

Net Profit After Tax Update – HY2011

Following previous advice provided at the company's AGM, SP AusNet is now able to confirm an improvement in net profit after tax for HY2011, in the range of 15 – 25% over the previous corresponding period, driven mainly by a favourable tax position. The tax deductions were arrived at after completion of SP AusNet's tax returns on 30 September 2010.

The favourable movement in income tax expense amounts to approximately \$28m and includes:

- **Tax consolidation** - On 4 June 2010, new tax legislation came into effect, confirming the availability of additional tax deductions, or carry forward tax losses, available to SP AusNet.
- **Investment Allowance** - SP AusNet has been able to utilise the Federal Government's 30% investment allowance incentive, in relation to eligible capital expenditure installed or ready for use before 1 July 2010.
- **175% Research & Development Concession** - Eligible projects and expenditures that qualify for the R&D tax incentive are typically entitled to a 125% tax deduction. Where current year R&D expenditure exceeds a 3 year rolling average, the incremental expenditure is eligible for a 175% tax deduction. SP AusNet's incremental R&D expenditures relating to the Advanced Meter Infrastructure (AMI) project have attracted deductions at the 175% rate.

The underlying business also continues to perform well, particularly in electricity distribution where revenues are well ahead of the previous corresponding period.

While we are pleased with these positive financial effects, we appreciate that our securityholders are aware of events that presently cause uncertainty for our business, including the outcome of the electricity distribution price review (due October 31), ongoing tax audits and bushfire-related litigation. Our position on these has not changed since our previous advice.

The opportunity of capturing tax consolidation and investment allowance benefits was previously announced at SP AusNet's Annual General Meeting on 14 July 2010. As part of finalising the 2010 income tax returns for the SP AusNet Group on 30 September 2010, SP AusNet has confirmed the quantum of available deductions, thereby necessitating further guidance in relation to reported tax benefits.

2010/11 distribution and capital expenditure guidance remain unchanged.

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