projects.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on weighted average costs and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location, which may include direct materials, direct labour costs and an allocation of overheads.

(n) Investments

Investments in subsidiaries are measured at cost in the parent entity's financial statements.

(o) Derivatives

The Stapled Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including forward foreign exchange contracts, interest rate swaps and cross-currency swaps. In accordance with its treasury policy, the Stapled Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting, even when entered into for hedging purposes, are accounted for as trading instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the income statement depends on the nature of the hedge relationship. The Stapled Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

To ensure derivative financial instruments qualify for hedge accounting the Stapled Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Stapled Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 15. Movements in the hedge reserve in securityholders' equity are shown in note 28(c).

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised immediately in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Note 1 Summary of significant accounting policies (continued)

(o) Derivatives (continued)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised directly in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect the income statement (generally when the forecast purchase that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. At that time, any cumulative gain or loss existing in equity remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately recognised in the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

(p) Fair value estimation

The fair value and net fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, are calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Appropriate transaction costs are included in the determination of net fair value.

(q) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less depreciation. The cost of contributed assets is their fair value at the date SP AusNet gains control of the asset.

Historical cost includes all expenditure that is directly attributable to the acquisition of the item. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to SP AusNet and the cost of the item can be measured reliably.

Maintenance and repair costs and minor renewals are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated.

Note 1 Summary of significant accounting policies (continued)

(q) Property, plant and equipment (continued)

Depreciation is provided for on property, plant and equipment, including freehold buildings but excluding land and easements. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed annually.

The expected average useful lives of major asset classes are as follows:

	Years
Distribution network (gas)	60-120
Buildings	40-99
Transmission network	35-70
Distribution network (electricity)	20-70
Other general assets	3-45
Motor vehicles and heavy machinery	3-12
Computer equipment and software	3-5

(i) Capital works at cost

Construction work in progress is stated at cost. Cost includes all expenditure that is directly attributable to the specific project.

All expenditure indirectly attributable to the specific project is allocated based on activity based costing.

(r) Intangible assets

(i) Distribution licences

The distribution licences held entitle certain controlled entities to distribute electricity and gas within the controlled entity's licensed region. Distribution licences are stated at cost and are considered to be indefinite life intangible assets, which are not amortised. The distribution licences are tested for impairment annually and are carried at cost less any accumulated impairment losses.

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Stapled Group prior to the end of financial year which are unpaid. Trade and other payables are stated at cost and are unsecured.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, except as detailed below. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings which are part of a fair value hedging relationship are recognised at amortised cost, adjusted for the gain or loss on the hedged item attributable to the hedged risk. The gain or loss on the hedged item attributable to the hedged risk is recorded in the income statement together with any changes in the fair value of derivatives that are designated and qualify as fair value hedges (refer note 1(o)).

Borrowings are classified as current liabilities unless the Stapled Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date or has the discretion to refinance or roll over the liability for at least 12 months after the reporting date under an existing loan facility.

Note 1 Summary of significant accounting policies (continued)

(u) Net financing costs

Finance income comprises interest income on funds invested, dividend income, foreign exchange gains, gains on hedging instruments that are recognised in the income statement and the expected return on defined benefit plan assets.

Finance expenses comprise interest expense on borrowings, foreign exchange losses, losses on hedging instruments that are recognised in the income statement, unwinding of the discount on provisions and the interest cost in respect of defined benefit obligations. All borrowing costs are recognised in the income statement using the effective interest rate method.

Borrowing costs directly attributable to a qualifying asset are capitalised to the cost of that asset.

The capitalisation rate used to determine the amount of borrowing costs to be included in the cost of qualifying assets is the weighted average interest rate of 6.6 per cent (2007: 6.6 per cent) applicable to the Stapled Group's outstanding borrowings during the period.

(v) Provisions

Provisions are recognised when the Stapled Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount of the provision can be measured reliably. Provisions are not recognised for future operating losses.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligations. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

(i) Provision for uninsured losses

The provision for uninsured losses records the assessment of probable or actual claims made against the Stapled Group for personal injury, property damage or financial loss, including public liability claims. The amount provided for public liability claims is limited to the applicable excess under the Stapled Group's insurance policies.

(ii) Environmental provisions

A provision for environmental costs is made for the rehabilitation of sites based on the estimated costs of the rehabilitation. The liability includes the costs of reclamation, plant closure and dismantling, and waste site closure. The liability is determined based on the present value of the obligation as appropriate. Annual adjustments to the liability are charged to the income statement over the estimated life of the sites. The costs are estimated based on the assumption of the current legal requirements and technologies. Any changes in estimates are dealt with on a prospective basis.

(iii) Licence Fee

Provision for licence fee represents an assessment of the amounts payable for annual electricity and gas distribution licence fees as determined by the Victorian Department of Treasury.

(iv) Unaccounted for Gas

Provision for Unaccounted for Gas represents an assessment of the amounts payable to gas retailers to account for gas losses in the distribution system. The losses represent gas measured as having entered the gas distribution system, but not measured as having been delivered to customers. An annual reconciliation and settlement is carried out after VENCorp has released final gas system volume information in June of each year.

Note 1 Summary of significant accounting policies (continued)

(w) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, including on-costs. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution superannuation funds

Contributions made to defined contribution superannuation funds are expensed when the liability is incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Stapled Group's obligation in respect of these funds is limited to the contributions to the fund.

(iv) Defined benefit superannuation funds

The Stapled Group's net obligation in respect of the defined benefit superannuation funds is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and recognised after deducting the fair value of any plan assets.

The discount rate is the yield at the balance date on government bonds that have maturity dates approximating the terms of the Stapled Group's obligations. A qualified actuary performs the calculation using the projected unit credit method.

Past service cost is the increase in the present value of the defined benefit obligation for employee services in prior periods, resulting in the current period from the introduction of, or changes to, past employment benefits or other long-term employee benefits. Past service costs may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

When the past service cost is positive, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

When the past service cost is negative, the resulting reduction in the defined benefit liability is recognised as negative past service cost over the average period until the reduced portion of the benefits become vested.

Actuarial gains and losses are recognised in full directly in equity in the period in which they occur, and are presented in the statement of recognised income and expense.

When the calculation of the net obligation results in a benefit to the Stapled Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

Note 1 Summary of significant accounting policies (continued)

(x) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

(i) Distributions

Provision is made for the amount of any distributions approved on or before the end of the financial year but not paid at balance date.

(y) Share-based payments

The fair value of share-based payment compensation provided to employees, including existing shares purchased at arm's length and given to employees as a gift, has been recognised as an expense in the period. Where the shares form part of the existing shares on issue, the fair value of the gift is determined by the cost of the shares at the date of purchase.

Where the gift is funded by a related party without recharge, the cost of acquisition has been treated as an additional contribution of capital to the Stapled Group.

(z) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to members of the Stapled Group, excluding any minority interest and costs of servicing equity other than distributions, by the weighted average number of shares of SP AusNet Distribution outstanding during the financial year.

Because 100 per cent of the profits of SP AusNet Transmission and SP AusNet Finance Trust are included in minority interest, but are available to the securityholders, an alternative presentation of earnings per share for the Stapled Group is also presented which is calculated as above, but includes earnings attributable to minority interest.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest or other financing costs associated with dilutive potential shares and includes these dilutive potential shares in the weighted average number of shares outstanding used in the calculation.

(aa) 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, the nearest dollar.

Note 2 Financial risk management

The Stapled Group's activities expose it primarily to the financial risks of changes in interest rates and foreign currency exchange rates. The Stapled Group manages its exposure to these risks in accordance with its Treasury Risk Policy which is approved by the Board. The policy is reviewed annually or more regularly if required by a significant change in the Stapled Group's operations. Any suggested changes are submitted to the Board for approval.

The objective of the Treasury Risk Policy is to document the Stapled Group's approach to treasury risk management and to provide a framework for ongoing evaluation and review of risk management techniques. The policy identifies each type of financial risk to which the Stapled Group is exposed. The policy provides an analysis of each risk, the objective of and techniques for managing the risk, including identifying and reporting risks to management and the Board.

Treasury evaluates and hedges financial risks in close co-operation with the Stapled Group's operating units. The Treasury Risk Policy provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating foreign exchange, interest rate and credit risks, use of derivative financial instruments and investing excess liquidity.

The Treasury Risk Policy operates in conjunction with several other SP AusNet policies, including the:

- SP AusNet Authority Manual which sets out the approvals required for such things as investment of surplus funds, execution of hedging transactions, borrowings and issue of guarantees and indemnities;
- SP AusNet Treasury Operations Manual which sets out the day-to-day Treasury front office processes such as cash management and the operations of the Treasury back office, such as settlement processes and bank account operations; and
- SP AusNet Refinancing and Hedging Strategy which sets out the refinancing and hedging strategies over the relevant financial period.

Together these policies provide a financial risk management framework which supports the Stapled Group's objectives of finding the right balance between risk and reward to enhance profitability and business performance while minimising current and future exposures.

The Stapled Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts;
- interest rate swaps; and
- cross-currency swaps.

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

It is the Stapled Group's policy to ensure, wherever possible, that all hedging activities comply with the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement*. However, there may be instances where it makes commercial and economic sense to enter into derivative transactions that do not achieve hedge accounting. In these instances, under AASB 139 such derivatives must be classified as "held for trading" however this classification is not an indication of an intent to trade in derivative financial instruments.

The material financial risks associated with SP AusNet's activities are each described below, together with details of SP AusNet's policies for managing the risk.

(a) Interest rate risk

The Stapled Group is exposed to the risk of movements in interest rates on its borrowings. In addition, the regulated electricity transmission and distribution businesses and gas distribution business revenues are impacted directly by changes in the rates of interest relating to each of their respective price review periods. This is a result of the "building block" approach where interest rates are considered in the determination of the regulatory weighted average cost of capital and consequently regulated revenues. The price review period is five years for gas and electricity distribution and six years for electricity transmission.

Note 2 Financial risk management (continued)

(a) Interest rate risk (continued)

The objective of hedging activities carried out by the Stapled Group in relation to these businesses 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 exposure is managed by maintaining an appropriate mix of fixed and floating rate borrowings and by the use of interest rate swaps. SP AusNet therefore considers interest rate exposure to be minimal for the Stapled Group.

The debt portfolio of the Stapled Group consists of both floating rate debt and fixed rate debt. Interest rate derivatives are used in order to maintain the percentage of fixed rate debt to total debt at a level between 90 per cent and 100 per cent for the relevant business over the relevant regulatory period.

As at reporting date, the Stapled Group had the following financial assets and liabilities exposed to interest rate risk that are not designated in a cash flow hedging relationship:

		Combined		Parent entity	
	Notes	**2008**	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Financial assets					
Cash and cash equivalents		**5,650**	5,500	**42**	48
Derivative financial instruments	15(c), 15(d)	**74,300**	18,874	**-**	-
Financial liabilities					
Related party borrowings	22	**-**	-	**2,492,153**	2,350,684
Derivative financial instruments	15(c), 15(d)	**294,994**	105,273	**-**	-
Borrowings not in a hedging relationship		**545,334**	308,432	**-**	-
Borrowings designated in a fair value hedging relationship		**-**	482,143	**-**	-

Included in borrowings not in a hedging relationship are certain fixed rate medium term notes.

The related party borrowings of the parent are wholly payable to entities within the Stapled Group and therefore there is no exposure to interest rate risk in respect of these borrowings outside the Stapled Group. The borrowings from SP AusNet Finance Trust principally relate to the acquisition of SPI Australia Group Pty Ltd and its subsidiaries.

The Stapled Group utilises interest rate swaps to manage its exposure to interest rate risk (refer note 15). Under interest rate swaps, the Stapled Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Stapled Group to mitigate the risk of changing interest rates on debt held.

Due to the Stapled Group's interest rate risk management policies the exposure to interest rate risk at any point in time is minimal and therefore so is the Stapled Group's sensitivity to movements in interest rates.

As at reporting date, if interest rates had moved as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Combined		Parent entity	
	Net profit (after tax)	**Equity (hedge reserve)**	**Net profit (after tax)**	**Equity (hedge reserve)**
	$'000	**$'000**	**$'000**	**$'000**
Judgements of reasonably possible movements:				
2008				
0.63 per cent increase with all other variables held constant	(2,994)	(14,871)	(15,700)	-
0.63 per cent decrease with all other variables held constant	3,004	12,257	15,700	-
2007				
0.56 per cent increase with all other variables held constant	(1,845)	660	(13,164)	-
0.56 per cent decrease with all other variables held constant	1,814	(1,211)	13,164	-

The interest impact on the above sensitivity analysis has increased with the 0.07 per cent widening in the movements in rates from 2007 to 2008 and also an increase in the amount expressed.

Note 2 Financial risk management (continued)

(a) Interest rate risk (continued)

The interest rate sensitivity analysis for the parent is based on interest rate exposures to entities within the SP AusNet group only.

The judgements of reasonably possible movements were determined using statistical analysis of the 95th percentile best and worst expected outcomes having regard to actual historical interest rate data over the previous five years based on the three month bank bill swap rate. Management considers that past movements are a transparent basis for determining reasonably possible movements in interest rates.

(b) Currency risk

The Stapled Group is exposed to currency risk due to funding activities in offshore debt markets, as a means of providing cost effective and efficient funding alternatives and as a result of undertaking certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and cross-currency swaps.

The objective of SP AusNet's currency risk management program is to eliminate material foreign exchange risk by utilising various hedging techniques as approved by the Board. SP AusNet therefore considers currency risk exposure to be minimal for the Stapled Group.

The Stapled Group enters into cross-currency swaps to manage exposures from foreign currency loans primarily in US dollars (refer note 15). It is the policy of the Stapled Group to cover 100 per cent of the exposure generated by these loans.

Under cross-currency swaps, the Stapled Group agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the Stapled Group to mitigate the risk of adverse movements in foreign exchange rates.

As at reporting date, the Stapled Group had cross-currency swaps for its US dollar denominated borrowings. The notional amount outstanding on cross-currency swaps was $1,292.0 million (2007: $ 1,292.0 million). The maturity of these swaps coincides with the maturity of the relevant US dollar denominated borrowings.

The Stapled Group also enters into forward foreign exchange contracts to hedge the exchange rate risk in relation to specific purchase orders (refer note 15). It is the policy of the Stapled Group to fully hedge currency exposures above a Board approved threshold once the exposure is recognised. The derivative instrument used to hedge the exposure is entered into when there is a high degree of certainty as to the nature of the exposure, including currency, amount and delivery date so as to ensure a high level of effectiveness in cash flow hedging.

As at reporting date the Stapled Group had the following financial assets and financial liabilities exposed to currency risk that are not designated in a cash flow hedging relationship:

		Combined		Parent entity	
		2008	2007	**2008**	2007
	Notes	**$'000**	$'000	**$'000**	$'000
Financial assets					
Derivative financial instruments	15(d)	**9,812**	17,238	**-**	-
Financial liabilities					
Related party payables		**6,678**	15,808	**6,678**	15,808
Derivative financial instruments	15(d)	**212,260**	96,354	**-**	-
Borrowings designated in a fair value hedging relationship	22	**1,083,234**	1,202,394	**-**	-

Note 2 Financial risk management (continued)

(b) Currency risk (continued)

As at reporting date, if the Australian Dollar had moved against each of the currencies as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

	Combined		Parent entity	
	Net profit (after tax) $'000	**Equity (hedge reserve) $'000**	**Net profit (after tax) $'000**	**Equity (hedge reserve) $'000**
Judgements of reasonably possible movements:				
2008				
United States Dollar				
10 cents increase with all other variables held constant	(481)	13,760	-	-
10 cents decrease with all other variables held constant	600	(17,154)	-	-
2007				
United States Dollar				
9.3 cents increase with all other variables held constant	-	2,066	-	-
9.3 cents decrease with all other variables held constant	-	(7,710)	-	-
Singapore Dollar				
17 cents increase with all other variables held constant	1,926	-	1,926	-
17 cents decrease with all other variables held constant	(2,546)	-	(2,546)	-

The judgements of reasonably possible movements were determined using statistical analysis of the 95th percentile best and worst expected outcomes having regard to actual historical exchange rate data over the previous five years. Management considers that past movements are a transparent basis for determining reasonably possible movements in exchange rates.

International borrowing exchange risk is managed using cross-currency swaps at 100 per cent of borrowings at inception date.
In 2007 the hedging strategy was 100 per cent effective which resulted in no profit impacts from sensitivity analysis.
In 2008 hedging alignment with the gas regulatory reset produced minor ineffectiveness for the associated international debt, this reduced the corresponding cross currency swaps effectiveness from 100 per cent to 99.97 per cent.

Note 2 Financial risk management (continued)

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Stapled Group and arises from the Stapled Group's financial assets, comprising cash and cash equivalents, trade and other receivables and derivative financial instruments.

The Stapled Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults (refer note 13). The Stapled Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. SP AusNet therefore considers credit risk exposure to be minimal for the Stapled Group.

In accordance with the Treasury Risk Policy, treasury counterparties each have an approved limit based on the lower of Standard & Poor's or Moody's credit rating. Counterparty limits are reviewed and approved annually by the Audit and Risk Management Committee and any changes to counterparties or their credit limits must be approved by the Chief Financial Officer and the Managing Director and must be within the parameters set by the Board as outlined in the Treasury Risk Policy.

The Stapled Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Accounts receivable consist of a number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable to ensure exposure to bad debts is minimised.

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Stapled Group's maximum exposure to credit risk without taking account of the value of any collateral obtained:

	Maximum credit risk 2008	Maximum credit risk 2007
	$'000	$'000
Financial assets and other credit exposures		
Cross-currency swaps	**-**	19
US interest rate swaps	**22,562**	14,055
AUD interest rate swaps	**52,811**	53,704

Note 2 Financial risk management (continued)

(d) Liquidity risk

The Stapled Group manages liquidity risk by maintaining adequate cash reserves, committed banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Stapled Group's liquidity management policies include Board approved guidelines covering the maximum volume of long term debt maturing in any one year, the minimum number of years over which debt maturities are to be spread and the timing of refinancing. In addition, short-term bank debt and commercial paper must not represent more than an agreed percentage of the total debt portfolio of SP AusNet.

The liquidity management policies ensure that the Stapled Group has a well diversified portfolio of debt, in terms of maturity and source, which significantly reduces reliance on any one source of debt in any one particular year. In addition, the investment grade credit rating of the Stapled Group ensures ready access to both domestic and offshore capital markets.

Liquidity risk is managed by SP AusNet based on net inflows and outflows from financial assets and financial liabilities. The following table summarises the maturities of the Stapled Group's financial assets and liabilities based on the remaining earliest contractual maturities at carrying value. For related party borrowings, other than borrowings with SP AusNet Finance Trust, the maturity has been deemed to be greater than five years.

Combined	**Notes**	**6 months or less**	**6 - 12 months**	**1 - 2 years**	**2 - 5 years**	**Greater than 5 years**	**Total**
		$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
2008							
Financial assets							
Cash and cash equivalents	12	12,013	-	-	-	-	12,013
Accounts and other receivables	13	134,511	-	-	-	-	134,511
Interest rate swaps	15	931	33,401	-	112,095	105,759	252,186
Cross-currency swaps	15	-	-	-	-	115,622	115,622
Forward foreign currency contracts	15	69	-	-	-	-	69
		147,524	**33,401**	**-**	**112,095**	**221,381**	**514,401**
Financial liabilities							
Trade and other payables	21	198,285	-	-	-	-	198,285
Working capital facility	22	12,300	-	-	-	-	12,300
Commercial paper	22	205,625	-	-	-	-	205,625
Syndicated bank debt	22	-	-	-	1,447,628	-	1,447,628
Domestic medium term notes	22	-	319,137	-	603,233	-	922,370
US senior notes	22	-	-	-	-	1,083,234	1,083,234
Interest rate swaps	15	931	34,268	-	82,271	84,506	201,976
Cross-currency swaps	15	-	-	-	-	288,804	288,804
Forward foreign currency contracts	15	289	10	2	-	-	301
		417,430	**353,415**	**2**	**2,133,132**	**1,456,544**	**4,360,523**
Net maturity		**(269,906)**	**(320,014)**	**(2)**	**(2,021,037)**	**(1,235,163)**	**(3,846,122)**

Note 2 Financial risk management (continued)

(d) Liquidity risk (continued)

Combined	Notes	6 months or less $'000	6 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	Greater than 5 years $'000	Total $'000
2007							
Financial assets							
Cash and cash equivalents	12	9,098	-	-	-	-	9,098
Accounts and other receivables	13	140,885	-	-	-	-	140,885
Interest rate swaps	15	-	13,568	-	21,768	-	35,336
Cross-currency swaps	15	-	-	-	-	23,923	23,923
Forward foreign currency contracts	15	1	-	-	-	-	1
		149,984	**13,568**	**-**	**21,768**	**23,923**	**209,243**
Financial liabilities							
Trade and other payables	21	160,598	-	-	-	-	160,598
Working capital facility	22	58,200	-	-	-	-	58,200
Commercial paper	22	287,744	-	-	-	-	287,744
Syndicated bank debt	22	519,661	-	-	-	-	519,661
Domestic medium term notes	22	561,733	-	319,220	611,246	-	1,492,199
US senior notes	22	-	-	-	-	1,202,394	1,202,394
Interest rate swaps	15	-	1,347	197	7,375	-	8,919
Cross currency swaps	15	-	-	-	-	109,810	109,810
Forward foreign currency contracts	15	62	881	-	-	-	943
		1,587,998	**2,228**	**319,417**	**618,621**	**1,312,204**	**3,840,468**
Net maturity		**(1,438,014)**	**11,340**	**(319,417)**	**(596,853)**	**(1,288,281)**	**(3,631,225)**

Parent	Notes	6 months or less $'000	6 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	Greater than 5 years $'000	Total $'000
2008							
Financial assets							
Cash and cash equivalents	12	42	-	-	-	-	42
Accounts and other receivables	13	13,651	-	-	-	-	13,651
		13,693	**-**	**-**	**-**	**-**	**13,693**
Financial liabilities							
Trade and other payables	21	6,978	-	-	-	-	6,978
Related party borrowings	22	820,362	-	-	-	1,671,791	2,492,153
		827,340	**-**	**-**	**-**	**1,671,791**	**2,499,131**
Net maturity		**(813,647)**	**-**	**-**	**-**	**(1,671,791)**	**(2,485,438)**

Note 2 Financial risk management (continued)

(d) Liquidity risk (continued)

Parent	Notes	6 months or less $'000	6 - 12 months $'000	1 - 2 years $'000	2 - 5 years $'000	Greater than 5 years $'000	Total $'000
2007							
Financial assets							
Cash and cash equivalents	12	48	-	-	-	-	48
Accounts and other receivables	13	1,694	-	-	-	-	1,694
		1,742	**-**	**-**	-	**-**	**1,742**
Financial liabilities							
Trade and other payables	21	17,856	-	-	-	-	17,856
Related party borrowings	22	937,695	-	-	-	1,412,989	2,350,684
		955,551	**-**	**-**	-	**1,412,989**	**2,368,540**
Net maturity		**(953,809)**	**-**	**-**	-	**(1,412,989)**	**(2,366,798)**

The Stapled Group targets a minimum net liquidity, defined as available short term funds and committed financing facilities. As at reporting date, SP AusNet had the following committed financing facilities available:

	Combined 2008 $'000	Combined 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Financing facilities (face value)				
Unsecured bank overdraft facility, reviewed annually and payable at call:				
- Amount used	**-**	-	**-**	-
- Amount unused	**2,500**	3,000	**-**	-
	2,500	3,000	**-**	-
Unsecured working capital, reviewed annually:				
- Amount used	**12,300**	58,200	**-**	-
- Amount unused	**87,700**	121,800	**-**	-
	100,000	180,000	**-**	-
Unsecured bank loan facility with various maturity dates and which may be extended by mutual agreement:				
- Amount used	**1,450,000**	520,000	**-**	-
- Amount unused	**100,000**	80,000	**-**	-
	1,550,000	600,000	**-**	-
Unsecured commercial paper standby facilities:				
- Amount used	**-**	-	**-**	-
- Amount unused	**170,000**	120,000	**-**	-
	170,000	120,000	**-**	-

Note 2 Financial risk management (continued)

(e) Fair value of financial assets and liabilities

The fair value and net fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, is calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Appropriate transaction costs are included in the determination of net fair value.

The following table details the fair value of financial assets and financial liabilities:

		Carrying amount		Fair value	
	Notes	**2008**	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Combined					
Financial assets					
Cash and cash equivalents	12	**12,013**	9,098	**12,013**	9,098
Accounts and related party receivables	13	**77,093**	83,831	**77,093**	83,831
Interest rate swaps	15	**252,186**	35,336	**252,186**	35,336
Cross currency swaps	15	**115,622**	23,923	**115,622**	23,923
Forward foreign currency contracts	15	**69**	1	**69**	1
Financial liabilities					
Trade and other payables	21	**198,285**	160,598	**198,285**	160,598
Borrowings	22	**3,671,157**	3,560,198	**3,844,466**	3,663,150
Interest rate swaps	15	**201,976**	8,919	**201,976**	8,919
Cross-currency swaps	15	**288,804**	109,810	**288,804**	109,810
Forward foreign currency contracts	15	**301**	943	**301**	943

		Carrying amount		Fair value	
	Notes	**2008**	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Parent					
Financial assets					
Cash and cash equivalents	12	**42**	48	**42**	48
Accounts and related party receivables	13	**13,651**	1,694	**13,651**	1,694
Financial liabilities					
Trade and other payables	21	**6,978**	17,856	**6,978**	17,856
Borrowings	22	**2,492,153**	2,350,684	**2,492,153**	2,350,684

Note 3 Critical accounting estimates and assumptions

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

(a) Estimated recoverable amount of intangible assets with an indefinite useful life and associated tangible assets

For the purpose of impairment testing, assets have been allocated to CGUs. Each CGU represents a group of assets that generate cash inflows independent from other groups of assets. Management has determined that each segment, details of which are disclosed in note 4, represents a CGU.

The following CGU's have significant amounts of intangible assets with an indefinite useful life.

	Intangible assets with an indefinite useful life	
	2008	2007
	$'000	$'000
CGU		
Electricity distribution	**117,200**	117,200
Gas distribution	**237,305**	237,305
	354,505	354,505

Recoverable amount is the higher of fair value less costs to sell and value in use. Management has based its assessment of fair value on discounted cash flow projections over a period of 20 years together with an appropriate terminal value. Regulated cash flow forecasts are based on allowable returns on electricity and gas distribution assets as set out in the Victorian Electricity Supply Industry Tariff Order and the Victorian Gas Industries Tariff Order respectively, together with other information included in the Stapled Group's five-year forecast. Cash flows after that period are based on an extrapolation of the forecast, taking into account inflation and expected customer connection growth rates. It is considered appropriate to use cash flows after SP AusNet's five-year forecast period considering the long-term nature of the Stapled Group's activities. Cash flows are discounted using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets.

In addition, recoverable amounts were assessed as reasonable when compared to appropriate market earnings before interest, tax, depreciation and amortisation multiples and regulated asset base multiples of recent transactions involving similar assets.

(b) Income taxes

The tax expense and deferred tax balances assume certain tax outcomes and values of assets in relation to the application of the tax consolidation regime as it applies to SP AusNet Distribution and SP AusNet Transmission. These outcomes affect factors such as the quantification and utilisation of tax losses, capital allowance deductions and the taxation treatment of transactions between members of the Stapled Group.

The tax expense assumes that SP AusNet Distribution can carry forward income tax losses. If there is a change in the majority underlying ownership of SP AusNet Distribution as a result of a reduction in Singapore Power Limited's ownership position, this assumption may cease to be applicable.

The Stapled Group has taken positions in relation to the income tax and capital gains tax consequences of the acquisition by SP AusNet Distribution of the Australian assets from TXU (including positions carried forward from TXU ownership, which are covered by tax warranties), the restructuring and sale of the merchant energy business (including the amount of capital gain resulting from the sale) and the restructuring and subsequent deemed acquisition of the SP AusNet Transmission Group.

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

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

Note 3 Critical accounting estimates and assumptions (continued)

(c) Derivatives

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the measurement date. The quoted market price used for financial instruments held by the Stapled Group is the current mid price.

Derivatives are used only for risk management strategies and are not actively traded.

The fair value and net fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments, is calculated using quoted prices. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

Appropriate transaction costs are included in the determination of net fair value.

(d) Accrued revenue

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

(e) Useful lives of property, plant and equipment

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 4 Segment information

(a) Description of reportable segments

The Stapled Group is organised into the following segments.

(i) 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.

Note 4 Segment information (continued)

(a) Description of reportable segments (continued)

(ii) Gas distribution

The gas distribution network carries natural gas to commercial and residential end users and earns revenues at the regulated rates for the distribution services provided by its network. 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.

(iii) Electricity 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.

(iv) Merchant energy business/discontinued operations

Refer note 11 for details.

(b) Reportable segment financial information

	Electricity distribution	Gas distribution	Transmission	Inter-segment eliminations	Combined
	$'000	$'000	$'000	$'000	$'000
2008					
Regulated revenue	417,415	147,473	391,648	(9,407)	947,129
Excluded services	14,444	11,822	33,681	(1,110)	58,837
Customer contributions	18,010	7,311	-	-	25,321
Other revenue	13,725	1,109	9,101	(86)	23,849
Total segment revenue	**463,594**	**167,715**	**434,430**	**(10,603)**	**1,055,136**
Segment result before interest expense	**153,623**	**87,635**	**181,488**	**-**	**422,746**
Segment interest expense	(90,195)	(55,280)	(101,376)	-	(246,851)
Unallocated finance income less unallocated finance expenses					7,897
Profit before income tax					**183,792**
Income tax expense					(26,337)
Net profit for the year					**157,455**
Segment assets	2,674,603	1,562,167	3,181,950	-	7,418,720
Unallocated assets					867
Total assets					**7,419,587**
Segment liabilities	1,665,443	968,582	1,781,178	-	4,415,203
Unallocated liabilities					393,819
Total liabilities					**4,809,022**
Other segment information					
Capital expenditure	185,277	75,126	141,864	-	402,267
Depreciation	89,203	37,991	73,367	-	200,561

Note 4 Segment information (continued)

(b) Reportable segment financial information (continued)

	Electricity distribution $'000	Gas distribution $'000	Transmission $'000	Discontinued operations $'000	Inter-segment eliminations $'000	Combined $'000
2007						
Regulated revenue	384,925	146,412	380,834	-	(9,068)	903,103
Excluded services	13,667	13,992	30,501	-	(1,002)	57,158
Customer contributions	25,619	13,815	-	-	-	39,434
Other revenue	9,264	772	9,428	-	300	19,764
Total segment revenue	**433,475**	**174,991**	**420,763**	-	**(9,770)**	**1,019,459**
Segment result before interest expense	**157,407**	**77,859**	**189,395**	**9,607**	-	**434,268**
Segment interest expense	(86,873)	(48,866)	(93,848)	-	-	(229,587)
Unallocated finance income less unallocated finance expenses						10,136
Profit before income tax						**214,817**
Income tax expense						(36,520)
Net profit for the year						**178,297**
Segment assets	2,364,124	1,457,952	3,105,117	-	-	6,927,193
Unallocated assets						5,161
Total assets						**6,932,354**
Segment liabilities	1,444,498	787,371	1,671,225	-	-	3,903,094
Unallocated liabilities						376,651
Total liabilities						**4,279,745**
Other segment information						
Capital expenditure	171,706	80,129	154,200	-	-	406,035
Depreciation	93,528	35,258	71,204	-	-	199,990

As meter and related services for electricity distribution are regulated under a price cap, they have been reclassified from excluded services to regulated revenue. Assets and liabilities have also been reallocated between the segments. The prior year comparatives have been restated in line with the current year's treatment.

(c) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the Stapled Group as disclosed in note 1 and accounting standard AASB 8 *Operating Segments*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of receivables, inventories, property, plant and equipment and other intangible assets, net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of debt attributable to each segment, trade and other creditors, employee benefits and provision for service warranties. Segment assets and liabilities do not include income taxes.

(ii) Inter-segment transfers

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an “arm’s-length” basis and are eliminated on consolidation.

Note 5 Revenue

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Revenue				
Regulated revenue	**947,129**	903,103	**-**	-
Excluded services	**58,837**	57,158	**-**	-
	1,005,966	960,261	**-**	-
Other revenue				
Customer contributions	**25,321**	39,434	**-**	-
Other revenue	**23,849**	19,764	**300**	553
	49,170	59,198	**300**	553
Total revenue	**1,055,136**	1,019,459	**300**	553

Note 6 Expenses

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Profit before income tax includes the following specific expenses:				
Expenses, excluding finance costs, included in the income statement:				
Use of system and associated charges	**55,362**	55,287	**-**	-
Employee benefits				
Defined benefit superannuation expenses	**3,353**	3,815	**-**	-
Defined contribution superannuation expenses	**7,535**	6,967	**-**	-
Share-based payment expense	**-**	811	**-**	-
Other employee expenses (i)	**84,815**	60,606	**-**	-
Materials	**2,886**	2,540	**-**	-
External maintenance and contractors' services (i)	**54,092**	72,181	**-**	-
Information technology and communication costs	**10,503**	12,798	**-**	20
Taxes and licences	**2,288**	2,863	**-**	-
External consulting, legal and accounting costs	**10,339**	11,381	**-**	368
Insurance expenses	**5,270**	4,786	**-**	-
Property taxes	**83,479**	83,117	**-**	-
Administrative expenses	**16,632**	12,986	**-**	1
Management services charges	**22,612**	21,420	**-**	-
Performance fees	**18,348**	12,934	**-**	-
Flame logo fees	**1,000**	1,000	**600**	600
Availability rebates	**1,938**	2,856	**-**	-
Office, travel and consumable expenses	**2,494**	2,498	**-**	-
Other costs	**6,768**	2,862	**-**	271
Depreciation	**200,561**	199,990	**-**	-
Net loss on disposal of property, plant and equipment	**8,836**	3,409	**-**	-
Operating lease rental expense	**8,653**	5,924	**-**	-
Allowance for impairment losses	**(4)**	1,067	**-**	-
Total expenses, excluding finance costs and abnormal items	**607,760**	584,098	**600**	1,260
Unaccounted for gas legal settlement	**-**	10,700	**-**	-
Alinta acquisition investigation costs	**24,630**	-	**-**	-
Total expenses, excluding finance costs	**632,390**	594,798	**600**	1,260

(i) The increase in other employee expenses and reduction in external maintenance and contractors' services costs are due predominantly to bringing Tenix services in house.

Note 7 Net finance costs

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Finance income				
Interest income	**2,388**	5,416	**2**	8
Expected return on defined benefit fund plan assets	**13,260**	11,673	**-**	-
Total finance income	**15,648**	17,089	**2**	8
Finance expenses				
Interest expense	**255,817**	236,093	**-**	-
Interest expense - related parties	**-**	-	**134,033**	114,767
Unwinding of discount on provisions	**1,424**	1,693	**-**	-
Net (profit)/loss on derivatives in a fair value hedge	**115,760**	86,689	**-**	-
Net (profit)/loss on borrowings in a fair value hedge	**(128,877)**	(88,186)	**-**	-
Net (profit)/loss on derivatives not in a hedging relationship	**18,535**	(290)	**-**	-
Transfers from cash flow hedge reserve	**(8,966)**	(6,506)	**-**	-
Ineffective portion of changes in fair value of cash flow hedges	**154**	-	**-**	-
Other finance charges	**1,103**	8,305	**-**	-
Defined benefit interest expense	**7,882**	7,204	**-**	-
Capitalised finance charges	**(8,230)**	(8,462)	**-**	-
Total finance expenses	**254,602**	236,540	**134,033**	114,767
Net finance costs	**238,954**	219,451	**134,031**	114,759

Note 8 Income tax expense

(a) Income tax expense

		Combined		Parent entity	
		2008	2007	**2008**	2007
	Notes	**$'000**	$'000	**$'000**	$'000
Current tax		**17,782**	99,614	**(40,522)**	(34,559)
Prior year (over)/under provision - current tax		**(29)**	102	**-**	-
Deferred tax		**15,947**	(58,770)	**223**	(81)
Prior year over provision - deferred tax	25	**(7,363)**	(4,426)	**-**	-
		26,337	36,520	**(40,299)**	(34,640)
Income tax expense is attributable to:					
Profit/(loss) from continuing operations		**32,768**	43,964	**(40,299)**	(34,640)
Profit from discontinued operations	11	**(6,431)**	(7,444)	**-**	-
Aggregate income tax expense		**26,337**	36,520	**(40,299)**	(34,640)
Deferred income tax expense/(benefit) included in income tax expense/(benefit) comprises:					
Decrease/(increase) in deferred tax assets	19	**(61,924)**	58,321	**223**	(81)
(Decrease)/increase in deferred tax liabilities	25	**77,871**	(117,091)	**-**	-
		15,947	(58,770)	**223**	(81)

Note 8 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

(i) Continuing operations

	Notes	Combined		Parent entity	
		2008	2007	**2008**	2007
		$'000	$'000	**$'000**	$'000
Profit from continuing operations before income tax expense		**183,792**	205,210	**(134,331)**	(115,466)
Tax at the Australian tax rate of 30% (2007: 30%)		**55,138**	61,563	**(40,299)**	(34,640)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Non-assessable income		**(20,548)**	(19,423)	**-**	-
Prior year under provision in respect of entry into tax consolidation		**-**	339	**-**	-
Other prior year (over)/under provisions		**(961)**	2,781	**-**	-
Write-back deferred tax liability (s.163AA impost and intellectual property deductions)		**-**	(1,833)	**-**	-
Sundry items		**(861)**	537	**-**	-
Income tax expense/(benefit)		**32,768**	43,964	**(40,299)**	(34,640)

(ii) Discontinued operations

	Notes	Combined 2008 $'000	Combined 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Profit from discontinued operations before income tax expense		**-**	9,607	**-**	-
Tax at the Australian tax rate of 30% (2007: 30%)		**-**	2,882	**-**	-
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:					
Difference between tax and accounting gain on sale of the merchant energy business		**-**	(2,882)	**-**	-
Prior year over provision		**(6,431)**	(7,444)	**-**	-
Income tax expense/(benefit)		**(6,431)**	(7,444)	**-**	-

(c) Amounts recognised directly in equity

	Notes	Combined 2008 $'000	Combined 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
Aggregate current and deferred tax arising in the reporting period and not recognised in the income statement but directly debited/(credited) to equity:					
Hedge reserve - cash flow hedges	28(c)	**(21,890)**	(14,927)	**-**	-
Defined benefit reserve	28(c)	**5,049**	(4,784)	**-**	-
Net deferred tax debited/(credited) directly to equity		**(16,841)**	(19,711)	**-**	-

The Stapled Group's effective tax rate for the period ended 31 March 2008 is approximately 18 per cent for continuing operations and 14 per cent including discontinued operations. 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 9 Distributions

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

	Payable by	Date paid	Cents per security	Total distribution $
Distributions from earnings				
Fully franked dividend	SP AusNet Transmission	28 June 2007	0.507	10,609,888
Fully franked dividend	SP AusNet Transmission	19 December 2007	0.870	18,206,316
Assessable interest income	SP AusNet Finance Trust	28 June 2007	1.584	33,148,051
Assessable interest income	SP AusNet Finance Trust	19 December 2007	1.618	33,859,562
Total distributions from earnings				**95,823,817**
Distributions from capital				
Return of capital	SP AusNet Finance Trust	28 June 2007	3.544	74,164,580
Return of capital	SP AusNet Finance Trust	19 December 2007	3.288	68,807,319
Total distributions from capital				**142,971,899**
Total distributions				**238,795,716**

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

	Payable by	Date paid	Cents per security	Total distribution $
Distributions from earnings				
Fully franked dividend	SP AusNet Transmission	26 June 2006	0.150	3,139,020
Fully franked dividend	SP AusNet Transmission	14 December 2006	0.507	10,609,888
Assessable interest income	SP AusNet Finance Trust	26 June 2006	0.890	18,624,852
Assessable interest income	SP AusNet Finance Trust	14 December 2006	1.509	31,578,541
Total distributions from earnings				**63,952,301**
Distributions from capital				
Return of capital	SP AusNet Finance Trust	26 June 2006	2.210	46,248,228
Return of capital	SP AusNet Finance Trust	14 December 2006	3.619	75,734,090
Total distributions from capital				**121,982,318**
Total distributions				**185,934,619**

(a) Franking account

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
30 per cent franking credits available to securityholders for subsequent financial years	**51,994**	28,640	**90**	90

The above available amounts are based on the balance of the dividend franking account at year end adjusted for franking credits that will arise from the payment of current tax liabilities.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the dividend franking account of dividends proposed after the balance date but not recognised as a liability is to reduce it by $6,600,911 (2007: $4,547,095). In accordance with the tax consolidation legislation, SP AusNet Distribution and SP AusNet Transmission as the respective head entities in the tax consolidated groups have assumed the benefit of $90,000 and $51,904,000 (2007: $90,000 and $28,550,000) franking credits respectively.

Note 10 Earnings per share

(a) Basic earnings per share for SP AusNet Distribution

	Combined	
	2008	2007
	$'000	$'000
Profit from continuing operations attributable to the ordinary equityholders of the Company	**46,722**	53,683
Profit from discontinued operations attributable to the ordinary equityholders of the Company	**6,431**	17,051
Profit attributable to the ordinary equityholders of the Company	**53,153**	70,734
Weighted average number of shares ('000)	**2,092,680**	2,092,680
	Cents	Cents
Earnings per share from profit	**2.54**	3.38
Earnings per share from profit from continuing operations	**2.23**	2.57

(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.

(d) Basic earnings per stapled security

	Combined	
	2008	2007
	$'000	$'000
Profit from continuing operations attributable to the ordinary securityholders of the Stapled Group	**151,024**	161,246
Profit from discontinued operations attributable to the ordinary securityholders of the Stapled Group	**6,431**	17,051
Profit attributable to the ordinary securityholders of the Stapled Group	**157,455**	178,297
Weighted average number of securities ('000)	**2,092,680**	2,092,680
	Cents	Cents
Earnings per security from profit (Stapled Group)	**7.52**	8.52
Earnings per security from profit from continuing operations (Stapled Group)	**7.22**	7.71

Note 10 Earnings per share (continued)

(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 stapled security are the same.

Note 11 Discontinued operations

(a) Divestment of the merchant energy business

On 7 March 2005 a share sale agreement was entered into between SPI Electricity and Gas Australia Holdings Pty Ltd and CLP Australia Energy Holdings Pty Ltd for the sale of the merchant energy business division of SP AusNet Distribution. The activities of the merchant energy business consisted of the purchase, distribution and retailing of electricity and natural gas, the generation of electricity, and energy trading primarily in the states of Victoria and South Australia and underground gas storage and call centre management. The disposal of the merchant energy business was completed on 31 May 2005.

The results of the discontinued operations which have been included in the income statements are as follows:

	Combined	
	2008	2007
Profit from discontinued operations	**$'000**	$'000
Profit on divestment of business	**-**	9,607
Profit before income tax expense	**-**	9,607
Attributable income tax benefit on divestment	**6,431**	7,444
Income tax benefit/(expense)	**6,431**	7,444
Profit from discontinued operations	**6,431**	17,051

The profit on divestment of business in the prior year relates to the updating of certain estimates relating to the sale of the merchant energy business in the prior year.

Effective 2 August 2004, for the purpose of income tax, SP AusNet Distribution and its wholly owned subsidiaries formed a tax consolidated group. As a result of entering into tax consolidation, the Group is able to reset the tax bases of property, plant and equipment. During the financial year ended 31 March 2008, the Group updated its tax consolidation entry calculation. This produced higher tax bases, effective 2 August 2004, in respect of assets previously held by discontinued operations, and an associated credit to income tax expense in the current period.

Note 12 Cash and cash equivalents

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Cash at bank and on hand	**12,013**	9,098	**42**	48
Total cash and cash equivalents	**12,013**	9,098	**42**	48

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statements as follows:

Balances per cash flow statements	**12,013**	9,098	**42**	48

Note 13 Receivables

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current receivables				
Accounts receivable	**76,732**	83,818	**-**	-
Allowance for impairment loss	**(325)**	(758)	**-**	-
Related party receivables	**686**	771	**13,651**	-
	77,093	83,831	**13,651**	-
Accrued revenue	**57,229**	56,907	**-**	-
Other receivables	**189**	147	**-**	-
Total current receivables	**134,511**	140,885	**13,651**	-
Non-current receivables				
Related party receivable	**-**	-	**-**	1,694
Total non-current receivables	**-**	-	**-**	1,694
Total receivables	**134,511**	140,885	**13,651**	1,694

(a) Terms and conditions

Accounts receivable are non-interest bearing and the average credit period on sales of transmission and distribution services is ten business days. An allowance has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtors.

All debts that are past 91 days are provided for in full, except where past experience of individual debtors provides evidence that another amount, if any, is more appropriate.

Collateral in the form of bank guarantees, letters of credit and deposits are obtained from certain counterparties where appropriate. The amounts called upon during the current and previous financial year were insignificant and no item is individually significant.

(b) Ageing of accounts receivable

The ageing of accounts receivable as at reporting date was:

	Combined			
	2008	**2008**	2007	2007
	Gross	**Allowance**	Gross	Allowance
	$'000	**$'000**	$'000	$'000
Not past due	**75,304**	**-**	81,152	-
Past due 0 - 30 days	**-**	**-**	1,462	-
Past due 31 - 60 days	**551**	**-**	316	-
Past due 61 - 90 days	**543**	**-**	71	-
Past due 91 days	**334**	**(325)**	817	(758)
Total	**76,732**	**(325)**	**83,818**	**(758)**

Of those debts that are past due, the majority are receivable from high credit quality counterparties. Receivables relating to regulated revenue streams (which account for approximately 90 per cent of revenues) are owed by retailers and distributors in the industry. There are strict regulatory requirements regarding who can obtain a retail or distribution licence and the Essential Services Commission has minimum prudential requirements before a participant can be registered as a distributor. The National Electricity Market Management Company ("NEMMCO") also has high prudential requirements for retailers who participate in the market. Retailers must provide guarantees as requested by NEMMCO to minimise the risk of exposure by other participants to any defaults.

Note 13 Receivables (continued)

(c) Reconciliation of movement in allowance for impairment loss

The movement in the allowance for impairment losses in respect of trade receivables was as follows:

	Combined	
	2008	2007
	$'000	$'000
Opening balance	**758**	309
Additional allowance recognised	**106**	1,206
Amounts utilised	**(429)**	(617)
Amounts recovered	**(110)**	(140)
Closing balance	**325**	758

Note 14 Inventories

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current inventories				
Construction, maintenance stocks and general purpose materials	**11,622**	5,886	**-**	-
Total current inventories	**11,622**	5,886	**-**	-
Non-current inventories				
Construction, maintenance stocks and general purpose materials	**14,395**	12,773	**-**	-
Total non-current inventories	**14,395**	12,773	**-**	-
Total inventories	**26,017**	18,659	**-**	-

Note 15 Derivative financial instruments

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current derivative financial instrument assets				
Interest rate swaps	**166,564**	26,877	**-**	-
Cross-currency swaps	**49,600**	-	**-**	-
Forward foreign exchange contracts	**69**	1	**-**	-
Total current derivative financial instrument assets	**216,233**	26,878	**-**	-
Non-current derivative financial instrument assets				
Interest rate swaps	**85,622**	8,459	**-**	-
Cross-currency swaps	**66,022**	23,923	**-**	-
Total non-current derivative financial instrument assets	**151,644**	32,382	**-**	-
Total derivative financial instrument assets	**367,877**	59,260	**-**	-
Current derivative financial instrument liabilities				
Interest rate swaps	**40,238**	1,811	**-**	-
Cross-currency swaps	**3,349**	29,005	**-**	-
Forward foreign exchange contracts	**301**	943	**-**	-
Total current derivative financial instrument liabilities	**43,888**	31,759	**-**	-
Non-current derivative financial instrument liabilities				
Interest rate swaps	**161,738**	7,108	**-**	-
Cross-currency swaps	**285,455**	80,805	**-**	-
Total non-current derivative financial instrument liabilities	**447,193**	87,913	**-**	-
Total derivative financial instrument liabilities	**491,081**	119,672	**-**	-

(a) Financial risk management objectives

Details of the Stapled Group's financial risk management objectives and policies are disclosed in note 2 to the financial statements.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Note 15 Derivative financial instruments (continued)

(c) Interest rate risk management

The following table summarises the designations of interest rate swaps used to manage interest rate exposure:

	Cash flow hedges $'000	Fair values hedges $'000	Derivatives not in a hedge relationship $'000	Total $'000
2008				
Interest rate swaps				
Financial assets	187,698	-	64,488	252,186
Financial liabilities	(119,242)	-	(82,734)	(201,976)
2007				
Interest rate swaps				
Financial assets	33,700	1,345	291	35,336
Financial liabilities	-	(8,919)	-	(8,919)

The parent entity does not utilise interest rate swaps.

As at reporting date unrealised gains after tax in respect of interest rate swaps of $48.0 million (2007: $23.6 million) have been deferred in the hedging reserve to the extent the hedge is effective and will be released when the underlying transaction impacts profit or loss.

(d) Foreign currency risk management

Outstanding contracts	Weighted average exchange rate	Foreign currency contract value FC'000	Fair value (including AUD notional contract value) $'000	Less than 1 year $'000	1 - 5 years $'000	More than 5 years $'000
2008						
Forward foreign currency contracts						
Buy EUR (European Euro)	0.620	261	389	389	-	-
Buy SEK (Swedish Krone)	5.647	4,732	801	801	-	-
Buy USD (United States Dollar)	0.865	5,194	6,293	6,293	-	-
Buy GBP (British Pound)	0.446	519	1,176	1,002	174	-
Cross-currency swaps						
USD	0.755	975,000	1,118,899	-	-	1,118,899
2007						
Forward foreign currency contracts						
Buy EUR (European Euro)	0.591	789	1,354	1,354	-	-
Buy SEK (Swedish Krone)	5.400	1,042	196	196	-	-
Buy USD (United States Dollar)	0.769	690	936	936	-	-
Buy JPY (Japanese Yen)	80.230	560,116	7,860	7,860	-	-
Buy CHF (Swiss Franc)	0.968	282	292	292	-	-
Cross-currency swaps						
USD	0.755	975,000	1,206,194	-	-	1,206,194

The parent entity does not utilise forward foreign currency contracts or cross-currency swaps.

Note 15 Derivative financial instruments (continued)

(d) Foreign currency risk management (continued)

The following table summarises the designations of the hedging instruments used to manage currency risk:

	Cash flow hedges $'000	Fair values hedges $'000	Derivatives not in a hedge relationship $'000	Total $'000
2008				
Forward foreign currency contracts				
Financial assets	69	-	-	69
Financial liabilities	(301)	-	-	(301)
Cross-currency swaps				
Financial assets	105,810	9,812	-	115,622
Financial liabilities	(76,544)	(212,260)	-	(288,804)
2007				
Forward foreign currency contracts				
Financial assets	1	-	-	1
Financial liabilities	(943)	-	-	(943)
Cross-currency swaps				
Financial assets	6,685	17,238	-	23,923
Financial liabilities	(13,456)	(96,354)	-	(109,810)

As at reporting date unrealised losses after tax in respect of forward foreign exchange contracts of $0.1 million (2007: $0.7 million) have been deferred in the hedging reserve to the extent the hedge is effective and will be released when the underlying transaction impacts profit or loss.

As at reporting date unrealised gains/(losses) after tax in respect of cross-currency swaps of $20.5 million (2007: ($4.7) million) have been deferred in the hedging reserve to the extent the hedge is effective and will be released when the underlying transaction impacts profit or loss.

Note 16 Other assets

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current other assets				
Prepayments	**4,364**	7,319	**300**	300
Interest receivable	**181**	42	**-**	-
Total current other assets	**4,545**	7,361	**300**	300
Non-current other assets				
Defined benefit fund surplus	**14,519**	29,325	**-**	-
Prepayments	**997**	1,047	**-**	-
Total non-current other assets	**15,516**	30,372	**-**	-
Total other assets	**20,061**	37,733	**300**	300

Note 17 Non-current assets - other financial assets

		Combined		Parent entity	
		2008	2007	**2008**	2007
	Notes	**$'000**	$'000	**$'000**	$'000
Investments in subsidiary	34	**-**	-	**2,227,018**	2,227,018
Total non-current other financial assets		**-**	-	**2,227,018**	2,227,018

Note 18 Non-current assets - property, plant and equipment

2008 Combined	**Freehold land at cost**	**Buildings at cost**	**Easements at cost**	**Transmission network at cost**	**Electricity distribution network at cost**	**Gas distribution network at cost**	**Other plant and equipment at cost**	**Capital works at cost**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amount at 1 April 2007	254,296	118,841	1,218,664	1,333,199	1,991,396	1,134,879	98,561	162,378	**6,312,214**
Additions	-	-	-	-	-	-	-	402,267	**402,267**
Transfers	296	15,722	(4)	108,514	114,960	14,617	37,636	(291,741)	**-**
Disposals	(8)	(12)	-	(6,940)	(2,039)	(65)	(253)	-	**(9,317)**
Depreciation expense	-	(5,917)	-	(57,057)	(78,007)	(29,223)	(30,357)	-	**(200,561)**
Carrying amount at 31 March 2008	**254,584**	**128,634**	**1,218,660**	**1,377,716**	**2,026,310**	**1,120,208**	**105,587**	**272,904**	**6,504,603**
Net book value at 31 March 2008									
Cost	254,584	142,161	1,218,660	1,507,172	2,311,012	1,222,655	223,973	272,904	**7,153,121**
Accumulated depreciation	-	(13,527)	-	(129,456)	(284,702)	(102,447)	(118,386)	-	**(648,518)**
Carrying amount at 31 March 2008	**254,584**	**128,634**	**1,218,660**	**1,377,716**	**2,026,310**	**1,120,208**	**105,587**	**272,904**	**6,504,603**

The parent entity holds no property, plant and equipment.

Note 18 Non-current assets - property, plant and equipment (continued)

2007 Combined	**Freehold land at cost**	**Buildings at cost**	**Easements at cost**	**Transmission network at cost**	**Electricity distribution network at cost**	**Gas distribution network at cost**	**Other plant and equipment at cost**	**Capital works at cost**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Carrying amount at 1 April 2006	253,417	101,591	1,217,897	1,290,962	1,970,551	1,085,891	77,032	112,790	**6,110,131**
Additions	-	-	-	-	-	-	-	406,035	**406,035**
Transfers	879	22,853	767	97,997	98,682	76,608	58,661	(356,447)	**-**
Disposals	-	(136)	-	(356)	(338)	(382)	(2,750)	-	**(3,962)**
Depreciation expense	-	(5,467)	-	(55,404)	(77,499)	(27,238)	(34,382)	-	**(199,990)**
Carrying amount at 31 March 2007	**254,296**	**118,841**	**1,218,664**	**1,333,199**	**1,991,396**	**1,134,879**	**98,561**	**162,378**	**6,312,214**
Net book value at 31 March 2007									
Cost	254,296	126,452	1,218,664	1,408,242	2,195,688	1,208,103	219,854	162,378	**6,793,677**
Accumulated depreciation	-	(7,611)	-	(75,043)	(204,292)	(73,224)	(121,293)	-	**(481,463)**
Carrying amount at 31 March 2007	**254,296**	**118,841**	**1,218,664**	**1,333,199**	**1,991,396**	**1,134,879**	**98,561**	**162,378**	**6,312,214**

Prior year numbers have been adjusted to more appropriately reflect the classification of sub-transmission assets as distribution assets consistent with the current year classification.

The parent entity holds no property, plant and equipment.

Note 19 Non-current assets - deferred tax assets

	Notes	Combined 2008 $'000	Combined 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
The balance comprises temporary differences attributable to:					
Alinta acquisition investigation costs		**5,979**	-	**-**	-
Employee benefits		**10,153**	9,620	**-**	-
Other accruals and provisions		**18,331**	14,977	**(142)**	81
Intellectual property - copyright		**44,031**	45,984	**-**	-
Derivatives and fair value adjustments on borrowings (i)		**73,407**	7,497	**-**	-
Tax prepayments		**12,621**	21,428	**-**	-
Tax losses		**78,663**	53,873	**78,331**	53,500
		243,185	153,379	**78,189**	53,581
Amounts recognised directly in equity					
Cash flow hedges		**(68)**	171	**-**	-
		(68)	171	**-**	-
Set-off of deferred tax liabilities of head entities pursuant to set-off provisions	25	**(243,117)**	(153,550)	**-**	-
Net deferred tax assets		**-**	-	**78,189**	53,581
Movements					
Opening balance at 1 April		**153,550**	239,647	**53,581**	128,454
(Charged)/credited to the income statement	8(a)	**61,924**	(58,321)	**(223)**	81
Reallocation between deferred tax asset and liability	25	**25,013**	47,320	**-**	-
Losses transferred to parent		**-**	-	**21,921**	-
Credited to equity		**(239)**	171	**-**	-
Tax losses recognised/(utilised)		**2,869**	(75,267)	**2,910**	(74,954)
		243,117	153,550	**78,189**	53,581
Set-off of deferred tax liabilities of head entities pursuant to set-off provisions	25	**(243,117)**	(153,550)	**-**	-
Closing balance at 31 March		**-**	-	**78,189**	53,581

(i) The temporary difference arising from derivatives has increased due to interest rate and exchange rate movements (also refer to Note 25 for the increase in the temporary difference from derivatives recognised in the deferred tax liabilities).

Note 20 Non-current assets - intangible assets

	Combined 2008 $'000	Combined 2007 $'000
Opening net book amount - distribution licences	**354,505**	354,505
Closing net book amount - distribution licences	**354,505**	354,505

The parent entity holds no intangible assets.

The distribution licences are considered to have an indefinite life for the following reasons:

- the licences have been issued in perpetuity provided the licensee achieves certain licence requirements;
- the Stapled Group monitors its performance against those licence requirements and ensures that they are met; and
- the Stapled Group intends to continue to maintain the network for the foreseeable future.

Note 21 Current liabilities - payables and other liabilities

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Trade payables and accruals	**118,299**	89,928	**-**	-
Accrued interest	**34,776**	29,333	**-**	-
GST payable	**6,302**	4,872	**-**	9
Customer deposits	**20,982**	11,929	**-**	-
Deferred revenue	**930**	3,962	**-**	-
Related party payables	**16,996**	20,574	**6,978**	17,847
Total current payables and other liabilities	**198,285**	160,598	**6,978**	17,856

The prior year comparatives have been adjusted to reflect the current years treatment for Licence fee, Unaccounted for gas and sundry provisions as provisions rather than accruals.

Note 22 Borrowings

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current borrowings				
Working capital	**12,300**	58,200	**-**	-
Domestic medium term notes	**318,762**	561,733	**-**	-
Amounts owed to related parties:				
Amounts owed to SP AusNet Finance Trust	**-**	-	**820,362**	937,695
Total current borrowings	**331,062**	619,933	**820,362**	937,695
Non-current borrowings				
Commercial paper	**205,625**	287,744	**-**	-
Syndicated bank debt	**1,447,628**	519,661	**-**	-
Domestic medium term notes	**603,608**	930,466	**-**	-
US senior notes	**1,083,234**	1,202,394	**-**	-
Amounts owed to related parties:				
Amounts owed to subsidiaries	**-**	-	**1,671,791**	1,412,989
Total non-current borrowings	**3,340,095**	2,940,265	**1,671,791**	1,412,989
Total borrowings	**3,671,157**	3,560,198	**2,492,153**	2,350,684

(a) Other bank guarantees

Certain entities are required to provide bank guarantees in the form of tender bid bonds or performance bonds for contractual obligations. The controlled entities have guarantee facilities with a number of institutions amounting to $25 million of which $4.4 million was lodged with third parties at 31 March 2008 (2007: $5.6 million).

Note 23 Current liabilities - provisions

		Combined		Parent entity	
		2008	2007	**2008**	2007
	Notes	**$'000**	$'000	**$'000**	$'000
Employee benefits		**37,546**	29,660	**-**	-
Uninsured losses	26(a)	**1,480**	7,837	**-**	-
Environmental provisions	26(a)	**2,443**	7,172	**-**	-
Licence fee	26(a)	**1,457**	1,748	**-**	-
Unaccounted for gas	26(a)	**2,846**	3,050	**-**	-
Sundry provisions	26(a)	**1,616**	277	**-**	-
Total current provisions		**47,388**	49,744	**-**	-

The prior year comparatives have been adjusted to reflect the current years treatment for Licence fee, Unaccounted for gas and sundry provisions as provisions rather than accruals.

Note 24 Non-current liabilities - other financial liabilities

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Deferred revenue	**5,858**	6,109	**-**	-
Total non-current other financial liabilities	**5,858**	6,109	**-**	-

Note 25 Non-current liabilities - deferred tax liabilities

	Notes	Combined 2008 $'000	Combined 2007 $'000	Parent entity 2008 $'000	Parent entity 2007 $'000
The balance comprises temporary differences attributable to:					
Accrued revenue		**54**	13	**-**	-
Derivatives (i)		**72,082**	8,749	**-**	-
Defined benefit funds		**(600)**	(1,208)	**-**	-
Deferred charges (non-current)		**1,611**	502	**-**	-
Intangibles		**4,049**	870	**-**	-
Property, plant and equipment		**480,182**	453,325	**-**	-
		557,378	462,251	**-**	-
Amounts recognised directly in equity					
Defined benefit funds		**4,955**	10,006	**-**	-
Cash flow hedges		**29,225**	7,573	**-**	-
Fair value adjustment to easements		**22,033**	22,033	**-**	-
		56,213	39,612	**-**	-
		613,591	501,863	**-**	-
Set-off of deferred tax assets of head entities pursuant to set-off provisions	19	**(243,117)**	(153,550)	**-**	-
Net deferred tax liabilities		**370,474**	348,313	**-**	-
Movements					
Opening balance at 1 April		**501,863**	565,785	**-**	-
(Charged)/credited to the income statement	8(a)	**77,871**	(117,091)	**-**	-
Credit on divestment	11	**-**	(9,607)	**-**	-
Reallocation between deferred tax asset and liability	19	**25,013**	47,320	**-**	-
Net prior year over provision	8(a)	**(7,363)**	(4,426)	**-**	-
Credited/(debited) to equity		**16,207**	19,882	**-**	-
		613,591	501,863	**-**	-
Set-off of deferred tax assets of head entities pursuant to set-off provisions	19	**(243,117)**	(153,550)	**-**	-
Closing balance at 31 March		**370,474**	348,313	**-**	-

(i) The temporary difference arising from derivatives has increased due to interest rate and exchange rate movements (also refer to Note 19 for the increase in the temporary difference from derivatives recognised in the deferred tax assets).

Note 26 Non-current liabilities - provisions

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Employee benefits	**1,717**	2,494	**-**	-
Environmental provisions (ii)	**16,713**	13,706	**-**	-
Total non-current provisions	**18,430**	16,200	**-**	-

(a) Movement in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

Combined		**Uninsured losses (i)**	**Environmental provisions (ii)**	**Licence fee (iii)**	**Unaccounted for gas (iv)**	**Sundry provisions**
		2008	**2008**	**2008**	**2008**	**2008**
	Notes	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 April 2007		7,837	20,878	1,748	3,050	277
Additional provisions recognised in the period		779	5,450	661	-	4,786
Unused amounts reversed during the period		(679)	(2,513)	-	-	-
Amounts utilised		(6,457)	(4,659)	(952)	(204)	(3,447)
Balance at 31 March 2008		1,480	19,156	1,457	2,846	1,616
Current	23	1,480	2,443	1,457	2,846	1,616
Non-current	26	-	16,713	-	-	-
Total		1,480	19,156	1,457	2,846	1,616

(i) Provision for uninsured losses recognises an assessment of probable or actual claims made against SP AusNet for litigation claims, personal injury, property damage or financial loss, including public liability claims. The amount provided for public liability claims is limited to the applicable excess under SP AusNet's insurance policies. Expected timing of cash flows in respect of such claims is uncertain as each claim may be subject to insurance and/or legal proceedings.

(ii) Environmental provisions represents an estimate of the costs of rehabilitating sites, including the estimated costs of reclamation, plant dismantling and closures and waste site closures and refurbishment of meter panels in accordance with the interval meter roll-out program. It is expected that approximately 13 per cent of the provision will be utilised during the financial year ending 31 March 2009.

(iii) Provisions for Licence Fees represents an assessment of the amounts payable for annual electricity and gas distribution licence fees as determined by the Victorian Department of Treasury.

(iv) Provision for Unaccounted for Gas represents an assessment of the amounts payable to gas retailers to account for gas losses in the distribution system. The losses represent gas measured as having entered the gas distribution system, but not measured as having been delivered to customers. An annual reconciliation and settlement is carried out after VENCorp has released final gas system volume information in June of each year.

The prior year comparatives have been adjusted to reflect the current years treatment for Licence fee, Unaccounted for gas and sundry provisions as provisions rather than accruals.

Note 27 Defined benefit obligations

The Stapled Group makes contributions to two Equipsuper defined benefit superannuation plans that provide defined benefit amounts to employees or their dependants upon retirement, death, disablement or withdrawal. Benefits are mostly in the form of a lump sum based on the employee's final average salary although some defined benefit members are also eligible for pension benefits in some cases. The terms and conditions of the two plans are consistent.

The defined benefit sections of the Equipsuper plans are closed to new members. All new members receive defined contribution, accumulation style benefits.

Mercer Investment Nominees Limited performed actuarial valuations of the funds as at 31 March 2008 and 31 March 2007.

The Stapled Group has recognised an asset in the balance sheet in respect of its defined benefit superannuation arrangements. As a surplus currently exists in both plans, the Stapled Group is able to benefit from it in the form of a reduction in the required contribution rate, based on advice from the plans' actuary.

The net asset positions of the funds, together with the actuarial assumptions are set out below:

	Combined	
	2008	2007
	%	%
Key assumptions used (expressed as weighted averages):		
Discount rate (active members)	**5.00**	4.80
Discount rate (pensioners)	**5.90**	5.60
Expected return on plan assets (active members)	**7.00**	7.00
Expected return on plan assets (pensioners)	**7.50**	7.50
Expected salary increase rate	**4.00**	4.00
Expected pension increase rate	**3.00**	3.00

Note 27 Defined benefit obligations (continued)

	Combined	
	2008	2007
	$'000	$'000
Amounts recognised in the income statements in respect of these defined benefit plans are as follows:		
Current service cost	**3,353**	3,815
Interest cost	**7,882**	7,204
Expected return on plan assets	**(13,260)**	(11,673)
Total	**(2,025)**	(654)
Actuarial gains/(losses) recognised during the year in the statements of recognised income and expense	**(16,832)**	15,949
Cumulative actuarial gains/(losses) recognised in the statements of recognised income and expense	**9,111**	25,943
Total amounts included in the balance sheets arising from the Stapled Group's obligations in respect of its defined benefit plans are as follows:		
Present value of funded defined benefit obligations	**(180,385)**	(166,778)
Fair value of plan assets	**194,904**	196,103
Net asset arising from defined benefit obligations recognised on the balance sheets	**14,519**	29,325
Movements in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	**166,778**	160,547
Current service cost	**3,353**	3,815
Interest cost	**7,882**	7,204
Contributions by plan participants	**2,386**	2,039
Actuarial (gains)/losses	**3,267**	2,563
Benefits, taxes and premiums paid	**(7,617)**	(9,390)
Transfers in	**4,336**	-
Closing defined benefit obligation	**180,385**	166,778
Movements in the fair value of plan assets in the current period were as follows:		
Opening fair value of plan assets	**196,103**	171,202
Expected return on plan assets net of investment and administration expenses	**13,260**	11,673
Actuarial gains/(losses)	**(13,565)**	18,512
Contributions from the employer	**1**	2,067
Contributions by plan participants	**2,386**	2,039
Benefits, taxes and premiums paid	**(7,617)**	(9,390)
Transfers in	**4,336**	-
Closing fair value of plan assets	**194,904**	196,103

The actual return on plan assets was a loss of $305,000 (2007: gain of $30,185,000).

Note 27 Defined benefit obligations (continued)

SP AusNet does not expect to make any contributions to the defined benefit plans during the next financial year. The Target Funding method is used to determine the contribution rates. Under the Target Funding method, the employer contribution rate is set at a level such that the plans' assets are expected to equal 105 per cent of the plans' liabilities within five years. The plans' assets are currently 108 per cent of the plans' liabilities.

The analysis of the plans' assets and the expected rate of return at the balance date are as follows:

	Fair value of plan assets Combined	
	2008 (i)	2007
	%	%
Australian equities	**40**	41
International equities	**22**	23
Fixed interest securities	**16**	16
Property	**15**	14
Cash	**7**	6
	100	100

(i) Asset allocation as at 31 March 2008 is currently unavailable. Asset allocation as at 29 February 2008 has been used.

The expected return on assets assumption is determined by weighting the long-term return for each asset class by the target allocation of assets to each class and allowing for correlation of the investment returns between asset classes. The returns used for each class are net of investment tax and investment fees. An allowance for administrative expenses has been deducted from the expected return.

Historic summary

	2008	2007	2006	2005
	$'000	$'000	$'000	$'000
Defined benefit plans' obligations	**(180,385)**	(166,778)	(160,547)	(97,665)
Plans' assets	**194,904**	196,103	171,202	98,219
Surplus/(deficit)	**14,519**	29,325	10,655	554
Experience adjustments (gains)/loss arising on plans' liabilities	**7,307**	5,471	4,052	772
Experience adjustments (gains)/loss arising on plans' assets	**13,565**	(18,512)	(11,153)	(8,968)

Comparative information has been provided for only four years in accordance with the transition rules in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards.*

Note 28 Equity

		Parent entity	
		2008	2007
Share capital	**Notes**	**Shares**	Shares
Ordinary shares - fully paid	(a), (b)	**2,092,680,010**	2,092,680,010

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares issued. Holders of ordinary shares are entitled to one vote on a show of hands or one vote for each ordinary share held on a poll at shareholders' meetings.

(b) Movements in ordinary share capital

Date	**Details**	**Notes**	**Number of shares**	**$**
1 April 2006	Opening balance		2,092,680,010	2
31 July 2006	Employee share gift	(i)	-	547,139
31 March 2007	Closing balance		2,092,680,010	547,141
1 April 2007	Opening balance		2,092,680,010	547,141
31 March 2008	Closing balance		2,092,680,010	547,141

(i) A one-off gift of $1,000 worth of securities was offered by SPI Management Services, a related party not part of the Stapled Group, to all SP AusNet employees. This gift totalling $0.811 million was funded by SPI Management Services without charge to the Stapled Group. The value of the gift to employees of SP AusNet Distribution and its legal subsidiaries was $0.547 million. The value of the gift to employees of SP AusNet Transmission and its legal subsidiaries was $0.264 million.

The securities were purchased on the stockmarket. SP AusNet has accounted for this gift in accordance with Accounting Standard AASB 2 *Share-based Payment*. The fair value of the gift was recognised as an expense during the prior year. As the gift was at no charge to SP AusNet the fair value of the gift was accounted for as an additional contribution of capital.

The share-based payment is a non-cash transaction as it was paid for by a related party not part of the Stapled Group.

(c) Movements in equity

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

The retained earnings of SP AusNet Transmission and the unitholders' funds of SP AusNet Finance Trust are available for distribution directly to securityholders.

Note 28 Equity (continued)

(c) Movements in equity (continued)

2008	Notes	Contributed equity $'000	Issued units $'000	Hedge reserve (i) $'000	Defined benefit reserve (ii) $'000	Retained profits $'000	Fair value adjustment on stapling $'000	Other equity component (iii) $'000	Total equity $'000
SP AusNet Distribution - Combined									
Balance at 1 April 2007		547	-	12,230	14,419	557,422	-	-	584,618
Recognised directly in equity		-	-	80,697	-	-	-	-	80,697
Removed from equity and transferred to profit or loss (iv)	7	-	-	(916)	-	-	-	-	(916)
Deferred tax	8	-	-	(23,934)	3,294	-	-	-	(20,640)
Actuarial losses	27	-	-	-	(10,982)	-	-	-	(10,982)
Profit for the year		-	-	-	-	53,153	-	-	53,153
Balance at 31 March 2008		**547**	**-**	**68,077**	**6,731**	**610,575**	**-**	**-**	**685,930**
SP AusNet Transmission and SP AusNet Finance Trust (Minority Interest)									
Balance at 1 April 2007		650,051	1,970,698	5,042	8,925	476,931	51,411	(1,095,067)	2,067,991
Recognised directly in equity		-	-	1,084	-	-	-	-	1,084
Removed from equity and transferred to profit or loss (iv)	7	-	-	(7,896)	-	-	-	-	(7,896)
Deferred tax	8	-	-	2,044	1,755	-	-	-	3,799
Actuarial losses	27	-	-	-	(5,850)	-	-	-	(5,850)
Distributions paid	9	-	(142,972)	-	-	(95,823)	-	-	(238,795)
Profit for the year		-	-	-	-	104,302	-	-	104,302
Balance at 31 March 2008		**650,051**	**1,827,726**	**274**	**4,830**	**485,410**	**51,411**	**(1,095,067)**	**1,924,635**
Total stapled securityholders' equity as at 31 March 2008		**650,598**	**1,827,726**	**68,351**	**11,561**	**1,095,985**	**51,411**	**(1,095,067)**	**2,610,565**

Note 28 Equity (continued)

(c) Movements in equity (continued)

2007	Note	Contributed equity $'000	Issued units $'000	Hedge reserve (i) $'000	Defined benefit reserve (ii) $'000	Retained profits $'000	Fair value adjustment on stapling $'000	Other equity component (iii) $'000	Total Equity $'000
SP AusNet Distribution - Combined									
Balance at 1 April 2006		-	-	(16,688)	5,981	486,688	-	-	475,981
Employee share gift		547	-	-	-	-	-	-	547
Recognised directly in equity		-	-	47,285	-	-	-	-	47,285
Removed from equity and transferred to profit or loss (iv)	7	-	-	(5,973)	-	-	-	-	(5,973)
Deferred tax	8	-	-	(12,394)	(3,616)	-	-	-	(16,010)
Actuarial gains	27	-	-	-	12,054	-	-	-	12,054
Profit for the year		-	-	-	-	70,734	-	-	70,734
Balance at 31 March 2007		**547**	**-**	**12,230**	**14,419**	**557,422**	**-**	**-**	**584,618**
SP AusNet Transmission and SP AusNet Finance Trust (Minority Interest)									
Balance 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
Recognised directly in equity		-	-	8,976	-	-	-	-	8,976
Removed from equity and transferred to profit or loss (iv)	7	-	-	(533)	-	-	-	-	(533)
Deferred tax	8	-	-	(2,533)	(1,168)	-	-	-	(3,701)
Actuarial gains	27	-	-	-	3,895	-	-	-	3,895
Distributions paid	9	-	(121,982)	-	-	(63,953)	-	-	(185,935)
Profit for the year		-	-	-	-	107,563	-	-	107,563
Balance at 31 March 2007		**650,051**	**1,970,698**	**5,042**	**8,925**	**476,931**	**51,411**	**(1,095,067)**	**2,067,991**
Total stapled securityholders' equity as at 31 March 2007		**650,598**	**1,970,698**	**17,272**	**23,344**	**1,034,353**	**51,411**	**(1,095,067)**	**2,652,609**

Note 28 Equity (continued)

(c) Movements in equity (continued)

2008	Contributed equity $'000	Issued units $'000	Hedge reserve $'000	Defined benefit reserve $'000	Retained profits $'000	Fair value adjustment on stapling $'000	Other equity component $'000	Total Equity $'000
SP AusNet Distribution - Parent								
Balance at 1 April 2007	547	-	-	-	(86,446)	-	-	(85,899)
Profit for the year	-	-	-	-	(94,032)	-	-	(94,032)
Balance at 31 March 2008	**547**	**-**	**-**	**-**	**(180,478)**	**-**	**-**	**(179,931)**

2007	Contributed equity $'000	Issued units $'000	Hedge reserve $'000	Defined benefit reserve $'000	Retained profits $'000	Fair value adjustment on stapling $'000	Other equity component $'000	Total Equity $'000
SP AusNet Distribution - Parent								
Balance at 1 April 2006	-	-	-	-	(5,620)	-	-	(5,620)
Employee share gift	547	-	-	-	-	-	-	547
Profit for the year	-	-	-	-	(80,826)	-	-	(80,826)
Balance at 31 March 2007	**547**	-	-	-	**(86,446)**	-	-	**(85,899)**

(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 1(o)).

(ii) The defined benefit reserve is used to record actuarial gains and losses on the defined benefit obligation and the pension plan assets that are recognised directly in equity, as described in note 1(w).

(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.

(iv) The amount removed from equity and transferred to profit or loss was included in finance costs.

Note 28 Equity (continued)

(d) Capital management

The Board's policy is to maintain a capital structure appropriate to generating desired securityholder returns and to ensuring the lowest cost of capital available to the entity.

An important credit metric which assists management to monitor SP AusNet's capital structure is the gearing ratio, determined as total indebtedness as a percentage of total equity. Total equity includes the minority interest of SP AusNet Transmission and SP AusNet Finance Trust as the Board manages capital from an SP AusNet perspective and not individually from the perspective of SP AusNet Distribution, SP AusNet Transmission and SP AusNet Finance Trust.

The gearing ratios as at reporting date were as follows:

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Total indebtedness (i)	**3,675,557**	3,565,798	**-**	-
Total equity	**2,610,565**	2,652,609	**(179,931)**	(85,899)
Total capital	**6,286,122**	6,218,407	**(179,931)**	(85,899)
	%	%	**%**	%
Gearing	**58.5**	57.3	**-**	-

(i) Includes any guarantees lodged with third parties and excluding intercompany borrowings.

The terms of certain financing arrangements of the various SP AusNet borrowers contain financial covenants that require maintenance of specified interest coverage ratios and gearing ratios. In addition, certain arrangements contain provisions that are specifically affected by changes in credit ratings, change of control and/or ownership and cross default provisions.

The Stapled Group monitors and reports compliance with its financial covenants on a monthly basis. There have been no breaches during the year.

The Responsible Entity of SP AusNet Finance Trust is the holder of an Australian Financial Services Licence. In accordance with the licence requirements, the Responsible Entity must maintain a minimum capital balance of $5,050,000. In this regard, capital consists of the ordinary shares and retained earnings.

The Stapled Group complied with all externally imposed capital requirements throughout the current and previous reporting period.

There were no changes in the Stapled Group's approach to capital management during the financial year.

Note 29 Key management personnel disclosures

SP AusNet has applied the exemption under the Corporations Amendments Regulation 2M.6.04 issued on the 6 June 2006, which exempts disclosing entities from providing remuneration disclosures in relation to their key management personnel in their annual financial report as required by paragraphs Aus25.4 to Aus 25.7.2 of AASB 124 *Related Party Disclosures*. These remuneration disclosures are provided in the *Remuneration report* in the *Directors' report* and have been audited.

Key management personnel

SPI Management Services, a wholly-owned subsidiary of related party Singapore Power International Pte Ltd, entered into a Management Services Agreement ("MSA") with SP AusNet Distribution and SP AusNet Transmission. In addition, SPI Management Services also entered into a Management Services Agreement ("RE MSA") with the Responsible Entity. Both agreements commenced on 1 October 2005.

In accordance with the MSA and the RE MSA, SPI Management Services provides the services of key senior management, including the Managing Director and the executive management team to the SP AusNet Group and not exclusively to any particular entity within SP AusNet. Although not employed by SP AusNet, by virtue of the operation of the MSA and the RE MSA, these individuals are deemed to qualify as key management personnel of SP AusNet. Accordingly, the details of remuneration disclosed are for services provided to SP AusNet.

Directors

Name	***Position***
Ng Kee Choe	Non-executive Chairman
Nino **Ficca**	Managing Director
Jeremy **Davis**	Non-executive Director
Eric **Gwee**	Non-executive Director
Tony **Iannello**	Non-executive Director
George **Lefroy**	Non-executive Director
Martyn **Myer**	Non-executive Director
Quek Poh Huat	Non-executive Director
Ian **Renard**	Non-executive Director

Executives

Name	***Position***	***Employer***
Nino **Ficca**	Managing Director	SPI Management Services
Paul **Adams**	General Manager, Network Services	SPI Management Services
Norman **Drew**	General Manager, Network Development	SPI Management Services
Adrian **Hill**	General Manager, Corporate Development and Investor Relations	SPI Management Services
Geoff **Nicholson**	Chief Financial Officer	SPI Management Services
Charles **Popple**	General Manager, Regulatory and Business Strategy	SPI Management Services

Note 29 Key management personnel disclosures (continued)

Total remuneration for key management personnel during the financial year is set out below:

	Combined	
	2008	2007
	$	$
Remuneration by category		
Short-term employee benefits	**4,153,725**	3,306,498
Post-employment benefits	**292,508**	228,314
Termination benefits	**-**	609,929
Share-based payment	**796,313**	6,000
	5,242,546	4,150,741

The parent entity does not have any employees.

Other transactions with key management personnel

From time to time, a number of key management personnel, or their related entities, may have purchased goods and services from, or supplied goods and services, to SP AusNet.

The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities on an arm's length basis.

Securityholdings of key management personnel

The movement in the number of ordinary securities in SP AusNet held directly, indirectly or beneficially, by key management personnel, including their related entities, is as follows:

Key management personnel	Balance at beginning of year (1 April 2007)	Granted during the year as compensation	Options exercised	Net change other (i)	Balance at end of year (31 March 2008)
Directors					
Ng Kee Choe	150,000	-	-	-	150,000
Nino **Ficca**	125,000	-	-	25,000	150,000
Jeremy **Davis**	50,000	-	-	-	50,000
Eric **Gwee**	100,000	-	-	-	100,000
Tony **Iannello**	30,000	-	-	70,000	100,000
George **Lefroy**	100,000	-	-	-	100,000
Martyn **Myer**	650,000	-	-	-	650,000
Quek Poh Huat	206,000	-	-	-	206,000
Ian **Renard**	30,000	-	-	20,000	50,000
Executives					
Nino **Ficca**	125,000	-	-	25,000	150,000
Paul **Adams**	20,782	-	-	40,000	60,782
Norman **Drew**	20,782	-	-	-	20,782
Adrian **Hill**	30,782	-	-	19,218	50,000
Geoff **Nicholson**	-	-	-	-	-
Charles **Popple**	7,782	-	-	-	7,782

Note 29 Key management personnel disclosures (continued)

Key management personnel	Balance at beginning of year (1 April 2006)	Granted during the year as compensation	Options exercised	Net change other (i)	Balance at end of year (31 March 2007)
Directors					
Ng Kee Choe	150,000	-	-	-	150,000
Nino **Ficca**	100,000	-	-	25,000	125,000
Jeremy **Davis**	50,000	-	-	-	50,000
Eric **Gwee**	100,000	-	-	-	100,000
Tony **Iannello**	-	-	-	30,000	30,000
George **Lefroy**	100,000	-	-	-	100,000
Martyn **Myer**	650,000	-	-	-	650,000
Quek Poh Huat	206,000	-	-	-	206,000
Ian **Renard**	30,000	-	-	-	30,000
Executives					
Nino **Ficca**	100,000	-	-	25,000	125,000
Paul **Adams**	20,000	782	-	-	20,782
Peter **Buck** (ii)	5,000	782	-	-	5,782
Norman **Drew**	20,000	782	-	-	20,782
Terrence **Fowler** (iii)	50,000	782	-	-	50,782
Adrian **Hill** (iv)	30,000	782	-	-	30,782
Geoff **Nicholson** (v)	-	-	-	-	-
Charles **Popple**	7,000	782	-	-	7,782

(i) Net change other refers to shares purchased or sold during the financial year.

(ii) Mr Buck ceased as a member of the key management personnel on 24 July 2006.

(iii) Mr Fowler ceased as a member of the key management personnel on 22 December 2006.

(iv) Mr Hill commenced as a member of the key management personnel on 1 August 2006.

(v) Mr Nicholson commenced as a member of the key management personnel on 2 January 2007.

Further details are provided in the *Remuneration report* in the *Directors' report.*

Note 30 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

(a) Assurance services

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$	$	**$**	$
Audit services				
Audit and review of financial reports and other audit work under the *Corporations Act* 2001	**1,383,000**	1,608,920	**-**	-
Additional audit fees for the year ended 31 March 2007	**30,000**	-	**-**	-
Additional audit fees for the year ended 31 March 2006	**-**	320,483	**-**	-
Total remuneration for audit services	**1,413,000**	1,929,403	**-**	-
Other assurance services				
Audit of regulatory returns	**241,500**	223,500	**-**	-
Additional audit fees for regulatory returns for the year ended 31 March 2006	**-**	147,000	**-**	-
Investigating accountant services (i)	**2,430,000**	-	**-**	-
Offering circular	**-**	50,000	**-**	-
Other assurance services	**8,000**	34,500	**-**	-
Total remuneration for other assurance services	**2,679,500**	455,000	**-**	-
Total remuneration for assurance services	**4,092,500**	2,384,403	**-**	-

(i) These fees were for services provided as Investigating Accountants for the proposed acquisition of the Alinta assets and businesses from SPI.

The auditor of SP AusNet is KPMG. Audit fees for the parent entity are paid by another entity in the Stapled Group.

It is the Stapled Group's policy to employ KPMG to perform the audit of regulatory returns as these returns represent an extension of statutory audit services and need to be performed by the same audit firm to gain efficiencies and effectiveness in performing these audits.

(b) Taxation Services

Tax compliance services, including review of company income tax returns	**32,860**	132,530	**-**	-
Total remuneration for taxation services	**32,860**	132,530	**-**	-

(c) Advisory services

Regulatory advice	**149,670**	-	**-**	-
Contract advice	**-**	20,000	**-**	-
Recruitment and related advice	**-**	94,747	**-**	-
Other	**16,200**	15,000	**-**	-
Total remuneration for advisory services	**165,870**	129,747	**-**	-
Total fees	**4,291,230**	2,646,680	**-**	-

Note 31 Contingent liabilities

Details of contingent liabilities of the parent entity for which no provisions are included in the financial statements are as follows:

Management Services Agreements

SPI Management Services, a wholly-owned subsidiary of Singapore Power International Pte Ltd, provides management services to SP AusNet under the MSA and RE MSA (together, the "MSAs") as detailed in note 29.

The terms of the MSAs are for an initial period of ten years but continue for two further ten year periods unless terminated by either party giving no less than one year's notice prior to the expiry of the applicable ten year period. In the event that the MSA is terminated by SP AusNet by the giving of such notice, SPI Management Services will be entitled to a termination fee equal to the previous financial year's services charge paid or payable to SPI Management Services. The service fee has been disclosed as a commitment in 'other expenditure commitments' (refer to note 32).

In addition, details of contingent liabilities of the Stapled Group for which no provisions are included 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 testings. 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. A provision has also been made for the replacement of meter panels in accordance with the interval meter roll-out program. These costs may increase if it is found that more meter panels need to be replaced than originally estimated.

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.

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) Other

SP AusNet is involved in various other legal and administrative proceedings, the ultimate resolution of which, in the opinion of SP AusNet, should not have a material effect on the combined entity's financial position, results of operations or cash flows.

Apart from any legal actions specifically mentioned in these notes, there are various claims on foot against the entity for alleged injuries and financial loss from third parties.

Other than listed above, the Directors are not aware of any contingent liabilities as at 31 March 2008.

Note 32 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Property, plant and equipment				
Payable:				
Within one year	**112,835**	127,624	**-**	-
	112,835	127,624	**-**	-

(b) Other expenditure commitments

Payable:				
Within one year	**99,470**	97,130	**15,587**	14,316
Later than one year, but no later than five years	**147,105**	191,013	**71,580**	67,784
Later than five years	**153,722**	162,932	**53,495**	72,878
	400,297	451,075	**140,662**	154,978

Comparatives have been amended to reflect the MSA service fees as a commitment.

(c) Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities.

Payable:				
Within one year	**5,439**	6,523	**-**	-
Later than one year, but no later than five years	**23,249**	17,189	**-**	-
Later than five years	**9,611**	10,733	**-**	-
	38,299	34,445	**-**	-
Representing:				
Non-cancellable operating leases	**38,299**	34,445	**-**	-

Operating leases

The Stapled Group leases relate to premises, vehicles, network lands and access sites under non-cancellable operating leases expiring within one to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Note 33 Related party transactions

(a) Parent entities

By virtue of the Stapling Deed effective 21 October 2005, SP AusNet Distribution is deemed to be the parent entity in the Stapled Group.

The immediate parent of SP AusNet Distribution is Singapore Power International Pte Ltd, a company incorporated in Singapore, a wholly-owned subsidiary of Singapore Power Limited. Singapore Power International Pte Ltd owns 51 per cent of the issued shares in SP AusNet Distribution as part of its ownership of 51 per cent of the securities issued in SP AusNet.

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

(b) Related entities

(i) Management Services Agreements

SPI Management Services, a wholly-owned subsidiary of related party Singapore Power International Pte Ltd, has entered into a management services agreement with SP AusNet Distribution and SP AusNet Transmission and a management services agreement with the Responsible Entity as detailed in note 29.

Management Services Agreement with SP AusNet Distribution and SP AusNet Transmission

Under the MSA, SP AusNet has engaged SPI Management Services to provide management and administration services including management of SP AusNet's electricity transmission and electricity and gas distribution networks. SPI Management Services may consult with Singapore Power Limited and its subsidiaries from time to time in the performance of its work. In accordance with the MSA, SPI Management Services provides the services of key senior management (including the Managing Director and the executive management team) of SP AusNet.

The MSA commenced on 1 October 2005 for an initial period of ten years but continues for two further ten year periods unless terminated by either party giving no less than one year's notice prior to the expiry of the applicable ten year period. In the event that the MSA is terminated by SP AusNet by the giving of such notice, SPI Management Services will be entitled to a termination fee equal to the previous financial year's services charge paid or payable to SPI Management Services.

SP AusNet may also terminate the MSA immediately by giving SPI Management Services written notice upon the occurrence of SPI Management Services failure to meet 50 per cent or more of the agreed key performance indicators for two consecutive financial years for events under its control.

Pursuant to the MSA, SP AusNet has agreed to pay SPI Management Services a management fee comprising a management services charge and a performance fee for each financial year during the term of the MSA. The management services charge is to compensate SPI Management Services for expenses relating to all remuneration and other employment entitlements and benefits of the employees of SPI Management Services who provide services to SP AusNet. The performance fee is to incentivise SPI Management Services to meet or better the non-financial and financial performance of SP AusNet and to align the interests of SPI Management Services with those of SP AusNet. The maximum performance fee payable by SP AusNet in respect of a financial year is capped at 0.75 per cent of the market capitalisation amount of SP AusNet's securities.

The MSA contains mutual indemnities for all damages, costs, claims, suits, liabilities, expenses, actions or injuries suffered or incurred as a consequence of any claims against a party to the extent to which any such claim is caused by the negligence, fraud or dishonesty of the other party (or its officers or employees) or a breach of the MSA. The total liability of either party is limited to $5 million in any financial year.

Note 33 Related party transactions (continued)

(b) Related entities (continued)

(i) Management Services Agreements (continued)

Management Services Agreement with the Responsible Entity

Under the RE MSA, the Responsible Entity has engaged SPI Management Services to provide management and administration services in respect of SP AusNet Finance Trust. SPI Management Services is entitled to an annual fee of $100,000 per year in respect of the RE MSA. SPI Management Services may consult with Singapore Power Limited and its subsidiaries from time to time in the performance of its work.

The RE MSA also commenced on 1 October 2005 for an initial period of ten years and continues for two further ten year periods unless terminated by either party giving no less than one year's notice prior to the expiry of the applicable ten-year period. The RE MSA also contains mutual indemnities and limits the total liability of either party to $5 million in any financial year.

(ii) Logo

Singapore Power Limited has granted SP AusNet a licence for consideration of $1 million per year to use the "flame logo" and image in connection with its business and the use of the terms "SP", "SP Australia Networks" and "SP AusNet". The fee payable is on normal commercial terms.

(c) Subsidiaries

Interests in subsidiaries are set out in note 34.

(d) Key management personnel

Disclosures relating to Directors and executives are set out in note 29.

(e) Transactions with related parties

For the purpose of the financial statements, parties are considered to be related to SP AusNet if SP AusNet has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa. The related party disclosures are for transactions with entities within the Singapore Power Group.

The ultimate parent of SP AusNet is Temasek Holdings (Private) Limited ("Temasek"). Temasek is the holding company for various commercial interests of the government of Singapore. SP AusNet engages in a wide variety of transactions with entities in the Temasek Group in the normal course of business on terms similar to those available to other customers. Such transactions include but are not limited to telecommunication services and leasing of properties. These related party transactions are carried out on terms negotiated between the parties which are intended to reflect competitive terms.

Note 33 Related party transactions (continued)

(e) Transactions with related parties (continued)

The following transactions occurred with related parties within the Singapore Power Group:

	Combined		**Parent entity**	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Sales of goods and services				
Other revenue	**6,511**	493	**300**	-
Purchases of good and services				
Management services charge	**22,612**	21,420	**-**	-
Performance fees	**18,348**	12,934	**-**	-
Flame logo fees	**1,000**	1,000	**600**	600
Directors fees (i)	**80**	82	**-**	-
Other costs	**991**	1,093	**-**	-
Loans from related parties				
Loans received from:				
Commonly controlled entities	**-**	-	**17,227**	-
Subsidiaries	**-**	-	**261,096**	95,366
Loan repayments to:				
Commonly controlled entities	**-**	-	**134,560**	70,736
Subsidiaries	**-**	-	**600**	84
Interest expense				
Commonly controlled entities	**-**	-	**33,082**	30,417
Subsidiaries	**-**	-	**100,951**	84,350
Distributions paid				
Fully franked dividend	**14,696**	7,012	**-**	-
Assessable interest income	**34,174**	25,604	**-**	-
Return of capital	**72,916**	62,211	**-**	-

(i) Mr Quek is an executive of Singapore Power Limited and a nominee Director of Singapore Power Limited on the Board of SP AusNet. Singapore Power Limited receives the fees for Mr Quek's services as a Director of SP AusNet.

Note 33 Related party transactions (continued)

(f) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties within the Singapore Power Group:

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Current receivables (sale of goods and services)				
Commonly controlled entities	**-**	771	**-**	-
Subsidiaries	**-**	-	**13,651**	-
Parent entity	**23**	-	**-**	-
Other related parties	**663**	-	**-**	-
Other current assets (prepayments)				
Parent entity	**500**	500	**300**	300
Non-current receivables (loans)				
Subsidiaries	**-**	-	**-**	1,694
Current payables and other liabilities (purchase of goods)				
Commonly controlled entities	**-**	4,747	**-**	-
Subsidiaries	**-**	-	**6,978**	2,039
Parent entity	**6,678**	15,827	**-**	15,808
Other related parties	**10,318**	-	**-**	-
Current payables (loans)				
Commonly controlled entities	**-**	-	**820,362**	937,695
Non-current payables (loans)				
Subsidiaries	**-**	-	**1,671,791**	1,412,989

No allowance for impairment has been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties.

(g) Terms and conditions

SP AusNet Finance Trust has four loan agreements in place. Two loan agreements are with SP AusNet Distribution and two loan agreements are with SP AusNet Transmission. As at 31 March 2008 the amounts loaned to SP AusNet Distribution and SP AusNet Transmission are $820.3 million and $1,042.0 million respectively.

Of the $820.3 million loaned to SP AusNet Distribution, $413.1 million had an interest rate of nil and $407.2 million had an interest rate of 8.49 per cent per annum for the period 1 April 2007 to 30 September 2007 and 8.81 per cent per annum for the period 1 October 2007 to 31 March 2008. Of the $1,042.0 million loaned to SP AusNet Transmission, $630.6 million had an interest rate of nil and $411.4 million had an interest rate of 8.49 per cent per annum for the period 1 April 2007 to 30 September 2007 and 8.81 per cent for the period 1 October 2007 to 31 March 2008.

Note 33 Related party transactions (continued)

(g) Terms and conditions (continued)

The loan agreements are for a term of ten years. The loan agreements with SP AusNet Distribution and SP AusNet Transmission mature in July 2014 and October 2015 respectively. All the loan agreements have similar terms and conditions which have been complied with and can be summarised as follows:

- the interest period and interest rate to apply to the loans are agreed by the Borrower and the Lender at six monthly intervals;
- interest accrues from day to day and is payable on the last day of the interest period;
- interest which is payable may be capitalised by the Lender at intervals which the Lender determines or if no determination is made on the first day of each quarter;
- the Borrower must repay the principal outstanding and any accrued but unpaid interest on or before the end of the term of the agreement;
- the Lender may demand repayment of the outstanding principal and any unpaid accrued interest on demand by giving at least 28 days' notice (or a shorter period agreed between the parties);
- the Borrower can prepay outstanding principal and any unpaid accrued interest by giving at least 28 days' notice (or a shorter period agreed between parties); and
- the Lender may terminate its obligations if an event of default occurs.

The loans from SP AusNet Finance Trust are unsecured and are not guaranteed by any of SP AusNet Distribution or SP AusNet Transmission's subsidiaries.

Note 34 Subsidiaries

The Stapled Group's financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2008 %	Equity holding 2007 %
SP Australia Networks (Distribution) Ltd	**Australia**	**Ordinary**		
Subsidiaries:				
SPI Australia Networks (RE) Ltd	Australia	Ordinary	100	100
SPI Australia Group Pty Ltd	Australia	Ordinary	100	100
SPI Australia (LP) No. 1 Limited	UK		100	100
SPI Australia (LP) No. 2 Limited	UK		100	100
SPI Australia Holdings (AGP) Pty Ltd	Australia	Ordinary	100	100
SPI Australia Holdings (Partnership) Limited Partnership	Australia		100	100
SPI Electricity & Gas Australia Holdings Pty Ltd	Australia	Ordinary	100	100
SPI Electricity Pty Ltd	Australia	Ordinary	100	100
SPI Networks Pty Ltd	Australia	Ordinary	100	100
SPI (No. 8) Pty Ltd	Australia	Ordinary	100	100
SPI (No. 9) Pty Ltd	Australia	Ordinary	100	100
SPI Networks (Gas) Pty Ltd	Australia	Ordinary	100	100
SPI (No.12) Pty Ltd (i), (ii)	Australia	Ordinary	100	100
Data and Measurement Solutions Pty Ltd (i), (ii)	Australia	Ordinary	100	100
SPI Victoria Networks Pty Ltd (i), (ii)	Australia	Ordinary	100	100
SP Australia Networks (Transmission) Ltd *	**Australia**	**Ordinary**		
Subsidiaries:				
SPI PowerNet Pty Ltd	Australia	Ordinary	100	100
SPI Australia Finance Pty Ltd	Australia	Ordinary	100	100
SP Australia Networks (Finance) Trust *	**Australia**	**Ordinary**		

(i) Dormant during 2008
(ii) Entity is a wholly-owned entity and is a small proprietary company pursuant to the Corporations Act 2001 and consequently is relieved from the requirement to prepare audited financial statements.

* In accordance with AASB 3 *Business Combinations* SP AusNet Distribution is deemed to acquire SP AusNet Transmission and SP AusNet Finance Trust at the date of stapling. This acquisition is by contract alone and SP AusNet Distribution therefore does not have an equity holding in either entity.

Note 35 Events occurring after the balance sheet date

(a) Dividends from subsidiaries

On 15 May 2008, the Board of SPI PowerNet Pty Ltd resolved to pay a dividend of at least $15.4 million to SP AusNet Transmission, payable in June 2008.

(b) Distributions

Since the end of the financial year the Directors have approved the payment of a final distribution for 2008 of $121,124,319 (5.788 cents per security) to be paid on 23 June 2008 comprised as follows:

	Cents per security	Total distribution $
Fully franked dividend payable by SP AusNet Transmission	0.736	15,402,125
Assessable interest income payable by SP AusNet Finance Trust	1.655	34,633,854
Return of capital payable by SP AusNet Finance Trust	3.397	71,088,340
	5.788	121,124,319

(c) Storms

On 2 April 2008, the state of Victoria experienced a severe storm event which affected all of the electricity distribution networks across Victoria. The storm had a significant impact on the electricity distribution network of SP AusNet and left many consumers off supply for long periods of time. The preliminary analysis indicates a total customer "minutes off supply" outcome in the order of 175 minutes for SP AusNet. This represents a significant variation to normal results and could potentially give rise to a financial penalty under the "S-factor" scheme in future periods. However, given the extreme nature of this event it is expected that an exemption will be granted by the Essential Services Commission and that there will be no material financial impact on SP AusNet.

(d) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 31 March 2008 up to the date of issue of this financial report that has significantly affected or may significantly affect:

(a) the operations in financial years subsequent to 31 March 2008 of the Company; or

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 31 March 2008, of the Company.

Note 36 Reconciliation of profit after income tax to net cash flows from operating activities

	Combined		Parent entity	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Profit/(loss) from ordinary activities after related income tax	**157,455**	178,297	**(94,032)**	(80,826)
Depreciation and amortisation of non-current assets	**200,561**	199,990	**-**	-
Net loss on sale of non-current assets	**8,836**	3,409	**-**	-
Contributed assets	**(2,350)**	(10,163)	**-**	-
Share based payment	**-**	811	**-**	-
Changes in operating assets and liabilities, net of the effects from acquisition of businesses:				
(Increase)/decrease in receivables	**6,374**	(8,507)	**-**	-
(Increase)/decrease in inventories	**(7,358)**	(390)	**-**	-
(Increase)/decrease in other assets	**843**	(609)	**-**	-
Increase/(decrease) in payables and other liabilities	**1,127**	10,192	**(8,838)**	6,587
Increase/(decrease) in net other financial assets and liabilities	**15,566**	(1,416)	**-**	-
Increase/(decrease) in other liabilities	**(251)**	(1,848)	**-**	84,349
Increase/(decrease) in provisions	**(126)**	12,381	**-**	-
Movement in tax balances	**(7,241)**	11,129	**(40,299)**	(34,639)
Net cash inflow/(outflow) from operating activities	**373,436**	393,276	**(143,169)**	(24,529)

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 26 to 97, and the remuneration disclosures that are contained in the *Remuneration report* in the *Directors' report*, 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 the company's and combined entity's financial position as at 31 March 2008 and their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and

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

The Directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A of the *Corporations Act* 2001.

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

Ng Kee Choe
Chairman

Nino Ficca
Managing Director

Melbourne
21 May 2008

Independent auditor's 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 and AASB 124 remuneration disclosures contained in the directors' report

We have audited the accompanying combined financial report of SP Australia Networks (Distribution) Ltd (the Company), which comprises the balance sheets as at 31 March 2008, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 36 and the directors' declaration set out on pages 26 to 98. The combined financial report of SP Australia Networks (Distribution) Ltd comprises the financial statements of SP Australia Networks (Distribution) Ltd and the entities it controlled at the year's end or from time to time during the financial year, SP Australia Networks (Transmission) Ltd and the entities it controlled at the year's end or from time to time during the financial year and SP Australia Networks (Finance) Trust (the Combined Entity).

As permitted by the *Corporations Regulations 2001*, the Company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Australian Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in the directors' report and not in the financial report. We have audited these remuneration disclosures.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosures contained in the directors' 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) Ltd, are responsible for the preparation and fair presentation of the 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 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. In note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

The directors of the Company, SP Australia Networks (Transmission) Ltd and the directors of the Responsible Entity of SP Australia Networks (Finance) Trust are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

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

KPMG

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the remuneration disclosures contained in the directors' report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report and the remuneration disclosures contained in the directors' report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report and the remuneration disclosures contained in the directors' report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Combined Entity's financial position and of their performance and whether the remuneration disclosures are in accordance with Australian Accounting Standard AASB 124.

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

Auditor's opinion on the financial report

In our opinion:

(a) the financial report of SP Australia Networks (Distribution) Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Combined Entity's financial position as at 31 March 2008 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

Auditor's opinion on AASB 124 remuneration disclosures contained in the directors' report

In our opinion the remuneration disclosures that are contained in the directors' report comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

KPMG

KPMG

Alison Kitchen
Partner

Melbourne
21 May 2008