ASX & SGX-ST Release

12 May 2010

TO: ASX Limited
Singapore Exchange Securities Trading Limited

Results for Year Ended 31 March 2010

The following documents are attached:

1. ASX Appendix 4E – Final Report; and

2. Financial Report of SP Australia Networks (Distribution) Ltd for the period ended 31 March 2010.

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Company Secretary

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SP AusNet

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

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

SP Australia Networks (Finance) Trust
ARSN 116 783 914

SP Australia Networks (RE) Ltd
ABN 46 109 977 371
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 2010

1. The current reporting period is the year ended 31 March 2010. The previous corresponding period is the year ended 31 March 2009.

2. Results for announcement to the market

	31 March 2010 $M	31 March 2009 $M	% change	Up / down
2.1 Revenue from continuing operations	1,333.6	1,169.4	14.0	up
2.2 Profit from ordinary activities after tax attributable to stapled securityholders comprises:				
Profit from continuing operations (before impairment write-down)	209.0	177.2	17.9	up
Profit from continuing operations (after impairment write-down)	209.0	146.9 (i)	42.3	up
2.3 Net profit for the year attributable to stapled securityholders	209.0	146.9	42.3	up

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

2.4 Distributions for the financial year ended 31 March 2010:

	Cents per security
Interim distribution:	
Fully franked dividend	1.289
Assessable interest income	1.887
Return of capital	0.824
Total interim distribution	4.000
Final distribution:	
Fully franked dividend	1.591
Assessable interest income	2.261
Return of capital	0.148
Total final distribution	4.000

2.5 The record dates for determining entitlements to the distributions:

Distribution	Record date	Payment date
Interim	30 November 2009	22 December 2009
Final	1 June 2010	29 June 2010

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 $M	Date paid/payable
2010:			
Final Distribution payable			
Fully franked dividend	1.591	43.0	29 June 2010
Assessable interest income	2.261	61.2	29 June 2010
Return of capital	0.148	4.0	29 June 2010
Total Final Distribution	4.000	108.2	
Interim Distribution paid			
Fully franked dividend	1.289	34.3	22 December 2009
Assessable interest income	1.887	50.3	22 December 2009
Return of capital	0.824	21.9	22 December 2009
Total Interim Distribution	4.000	106.5	
Total 2009 Distribution	8.000	214.7	

In relation to the final distributions on 22 December 2009 of $106.5 million, $34.6 million was utilised in the allotment of new securities issued under the Distribution Reinvestment Plan.

	Cents per security	Total distribution $M	Date paid/payable
2009:			
Final Distribution payable			
Fully franked dividend	1.911	40.5	25 June 2009
Assessable interest income	2.692	57.1	25 June 2009
Return of capital	1.324	28.1	25 June 2009
Total Final Distribution	5.927	125.7	
Interim Distribution paid			
Fully franked dividend	1.911	40.0	18 December 2008
Assessable interest income	1.839	38.4	18 December 2008
Return of capital	2.177	45.6	18 December 2008
Total Interim Distribution	5.927	124.0	
Total 2009 Distribution	11.854	249.7	

In relation to the distributions paid on 18 December 2008 of $124.0 million, $26.6 million was utilised in the allotment of new securities issued under the Distribution Reinvestment Plan. In relation to the distributions paid on 25 June 2009 of $125.7 million, $12.3 million was utilised in the allotment of new securities issued under the Distribution Reinvestment Plan.

7. Dividend Reinvestment Plans

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

Securityholders participating in the DRP for the 2009/10 final distribution will be issued SP AusNet stapled securities at a 2.5% discount to the issue price of SP AusNet stapled securities established under the rules of the DRP. The issue price is calculated as the average of the volume weighted average price (as defined in the DRP rules) (VWAP) of sales of SP AusNet stapled securities during the 10 trading days immediately after the record date for the distribution. The record date for the 2009/10 final distribution is 1 June 2010.

The deadline for the receipt of Election Notices for participation in the DRP for the 2009/10 final distribution is 5.00pm (Australian Eastern Daylight Time) on 1 June 2010.

8. Statement of Retained Earnings

Refer to Statements of changes in equity in the attached General Purpose Financial Report for SP Australia Networks (Distribution) Ltd.

9. Net tangible assets per security

	2010	2009
Net tangible assets per stapled security	$0.94	$0.89

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 2010	31 March 2009
Earnings per share from profit (Company)	1.00 cents	(0.38) cents
Earnings per share from profit from continuing operations (Company)	1.00 cents	(0.38)cents
Dilution aspects	None	None

Stapled Group	31 March 2010	31 March 2009
Earnings per stapled security from profit	8.09 cents	6.99 cents
Earnings per stapled security from profit from continuing operations	8.09 cents	6.99 cents
Earnings per stapled security from profit (adjusted for individually material items)	8.09 cents	8.44 cents
Earnings per stapled security from profit from continuing operations (adjusted for individually material items)	8.09 cents	8.44 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 2 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.

Date: 11 May 2010

SP Australia Networks (Distribution) Ltd
ACN 108 788 245

General Purpose Financial Report

For the financial year ended 31 March 2010

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 Australian dollars.

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 11 May 2010.

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 2010.

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

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

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

Directors

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

Non-executive Directors

Ng Kee Choe (Chairman)

Jeremy Guy Ashcroft Davis AM

Eric Gwee Teck Hai

Ho Tian Yee

Antonino (Tony) Mario Iannello

George Allister Lefroy

Martyn Kenneth Myer AO

Ian Andrew Renard

Executive Director

Nino Ficca (Managing Director)

Principal activities

The principal activities of SP AusNet are:

- Electricity distribution – delivery of electricity to approximately 620,000 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 572,000 consumer connection points over 60,000 square kilometres in central and western Victoria including some of Melbourne's western suburbs;
- Electricity transmission – the transmission of electricity within the state of Victoria; and
- Select Solutions – the provision of competitive niche asset services.

Directors' report (continued)

Principal activities (continued)

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 2009 distribution paid 25 June 2009		Interim 2010 distribution paid 22 December 2009	
	Cents per security	Total distribution $M	Cents per security	Total distribution $M
Distributions from earnings				
Fully franked dividend paid by SP AusNet Transmission	1.911	40.5	1.289	34.3
Assessable interest income paid by SP AusNet Finance Trust	2.692	57.1	1.887	50.3
Return of capital paid by SP AusNet Finance Trust	1.324	28.1	0.824	21.9
Total distributions	5.927	125.7	4.000	106.5

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

In relation to the interim distributions on 22 December 2009 of $106.5 million, $34.6 million was utilised in the allotment of new securities issued under the Distribution Reinvestment Plan.

Since the end of the financial year the Directors have approved a final distribution for 2010 of $108.2 million (4.000 cents per fully paid stapled security) to be paid on 29 June 2010 comprised as follows:

	Final 2010 distribution to be paid on 29 June 2010	
	Cents per security	Total distribution $M
Fully franked dividend payable by SP AusNet Transmission	1.591	43.0
Assessable interest income payable by SP AusNet Finance Trust	2.261	61.2
Return of capital payable by SP AusNet Finance Trust	0.148	4.0
	4.000	108.2

Directors' report (continued)

Review of operations

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

	Electricity distribution $M	Gas distribution $M	Transmission $M	Inter-segment eliminations $M	Combined $M
Regulated revenue	467.2	181.2	482.5	(9.3)	1,121.6
Excluded services	17.1	3.2	21.0	(4.5)	36.8
Customer contributions	34.6	4.0	-	-	38.6
Service revenue	95.8	1.1	9.1	-	106.0
Other revenue	11.5	1.3	18.7	(0.9)	30.6
Total segment revenue	626.2	190.8	531.3	(14.7)	1,333.6
Segment result before interest expense	176.9	94.6	272.3	-	543.8
Segment interest expense	(104.0)	(59.6)	(145.9)	-	(309.5)
Unallocated finance income less unallocated finance expenses					14.8
Profit before income tax					249.1
Income tax expense					(40.1)
Net profit for the year					209.0

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Directors' report (continued)

Discussion and analysis for the year ended 31 March 2010

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 $209.0 million for the 12 months ended 31 March 2010.

SP AusNet derives most of its earnings from three regulated energy network businesses, which include Victoria's high voltage electricity transmission network, an electricity distribution network located in eastern Victoria and a gas distribution network in western Victoria. Overall revenue increased by 14 per cent to $1,333.6 million. The increase in revenue arose from the increased activity associated with Select Solutions and a combination of regulated price adjustments, an increase in customer connections and customer contributions. Revenue for each segment is discussed below.

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

Comparison to the previous financial year is affected by a one-off write-down of $43.3 million (before tax) on meters in the previous year. Operating costs excluding finance costs and abnormal items were $789.8 million, an increase of 11 per cent over last year. The decrease in management services fees of $25.9 million was more than offset by other increases in operating costs in relation to the increased activity associated with Select Solutions, increased land tax on easements (as a pass through cost) and increased maintenance costs in relation to line easements.

Electricity distribution business

SP AusNet's electricity distribution business contributed $626.2 million in total revenues prior to intercompany eliminations (excluding interest income) for the year ended 31 March 2010. Revenues were favourably impacted by the annual regulated price adjustments, the strong growth in customer numbers and the increase in service revenue from Select Solutions (discussed below) but were partially offset by the slower economic growth and milder weather which have resulted in lower consumption than for the same period last year. The electricity distribution business contributed $176.9 million to profits from operating activities for the year ended 31 March 2010. As at 31 March 2010, SP AusNet had 619,728 customers connected to its electricity distribution network representing an increase of 11,417 customers or 1.9 per cent during the year. During the financial year 7,780 GWh was distributed through the distribution network, representing a decrease of 1.4 per cent over the previous financial year. Total capital expenditure for the year was $350.6 million, of which $103.7 million was customer initiated and $70.0 million was in relation to Advanced Metering Infrastructure.

In early February 2009, the state of Victoria was impacted by bushfires. The bushfires also damaged or destroyed many electricity assets and led to around 34,000 of SP AusNet's rural customers being without supply for some time. This had a consequent impact on SP AusNet's S-Factor performance. SP AusNet has applied to the Australian Energy Regulator ("AER") for the relevant parts of the 2006 Tariff Order to be revoked and remade in respect of S-Factor performance. It is too early to estimate the financial impact, if any, of the outcomes of the AER's decision.

A $9.5 million major upgrade of the existing Bright sub station commenced during the year, to help meet growing demand for electricity in Bright and the Alpine area. The upgrade will provide improved electricity supply and capacity for more than 4,000 residents and businesses in the area, especially during the winter period, which is traditionally Bright's time of peak demand.

With continued population growth in the outer south east, particularly surrounding Cranbourne and Pakenham, SP AusNet this year also began construction work on the $20.0 million Officer zone sub station. This project, in one of Melbourne's principal growth corridors, will ensure SP AusNet keeps pace with new customer demand.

On 30 November 2009, SP AusNet submitted to the AER its regulatory proposal for the new pricing regime that will apply for five years from 1 January 2011. The regulatory proposal, available on the AER's website, sought an initial real price rise from 2011 to 2015 and a real increase in net capital expenditure to $1,372.0 million (in 2010 dollars). The AER is expected to release its draft determination in June 2010, with its final determination required by 31 October 2010.

Directors' report (continued)

Discussion and analysis for the year ended 31 March 2010 (continued)

Gas distribution business

SP AusNet's gas distribution business contributed $190.8 million in total revenues prior to intercompany eliminations (excluding interest income) for the year ended 31 March 2010. Revenues were favourably impacted by the annual regulated price adjustments at 1 January 2009, and by strong growth in customer numbers offset by milder weather conditions. The gas distribution business contributed $94.6 million to profits from operating activities for the year ended 31 March 2010. As at 31 March 2010, SP AusNet had 571,678 customers connected to its gas distribution network representing an increase of 17,181 or 3.1 per cent during the year. Total gas delivered through the network was 71.4 PJ, a decrease of 5.2 per cent over the previous corresponding financial year. Total capital expenditure for the year was $67.6 million of which $43.8 million was customer initiated.

Electricity transmission business

SP AusNet's electricity transmission business contributed $531.3 million in total revenues prior to intercompany eliminations (excluding interest income) for the year ended 31 March 2010. Revenues were favourably impacted as a result of the increase in the regulated revenue path and the pass through of the increase in land tax on easements due to a revised assessment by the State Revenue Office and as a result of the completion of new customer connection projects. The electricity transmission business contributed $272.3 million to profits from operating activities for the year ended 31 March 2010. Total electricity transmitted through the network was 51,278 GWh which is a decrease of 1.0 per cent over the previous corresponding financial year due to slower economic growth and milder weather conditions. Transmission regulated revenue is not subject to volume risk.

During the year, SP AusNet successfully completed a $9.0 million project at the Cranbourne Terminal Station. The upgrade will reinforce current network infrastructure to meet the rapidly expanding demand in the Cranbourne area.

In November 2009, the Bogong Hydro Power Station was connected to SP AusNet's electricity transmission network The Bogong Hydro Power Station creates an additional 94,000 MWh of renewable electricity each year.

A $17.4 million project to upgrade the Hazelwood Terminal Station commenced in February 2010 and will result in power supply being strengthened for more than 350,000 customers across Victoria. Due for completion in October 2010, the multi-million dollar works involve upgrading the existing 500 kV switchyard, which converts extra high voltage electricity to a level that can be distributed to homes.

Total capital expenditure was $162.5 million for the period, including $42.2 million customer initiated, $109.3 million company initiated projects and $9.1 million of general capital expenditure, as well as $1.9 million in relation to Advanced Metering Infrastructure.

Select Solutions business

Select Solutions provides services to SP AusNet and also provides competitive niche asset services, in particular metering and vegetation management, asset inspection and technical services to external parties including Jemena Asset Management Pty Ltd (referred to as "Jemena"). The agreements with Jemena commenced 1 April 2009 and are for an initial five year term. The agreements will continue for further five year terms unless terminated by either party by giving notice to terminate at the end of the current term. These agreements have resulted in SP AusNet extending its footprint to introduce these niche services into New South Wales.

Select Solutions contributed $109.2 million in revenue to SP AusNet (comprising $106.0 million in service revenue and $3.2 million in other revenue), an increase of $75.0 million in external revenue over the previous year for the equivalent services now provided by Select Solutions. Select Solution's contribution to EBITDA from external works for the year was $8.0 million. The results for Select Solutions are predominantly included in the electricity distribution results.

Parent entity

The parent entity made a profit of $1,568.6 million due to the receipt of a dividend of $1,693.2 million. Excluding the dividend, the parent entity incurred a loss of $124.6 million mainly attributable to interest expense incurred on loans from subsidiaries and from SP AusNet Finance Trust. The intercompany interest eliminates in the combined entity.

Directors' report (continued)

Discussion and analysis for the year ended 31 March 2010 (continued)

Financial position

Securityholders' equity was $2,774.1 million as at 31 March 2010. Total securityholders' equity includes 100 per cent of the ownership interests in SP AusNet Transmission and SP AusNet Finance Trust, which have been disclosed as minority interests, as they are owned by securityholders directly. The proceeds from the equity raising in May and June 2009 and the proceeds from the Distribution Reinvestment Plan ("DRP") issue on 25 June 2009 and 22 December 2010 were allocated to units in SP AusNet Finance Trust with the shares in SP AusNet Transmission and SP AusNet Distribution issued at nominal consideration.

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

SP AusNet recognises actuarial gains and losses on defined benefit superannuation funds directly in retained earnings. Actuarial gains for the year ended 31 March 2010 for SP AusNet were $39.6 million (before tax). The actuarial gain was mainly due to investment returns. Defined benefit funds are long-term in nature and the actuarial calculations are based on long-term expectations. Any short-term fluctuations from the long-term average will result in movements in the net surplus/deficit position of the fund. The net liability position of the SP AusNet funds has moved from a net deficit position at 31 March 2009 of $80.3 million to a net deficit position at 31 March 2010 of $30.0 million. SP AusNet makes contributions to the defined benefit funds as requested by the funds.

The Directors have reviewed the assets held in the form of interest rate swaps, cross-currency swaps and other derivative contracts, and have also reviewed related counterparty credit exposures. The Directors are satisfied that these assets are not overstated. Included in borrowings are USD $975.0 million, GBP £250.0 million, CHF 475.0 million and HK $700.0 million facilities. As these facilities are accounted for as being in a hedge relationship, the decrease in the facilities arising from exchange rate movements is offset by an increase in the fair value of the derivatives that are hedging the exchange rate movement.

At balance date, SP AusNet's current assets exceed its current liabilities by $30.3 million. In total, SP AusNet had access to undrawn but committed bank debt facilities as at 31 March 2010 of $325.0 million under non-current bank debt facilities and $245.0 million under current bank debt facilities.

Cash flow statements

Net operating cash inflows for the year ended 31 March 2010 were $420.6 million, an increase of $71.8 million on the comparative period predominantly due to an increase in receipts from customers.

Net outflows from investing activities of $581.0 million resulted primarily from payments for property, plant and equipment.

The net inflow from financing activities of $698.3 million resulted primarily from borrowings of $1,283.5 million and the proceeds from issue of new securities of $399.3 million (net of transaction costs), offset by repayment of borrowings, and the cash component of the distributions paid during the period of $185.5 million.

Victorian February bushfires

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

In the months following these bushfires, SP AusNet was served with a writ that alleges that "faulty and/or defective power lines" caused loss and damage as a consequence of the fire known as the Kilmore East fire. More recently, SP AusNet has been advised of a number of additional writs alleging that SP AusNet is implicated in the fire known as the Beechworth fire, where a tree limb allegedly brought down power lines, causing loss and damage. SP AusNet will vigorously defend these claims.

It is too early for SP AusNet to speculate on the outcome of any claims which may be instituted by third parties. If these claims are pursued, SP AusNet has liability insurance which provides cover for bushfire liability. SP AusNet reviews its insurance cover annually and ensures it is commensurate with the scale and size of its operations, the risks assessed to be associated with its operations and with industry standards and practice. SP AusNet's bushfire mitigation and vegetation management programs fully comply with Electricity Safety (Bushfire Mitigation) Regulations and are audited annually by Energy Safe Victoria. SP AusNet had a "zero" bushfire mitigation index throughout the 2008-09 bushfire season.

Directors' report (continued)

Discussion and analysis for the year ended 31 March 2010 (continued)

Climate Change

The *National Greenhouse and Energy Reporting Act* 2007 was passed in September 2007 to establish a mandatory corporate system for the reporting of greenhouse gas, energy production and consumption. Corporations that meet thresholds as determined by the legislation are required to report. The reporting period commenced on 1 July 2008, and covers the Australian financial year. Corporations meeting or exceeding the thresholds were required to register by 31 August 2009 and lodge their first full report by 31 October 2009. SP AusNet meets the current thresholds under the National Greenhouse and Energy Reporting ("NGER") framework and lodged its first full report with the Department of Climate Change prior to the 31 October 2009 deadline. On 28 February 2010 the Department of Climate Change published its findings from the first year of reporting under NGER. The Department of Climate Change reviewed the data and conducted audits where they were not satisfied with the accuracy and/or completeness of data and in these cases they required amended inputs. SP AusNet was not required to be part of any audit conducted and our data input at the end of October 2009 was accepted unchanged.

In March 2009, the Australian Government released its exposure draft legislation on the *National Carbon Pollution Reduction Scheme* ("CPRS") for consultation. However, the future of the CPRS, which was due to start in mid-2011, is uncertain as the Australian Senate has twice voted against the current form of the proposed CPRS legislation. On 27 April 2010 the Australian Government announced that the scheme would be delayed until at least 2013, stating that it remains committed to the scheme.

SP AusNet is closely monitoring the development of the regulatory framework for this emissions trading scheme. Under the draft legislation, SP AusNet is expected to have liabilities under the CPRS for unaccounted for gas losses from the gas distribution network. At this stage, it is too early to quantify the impacts and opportunities arising from the CPRS.

Debt raising

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

In May 2009, SP AusNet successfully established $275.0 million of three year bank debt facilities. These facilities were used to replace $205.0 million of working capital facilities and commercial paper standby lines. In June 2009, SP AusNet successfully established an additional $50.0 million three year bank debt facility, bringing the total raised under the bilateral facilities executed in May 2009 to $325.0 million. This facility was used to replace $50.0 million of commercial paper standby lines. The remaining $50.0 million of working capital facilities were not renewed, and expired in August 2009. The bilateral bank debt facilities were undrawn as at 31 March 2010, and as a consequence there was $325.0 million of undrawn but committed non-current debt available under these facilities.

In February 2010, SP AusNet successfully completed a CHF 475.0 million five and a half year Swiss franc bond issue to raise approximately $520.1 million. In March 2010, SP AusNet also successfully completed a HK$700.0 million ten year Hong Kong dollar bond issue to raise approximately $100.0 million and a $300.0 million seven and a half year Australian dollar bond issue.

The proceeds from these issues have been or will be used to repay existing debt, fund capital expenditure and for other working capital requirements. This effectively completes SP AusNet's refinancing requirements of $960.0 million for the 2011 financial year well ahead of the scheduled maturity dates.

SP AusNet has an A- credit rating from Standard and Poor's and A1 from Moody's.

Capital Management Initiatives

In June 2009, SP AusNet successfully completed an accelerated non-renounceable entitlement offer ("Entitlement Offer") raising a total of $408.4 million. $336.6 million was raised from the institutional component of the Entitlement Offer and $71.8 million was raised from the retail component of the Entitlement Offer. These amounts exclude the costs of raising these funds. A total of 526,678,606 securities were issued under the non-renounceable entitlement offer completed in June 2009 at an issue price of $0.78 per stapled security for eligible securityholders in Australia and New Zealand and S$0.86 per stapled security for eligible securityholders in Singapore. The proceeds from the equity raising together with the proceeds from the distribution reinvestment plan issues on 25 June 2009 ($12.3 million) and on 22 December 2009 ($34.6 million) were allocated to units in SP AusNet Finance Trust with the shares in SP AusNet Transmission and SP AusNet Distribution issued at nominal consideration.

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

Directors' report (continued)

Discussion and analysis for the year ended 31 March 2010 (continued)

Advanced Metering Infrastructure roll-out Program

The Victorian Government has mandated completion of the roll-out of smart electricity meters by the end of 2013. SP AusNet is on target to meet this schedule. Installation of the new electricity meters commenced in November 2009 and is progressing steadily. The program's aims are to enhance customer relationships, reduce peak demand and improve existing network asset efficiency, network reliability and performance.

One key aspect of the program was the introduction of Time of Use tariffs through which customers are charged different rates at different times of the day for their electricity consumption. The pricing structure is designed to help Victorians control their energy costs via consumption patterns. On 22 March 2010 the Victorian Government announced a temporary moratorium on the introduction of Time of Use tariffs as a result of concerns raised by a number of Victorian community groups. The terms and conditions of the moratorium are yet to be defined but there is no impact on the roll-out of smart electricity meters.

Weather events

A number of severe weather events have affected SP AusNet's electricity distribution network during the financial year. Strong winds of up to 110km/hr, and storms, particularly during July, August and September, interrupted power supply to customers and resulted in an increase in the Unplanned Supply Average Interruption Duration Index ("USAIDI") with 30 minutes lost. The financial impact on Guaranteed Service Levels ("GSL") was immaterial. SP AusNet closely monitors extreme weather forecasts and puts emergency plans in place to enable the fastest and most efficient response.

Australian Taxation Office Audits

The Australian Taxation Office ("ATO") is undertaking large business audits of the SP AusNet group. The focus of the audits is as follows:

- deductions claimed in respect of fees imposed under Section 163AA of the *Electricity Industry Act* 1993 in the 1999 to 2001 tax years;
- deductions claimed in respect of intellectual property referable to the 1998 tax year and each subsequent year; and
- the entry allocable cost amount ("ACA") step 1 amount (relating to the cost of membership interests) when the SPI Australia Group Pty Ltd ("SPIAG") consolidated group joined the SP AusNet Distribution consolidated group on 2 August 2004.

In the year ended 31 March 2007, SP AusNet Transmission reversed $81.4 million of previously recognised deferred tax liabilities. The reversal was in relation to Section 163AA imposts ($53.3 million), intellectual property ($18.3 million) and general interest charges ($9.8 million), on the basis of expert advice which enabled SP AusNet Transmission to be satisfied that the deductions were properly taken for income tax purposes. The reversed deferred tax liabilities, which predominantly related to primary tax payable, are not necessarily indicative of any outflow or liability that may actually arise from an adverse ATO audit outcome or that may ultimately arise in the event that the matters are subject to litigation.

On 31 March 2010, the ATO advised SP AusNet Transmission that it intends to disallow deductions claimed in respect of Section 163AA imposts, although it has not yet issued an amended assessment to confirm this position. The ATO has invited SP AusNet Transmission to make a submission (before 30 May 2010) regarding whether the ATO should remit all or part of general interest and administrative charges that may apply in respect of Section 163AA imposts.

The ultimate timeframe or likely outcomes of the ATO audits are not known.

Despite the ATO audit activities, SP AusNet has not changed its view in regard to the availability of deductions for Section 163AA imposts and intellectual property or its entry ACA step 1 amount when the SPIAG consolidated group joined the SP AusNet Distribution consolidated group.

Directors' report (continued)

Discussion and analysis for the year ended 31 March 2010 (continued)

Distribution Reinvestment Plan

The take up rate for the DRP in June 2009 was approximately ten per cent and in December 2009 was in excess of 30 per cent. The DRP will be in operation for the final distribution.

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

Distributions

Since the end of the financial year, the Directors have approved a final distribution for 2010 of $108.2 million (4.000 cents per stapled security) to be paid on 29 June 2010.

With the exception of the matter outlined above, the Directors are not aware of any circumstances that have arisen since 31 March 2010 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 2010.

Likely developments and expected results of operations

Information on likely developments in the operations of the Stapled Group and the expected results of operations, other than already disclosed in this report, have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Stapled Group.

Environmental regulation

The Stapled Group 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 year which are material in nature.

Directors' report (continued)

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 Limited and as President-Commissioner of PT Bank Danamon Indonesia, Tbk. He is a Director of Singapore Airport Terminal Services Limited, Singapore Exchange Ltd and Fullerton Financial Holdings Pte Ltd. He is a member of the Temasek Advisory Panel, International Advisory Council of China Development Bank and Chairman of Tanah Merah Country Club. Mr Ng was formerly Vice-Chairman and Director of DBS Group Holdings. 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 (2000 to date) (SGX-ST listed entity)
Singapore Exchange Ltd (2003 to date) (SGX-ST listed entity)
PT Bank Danamon Indonesia, Tbk (2004 to date) (Jakarta Stock Exchange listed entity)
CapitaLand Limited (2010 to date) (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, Chairman of the Nomination Committee, Chairman of the Issuing Committee and Chairman of the Funding Committee.

Nino Ficca – *Managing Director*

Bachelor of Engineering (Electrical) (Honours), Deakin University
Graduate Diploma in Management, Deakin University
Advanced Management Programme, Harvard Business School, USA

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 and of Enterprise Business Services (Australia) Pty Ltd. He is a member of the Australian Institute of Company Directors. 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, the Bushfire Litigation and Inquiry Response Committee, the Issuing Committee and the Funding Committee.

Directors' report (continued)

Information on Directors (continued)

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). He is a Director of Singapore Power Limited, Transurban Group and CHAMP Ventures Pty Ltd. Previously, Professor Davis spent ten 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, the Nomination Committee, the Advanced Metering Infrastructure Due Diligence Committee and the Funding Committee.

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 a Director 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, the Nomination Committee and the Remuneration Committee.

Directors’ report (continued)

Information on Directors (continued)

Ho Tian Yee – *Non-executive Director*

Bachelor of Economics (Honours), Portsmouth University, UK

Experience and expertise

Mr Ho is currently the Managing Director and principal shareholder of Pacific Asset Management (S) Pte Ltd, a fund management company. Mr Ho was previously the General Manager and Managing Director of Bankers Trust Co. Singapore. Mr Ho currently serves as a non-executive Director of Singapore Exchange Ltd, and Fraser & Neave Ltd. He is also Chairman of Times Publishing Ltd, a subsidiary of Fraser & Neave as well as a member of the Risk Committee of the Government of Singapore Investment Corporation and a member of the Investment Committee of the Mount Alvernia Hospital. Mr Ho is a Board member of Singapore Power Ltd.

Other current listed company directorships

Singapore Exchange Ltd (1999 to date) (SGX-ST listed company)
Fraser & Neave Ltd (1997 to date) (SGX-ST listed company)

Former listed company directorships in last 3 years

None

Date of initial appointment

SP AusNet Transmission – 1 September 2008
SP AusNet Distribution – 1 September 2008
Responsible Entity – 1 September 2008

Special responsibilities

Member of the Compliance Committee, the Remuneration Committee, the Issuing Committee and the Funding Committee.

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 Chairman of listed companies Aviva Corporation Ltd and Energia Minerals Ltd. He is also Chairman of HBF Health Ltd, MG Kailis Group of Companies and Harrier Resourcing People Pty Ltd. He is a member of the Murdoch University Senate and Pacific Road Corporate Finance Advisory Board. Mr Iannello was formerly Managing Director of Western Power Corporation and previously he held a number of senior executive roles at the Bank of Western Australia.

Other current listed company directorships

Aviva Corporation Ltd (2008 to date)
Energia Minerals Ltd (2010 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 Bushfire Litigation and Inquiry Response Committee, the Issuing Committee and the Funding Committee.

Directors' report (continued)

Information on Directors (continued)

George Allister Lefroy – *Independent Non-executive Director*

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

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

Martyn Kenneth Myer AO - *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 and the Royal Institution of Australia. 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 President of the Myer Foundation. He is on the boards of several philanthropic organisations, including membership of the Council of the University of Melbourne.

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

None

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 Remuneration Committee and the Bushfire Litigation and Inquiry Response Committee.

Directors’ report (continued)

Information on Directors (continued)

Ian Andrew Renard – *Independent Non-executive Director*

Bachelor of Arts, University of Melbourne
Master of Laws, University of Melbourne
Doctor of Laws (Hon), University of Melbourne

Experience and expertise

Mr Renard is trustee of the R E Ross Trust and former Chancellor of the University of Melbourne. 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 Bushfire Litigation and Inquiry Response Committee and member of the Audit and Risk Management Committee, the Nomination Committee and the Funding Committee.

Company Secretary

Susan Elizabeth Taylor

Bachelor of Laws, University of Melbourne
Bachelor of Commerce, University of Melbourne
Graduate Diploma in Corporations and Securities Law, University of Melbourne

Ms Taylor has been Company Secretary of SP AusNet Distribution, SP AusNet Transmission and the Responsible Entity since 6 October 2008. She has over 18 years’ experience in energy transactional and regulatory law. She was formerly a partner at the Australian law firm Freehills and Senior Attorney with the U.S. Federal Energy Regulatory Commission, with a mergers and acquisitions, corporations and competition law background.

Directors' report (continued)

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 2010, and the number of meetings attended by each Director, are set out in the following table. All meetings were held jointly.

	Board of SP AusNet Distribution		Board of SP AusNet Transmission		Board of Responsible Entity	
	A	B	A	B	A	B
Ng Kee Choe	6	7	6	7	6	7
Nino Ficca	7	7	7	7	7	7
Jeremy Davis	6	7	6	7	6	7
Eric Gwee	5	7	5	7	5	7
Ho Tian Yee	7	7	7	7	7	7
Tony Iannello	7	7	7	7	7	7
George Lefroy	7	7	7	7	7	7
Martyn Myer	7	7	7	7	7	7
Ian Renard	5	7	5	7	5	7

A = Number of meetings attended
B = Number of meetings held during the time the Director held office

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 2010, and the number of meetings attended by each Director, are set out in the following table.

	Audit and Risk Management Committee		Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Ng Kee Choe	**	**	**	**	3	3	**	**
Nino Ficca	**	**	**	**	**	**	**	**
Jeremy Davis	5	5	**	**	3	3	**	**
Eric Gwee	3	5	3	4	3	3	4	5
Ho Tian Yee	**	**	3	4	**	**	4	5
Tony Iannello	5	5	4	4	**	**	**	**
George Lefroy	**	**	**	**	**	**	5	5
Martyn Myer	5	5	3	4	**	**	5	5
Ian Renard	5	5	4	4	3	3	**	**

A = Number of meetings attended
B = Number of meetings held during the time the Director held office
** = Not a member of the relevant committee

Directors' report (continued)

Meetings of Directors (continued)

The number of meetings of the special-purpose Advanced Metering Infrastructure Due Diligence Committee and the Bushfire Litigation and Inquiry Response Committee, Funding Committee and Issuing Committee held during the year ended 31 March 2010, and the number of meetings attended by each Director, are set out in the following table.

	Funding Committee		Issuing Committee		Advanced Metering Infrastructure Due Diligence Committee		Bushfire Litigation and Inquiry Response Committee	
	A	B	A	B	A	B	A	B
Ng Kee Choe	7	7	5	5	**	**	**	**
Nino Ficca	7	7	5	5	5	5	12	13
Jeremy Davis	7	7	**	**	5	5	**	**
Eric Gwee	**	**	**	**	**	**	**	**
Ho Tian Yee	7	7	5	5	**	**	**	**
Tony Iannello	7	7	5	5	**	**	13	13
George Lefroy	**	**	**	**	5	5	**	**
Martyn Myer [1]	**	**	**	**	**	**	5	6
Ian Renard [2]	6	6	**	**	**	**	12	13

A = Number of meetings attended
B = Number of meetings held during the time the Director held office
** = Not a member of the relevant committee

[1] Mr Myer was appointed as a member of the Bushfire Litigation and Inquiry Response Committee effective 11 September 2009.

[2] Mr Renard was appointed as a member of the Funding Committee effective 24 April 2009.

Retirement, election and continuation in office of Directors

Mr Ng Kee Choe, Dr George Lefroy and Mr Martyn Myer each retire by rotation in accordance with the constitutions of SP AusNet Distribution and SP AusNet Transmission. Mr Ng Kee Choe and Dr George Lefroy being eligible, offer themselves for re-election.

Directors' report (continued)

Remuneration report (Audited)

Introduction to remuneration report

The remuneration report for the year ended 31 March 2010 outlines the remuneration arrangements of the company and the SP AusNet Group in accordance with the requirements of the *Corporations Act* 2001 ("the Act") and its regulations. This information has been audited as required by section 308 (3C) of the Act.

The remuneration report details the remuneration arrangements for key management personnel ("KMP"). KMP are those persons who have authority and responsibility for planning, directing and controlling the major activities of the company and the SP AusNet Group directly and indirectly, including any Director of the parent company. The KMP also includes the five executives in the SP AusNet Group who received the highest remuneration during the year.

Details of key management personnel

The Directors and other KMP 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 KMP 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 unless otherwise noted.

Name	Position
Ng Kee Choe	Non-executive Chairman
Nino Ficca	Managing Director
Jeremy Davis	Non-executive Director
Eric Gwee	Non-executive Director
Ho Tian Yee	Non-executive Director
Tony Iannello	Non-executive Director
George Lefroy	Non-executive Director
Martyn Myer	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 KMP 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. The KMP below also includes the five executives in the SP AusNet Group who received the highest remuneration during the year.

Directors' report (continued)

Remuneration report (Audited) (continued)

The persons listed below were Executive KMP of SP AusNet for the whole of the financial year and up to the date of this report unless otherwise noted.

Name	Position
Nino Ficca	Managing Director
Geoff Nicholson	Chief Financial Officer
Charles Popple	Group General Manager, Networks Strategy and Development
Norm Drew	Group General Manager, Integrated Network Services
John Kelso[1]	General Manager, Select Solutions
John Azaris [2]	General Manager, Operations and Services

1 John Kelso met the definition of a key management person upon his appointment as General Manager, Select Solutions on 1 April 2009.

2 John Azaris met the definition of a key management person upon his appointment as General Manager, Operations and Services on 1 April 2009.

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 $9.7 million (after tax) regarding the settlement of the unaccounted for gas legal claim. The 2008 results include one-off transaction costs relating to the proposed acquisition of the Alinta assets and businesses of $17.2 million (after tax) and the 2009 results includes a $30.3 million (after tax) impairment write-down for existing meters to be replaced under the program for the roll-out of smart electricity meters.

	2006	2007	2008	2009	2010
Revenue	$737.5m	$1,019.5m	$1,055.1m	$1,169.4m	$1,333.6m
NPAT from continuing operations	$136.9m	$161.2m	$151.0m	$146.9m	$209.0m
Closing security price as at 31 March	$1.30	$1.42	$1.21	$ 0.91	$0.91
Distributions in respect of financial year (cents per year)	3.25	11.27	11.564	11.854	8.000

Directors' report (continued)

Remuneration report (Audited) (continued)

Principles used to determine the nature and amount of remuneration

Non-executive Directors ("NEDs")

NED fee element	Commentary
Fees	The remuneration of Non-executive Directors consists of Directors' fees and committee fees. 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.
Total fee pool	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 a 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.
Performance-based and equity-based compensation	The fees paid to Non-executive Directors are not linked to the performance of SP AusNet in order to maintain objectivity and independence. Non-executive Directors are not provided with any form of equity-based compensation.
Business related expenses and additional fees for special duties or exertions	Non-executive Directors are entitled to be reimbursed for all business related expenses, including travel on company business, as may be incurred in the discharge of their duties. In accordance with the constitutions of SP AusNet Distribution, SP AusNet Transmission and the Responsible Entity, Non-executive Directors may also be paid additional fees for special duties or exertions.
Retirement benefits	Non-executive Directors are not provided with any form of retirement benefit. Fees paid to Non-executive Directors are inclusive of superannuation contributions made on behalf of the Non-executive Directors in accordance with SP AusNet's statutory superannuation obligations.
Review of fee levels and approach to Non-Executive Director fees	Each year, the 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. 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.

The annual fees payable to Non-executive Directors of SP AusNet and approved by the Board (inclusive of statutory superannuation) are set out in the table below. It is not possible to allocate fees to individual entities within the SP AusNet Group.

Directors' report (continued)

Remuneration report (Audited) (continued)

Non-executive Directors ("NEDs")

Role	Fee
Board Chairman	$180,000
Board Directors	$100,000
Audit and Risk Management Committee Chairman	$25,000
Audit and Risk Management Committee Members	$15,000
Compliance Committee Chairman	$18,000
Compliance Committee Members	$10,000
Remuneration Committee Chairman	$15,000
Remuneration Committee Members	$10,000
Nomination Committee Chairman	$15,000
Nomination Committee Members	$10,000
AMI Due Diligence Committee Chairman	$15,000
AMI Due Diligence Committee Members	$10,000

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.

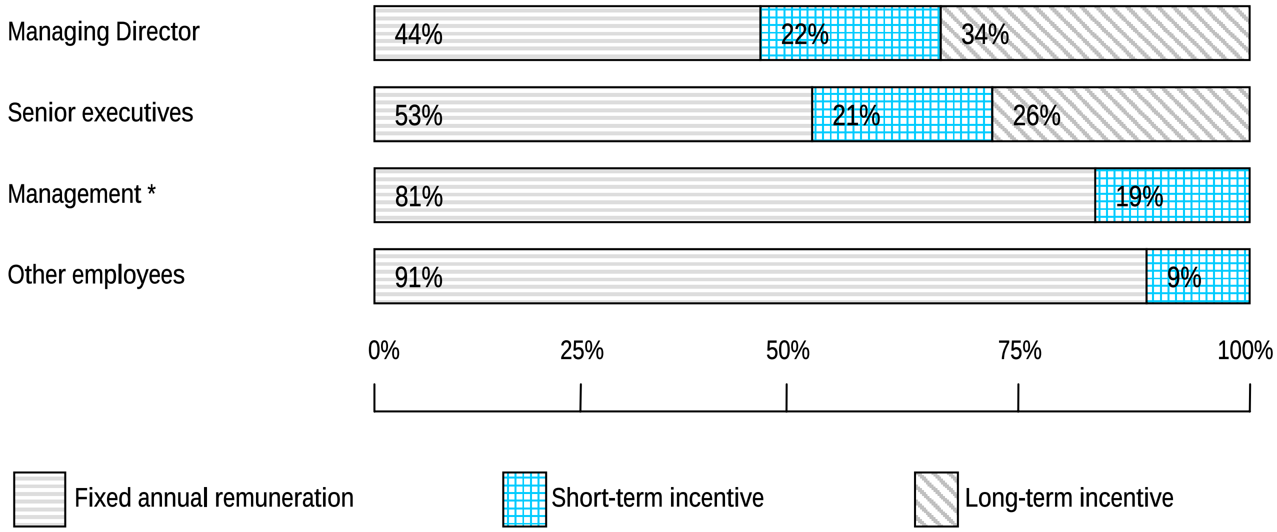
Directors' report (continued)

Remuneration report (Audited) (continued)

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. A LTI plan is included in the remuneration structure for the Managing Director, senior executives and other employees who can influence long-term securityholder value. 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 on-target reward, is shown in the following table.



* The Board at its discretion has invited a small number of "Management" employees who are in a position to influence long-term security holder value to participate in the LTI Plan. The potential payments of this plan represents between 15% or 25% of the participants FAR. Key aspects of the plan are detailed under the heading of "Long-term incentive" below.

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.

Directors' report (continued)

Remuneration report (Audited) (continued)

Short-term incentive

The key design aspects of the STI plan are outlined below.

Key design aspect	Commentary
Eligibility	Managing Director and other senior executives. Generally, senior executives must complete the business year to qualify for any STI payments. In some circumstances the Board, in its discretion, may determine that a pro-rata STI payment be awarded to a departing executive.
Target STI amount	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 Key Performance Indicators ("KPIs"); and • extent to which the senior executive has achieved or outperformed his or her individual KPIs. The target STI for the Managing Director is 50% of FAR. The target STI for senior executives is 40% of FAR.
Performance criteria	Based on corporate financial and non-financial measures as well as stretch individual performance hurdles. The key corporate KPIs set for the year ended 31 March 2010 included: • safety targets; • net profit target; • employee engagement targets; • advanced metering infrastructure ("AMI") program delivery; • network performance and reliability targets; and • other program delivery targets. By linking individual rewards to the achievement of overall corporate targets, these KPIs align the interests of employees and managers with those of SP AusNet.
Performance period	12 months to 31 March 2010.
Delivery mechanism	Cash.

Directors' report (continued)

Remuneration report (Audited) (continued)

Long-term incentive

The key design aspects of the LTI plan are outlined below.

Key design aspect	Commentary
Eligibility	Managing Director and senior executives. 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.
Purpose of the LTI plan	The LTI plan rewards participants for increasing securityholder value.
Target LTI amount	The LTI Award is calculated as a percentage of the participant's FAR as at the test date. For the performance period 1 April 2007, 1 April 2008 and 1 April 2009, the quantum of Awards available to participants expressed as a percentage of FAR as at the performance test date, are: • Managing Director – 75% • Reporting executives – 50% • Other participants – between 15% and 25%
Performance measures	Relative Total Securityholder Return ("TSR") (for 50% of the Award) and growth in Earnings Per Security ("EPS") (for the other 50% of the Award). The Board and Remuneration Committee believe that it is important to assess executive performance against both relative and absolute hurdles linked to securityholder value. The same performance measures have been used since 1 April 2006. Performance is assessed over a three year period and the LTI plan does not allow for retesting of performance measures in subsequent years. TSR: The comparator group used for the TSR performance measure 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 vesting scale for the TSR performance measure is shown below:

SP AusNet's TSR Percentile Ranking	Percentage of TSR Award that vests
Below 50.1	0%
50.1	50%
Between 50.1 and 74.9	Progressive vesting on a straight-line basis from greater than 50% and less than 100%
75 or above	100%

EPS: 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:

Compound annual growth rate	Percentage of EPS Award that vests
<2.5% per annum	0%
Between 2.5% and 7.5% per annum	Linear scale from 50% to 150%
>7.5% per annum	150%

Directors' report (continued)

Remuneration report (Audited) (continued)

Long-term incentive (continued)

Key design aspect	Commentary
Delivery mechanism	Once the performance criteria have been satisfied, participants receive a cash award. Participants are then required (under the Plan Rules) to use the after tax cash proceeds of this Award to purchase SP AusNet Stapled Securities on-market. These purchases must be conducted during an approved trading window and the Stapled Securities must be held for at least 12 months. Reasonable brokerage costs incurred by the participants are reimbursed. Given the structure of the SP AusNet group, an LTI Plan in this form was determined to be the most appropriate structure. Participants are incentivised to achieve performance targets over a 3 year timeframe, and are also required to hold the SP AusNet securities acquired with their Award payment for at least 12 months, thereby extending the long-term nature of the LTI Plan.

Loans to Directors and senior executives

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

Details of remuneration

Remuneration details of each Director and KMP of SP AusNet are set out in the following tables. The KMP 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 KMP, including the Managing Director, are provided to SP AusNet. The total of payments made to Non-executive Directors during the year ended 31 March 2010 was $1,138,000 which is within the total remuneration pool of $1,500,000 approved by securityholders at the 2007 Annual General Meeting.

Directors' report (continued)

Remuneration report (Audited) (continued)

Total remuneration for Directors for the year ended 31 March 2010 and 31 March 2009

		Short-term				Post-employment	Equity based payments [4]	Total
	Year	Cash salary and fees	Retention payments	Cash bonus [1]	Other short-term benefits [2]	Super-annuation [3]		
Non-executive Directors								
Ng Kee Choe (Chairman)	2010	178,899	-	-	-	16,101	-	195,000
	2009	178,899	-	-	-	16,101	-	195,000
Jeremy Davis	2010	123,853	-	-	-	11,147	-	135,000
	2009	119,887	-	-	-	10,865	-	130,752
Eric Gwee	2010	145,000	-	-	-	-	-	145,000
	2009	139,836	-	-	-	-	-	139,836
Ho Tian Yee [6]	2010	110,092	-	-	-	9,908	-	120,000
	2009	65,046	-	-	-	4,954	-	70,000
Tony Iannello	2010	123,853	-	-	-	11,147	-	135,000
	2009	123,853	-	-	-	11,147	-	135,000
George Lefroy	2010	119,266	-	-	-	10,734	-	130,000
	2009	110,570	-	-	-	9,389	-	119,959
Martyn Myer	2010	126,640	-	-	-	8,360	-	135,000
	2009	126,640	-	-	-	8,360	-	135,000
Quek Poh Huat [5]	2010	-	-	-	-	-	-	-
	2009	32,548	-	-	-	-	-	32,548
Ian Renard	2010	131,193	-	-	-	11,807	-	143,000
	2009	128,824	-	-	-	11,594	-	140,418
Total for Non-executive Directors	2010	1,058,796	-	-	-	79,204	-	1,138,000
	2009	1,026,103	-	-	-	72,410	-	1,098,513
Executive Directors								
Nino Ficca [7]	2010	753,028	-	454,067	6,193	67,503	162,860	1,443,651
	2009	703,141	-	412,461	6,308	65,506	1,145,310	2,332,726

Note: No termination benefits were paid or accrued during either FY09 or FY10.

1 2010 cash bonus for the Executive Director includes bonuses in respect of performance for the year ended 31 March 2010. These amounts have been approved but not yet paid.

2 This amount represents car parking benefits. The allocation of the premium for Directors' and Officers' insurance is not included as under the terms of the current policy this information cannot be disclosed.

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 The Stapled Group has determined, based on its best estimate as at 31 March 2010 that the amounts payable under the LTIP Awards granted on 1 April 2008 and 1 April 2009 will be for both the EPS and TSR components. As the performance period over which the Awards vest is three years, the amount included in Equity Based Payments is one third of the amount estimated to be payable at the end of the performance period for each Award. The actual amounts paid under these Awards will not be known until the end of the performance period. For the LTIP Award granted on 1 April 2007, the amount included in Equity Based Payments is the difference between the grant payable and the amounts that have been included in Equity Based Payments in previous years. 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.

5 As Mr Quek is an executive of Singapore Power Limited and was a nominee Director of Singapore Power Limited on the Board of SP AusNet, Singapore Power Limited received the fees for Mr Quek's services as a Director of SP AusNet, Mr Quek resigned with effect from 17 July 2008.

6 Mr Ho commenced effective 1 September 2008.

7 Remuneration disclosed for 31 March 2009 has been adjusted for a reallocation of superannuation.

Directors' report (continued)

Remuneration report (Audited) (continued)

Total remuneration for Key Management Personnel for the year ended 31 March 2010 and 31 March 2009

		Short-term				Post-employment	Equity based payments [3]	Termination benefits [4]	Total
	Year	Cash salary and fees	Retention payments	Cash bonus [1]	Other short-term benefits [2]	Super-annuation			
Nino Ficca [10]	2010	753,028	-	454,067	6,193	67,503	162,860	-	1,443,651
	2009	703,141	-	412,461	6,308	65,506	1,145,310	-	2,332,726
Paul Adams [5]	2009	298,282	393,207	98,060	3,819	64,549	-	210,748	1,068,665
John Azaris [6]	2010	256,422	-	110,819	6,193	29,430	109,461	-	512,325
Michael Besselink [7]	2009	68,798	-	52,528	2,489	8,019	-	-	131,834
Norman Drew [10]	2010	382,333	-	165,428	6,193	43,429	54,612	-	651,995
	2009	352,622	-	173,010	6,308	40,957	372,636	-	945,533
Adrian Hill [8]	2009	127,852	-	-	1,580	10,193	-	74,513	214,138
John Kelso [9]	2010	237,797	-	92,845	6,193	22,581	63,011	-	422,427
Geoff Nicholson [10]	2010	443,376	-	207,879	6,193	39,904	67,791	-	765,143
	2009	420,363	-	189,524	6,308	37,833	435,780	-	1,089,808
Charles Popple [10]	2010	350,264	-	136,752	6,193	31,093	54,280	-	578,582
	2009	319,208	-	155,881	6,308	27,464	341,082	-	849,943
Total	2010	2,423,220	-	1,167,790	37,158	233,940	512,015	-	4,374,123
	2009	2,290,266	393,207	1,081,464	33,120	254,521	2,294,808	285,261	6,632,647

Note: No termination benefits were paid or accrued during FY10.

1 2010 cash bonuses include bonuses in respect of performance for the year ended 31 March 2010. These amounts have been approved but not yet paid.

2 These amounts represent car parking benefits. The allocation of the premium for Directors' and Officers' insurance is not included as under the terms of the current policy this information cannot be disclosed.

3 The Stapled Group has determined, based on its best estimate as at 31 March 2010 that the amounts payable under the LTIP Awards granted on 1 April 2008 and 1 April 2009 will be for both the EPS and TSR components. As the performance period over which the Awards vest is three years, the amount included in Equity Based Payments is one third of the amount estimated to be payable at the end of the performance period for each Award. The actual amounts paid under these Awards will not be known until the end of the performance period. For the LTIP Award granted on 1 April 2007, the amount included in Equity Based Payments is the difference between the grant payable and the amounts that have been included in Equity Based Payments in previous years. 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.

4 Termination benefits represent the payment of accrued annual and long service leave benefits.

5 Mr Adams resigned with effect from 7 November 2008. Mr Adams' cash bonus for 2009 is a pro-rata amount up to the date of his resignation.

6 Mr Azaris commenced as a KMP with effect from 1 April 2009.

7 Mr Besselink ceased as a KMP with effect from 31 March 2009.

8 Mr Hill resigned with effect from 29 August 2008.

9 Mr Kelso commenced as a KMP with effect from 1 April 2009.

10 Remuneration disclosed for 31 March 2009 has been adjusted for a reallocation of superannuation.

Directors' report (continued)

Remuneration report (Audited) (continued)

Key management personnel cash bonuses – short-term incentive

The percentage of the available bonus that was paid, or that vested, in the financial years ended 31 March 2009 and 31 March 2010, and the percentage that was forfeited because the person did not meet the service or performance criteria are set out below.

	Cash Bonus (2010) [1]			Cash Bonus (2009)		
	Payable ($)	Percentage of available bonus		Paid ($)	Percentage of available bonus	
		Payable (%)	Not Payable (%)		Paid (%)	Not Paid (%)
Nino Ficca	454,067	108.8	0.0	412,461	102.8	0.0
Paul Adams [2]	N/A	N/A	N/A	98,060	88.5	11.5
John Azaris [3]	110,819	95.9	4.1	N/A	N/A	N/A
Mike Besselink [4]	N/A	N/A	N/A	52,528	99.5	0.5
Norman Drew	165,428	98.5	1.5	173,010	107.0	0.0
Adrian Hill [5]	N/A	N/A	N/A	N/A	N/A	N/A
John Kelso [6]	92,845	87.6	12.4	N/A	N/A	N/A
Geoff Nicholson	207,879	103.9	0.0	189,524	99.5	0.5
Charles Popple	136,752	88.6	11.4	155,881	107.0	0.0

1 Bonuses for performance for the year ended 31 March 2010 have been approved but not yet paid.

2 Mr Adams resigned with effect from 7 November 2008. Mr Adams' cash bonus for 2009 is a pro-rata amount up to the date of his resignation.

3 Mr Azaris commenced as a KMP with effect from 1 April 2009.

4 Mr Besselink ceased as a KMP with effect from 31 March 2009.

5 Mr Hill resigned with effect from 29 August 2008.

6 Mr Kelso commenced as a KMP with effect from 1 April 2009.

Directors' report (continued)

Remuneration report (Audited) (continued)

Key management personnel 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. The grants made in 2008 and 2009 are still in progress and, as such, no percentage of these grants have been paid or forfeited as at the date of this report, other than those who have resigned during the performance period.

	Date of grant	Percentage of maximum grant payable (%) [1]	Percentage of maximum grant forfeited (%)	Date grant may vest	Minimum total value of grant ($)	Maximum total value of grant ($) [2]
Nino Ficca	1 April 2007	29.4	70.6	31 March 2010	-	781,875
Paul Adams [3]	1 April 2007	-	100.0	31 March 2010	-	-
John Azaris [4]	1 April 2007	29.4	70.6	31 March 2010	-	180,625
Norman Drew	1 April 2007	29.4	70.6	31 March 2010	-	262,500
Adrian Hill [5]	1 April 2007	-	100.0	31 March 2010	-	-
John Kelso [6]	1 April 2007	-	-	31 March 2010	-	-
Geoff Nicholson	1 April 2007	29.4	70.6	31 March 2010	-	312,500
Charles Popple	1 April 2007	29.4	70.6	31 March 2010	-	241,250
Total granted 1 April 2007					-	1,778,750
Nino Ficca	1 April 2008	-	-	31 March 2011	-	820,969
Paul Adams [3]	1 April 2008	-	100.0	31 March 2011	-	-
John Azaris [4]	1 April 2008	-	-	31 March 2011	-	189,656
Norman Drew	1 April 2008	-	-	31 March 2011	-	275,625
Adrian Hill [5]	1 April 2008	-	100.0	31 March 2011	-	-
John Kelso [6]	1 April 2008	-	-	31 March 2011	-	86,953
Geoff Nicholson	1 April 2008	-	-	31 March 2011	-	328,125
Charles Popple	1 April 2008	-	-	31 March 2011	-	253,313
Total granted 1 April 2008					-	1,954,641
Nino Ficca	1 April 2009	-	-	31 March 2012	-	862,017
John Azaris [4]	1 April 2009	-	-	31 March 2012	-	199,139
Norman Drew	1 April 2009	-	-	31 March 2012	-	289,406
John Kelso [6]	1 April 2009	-	-	31 March 2012	-	182,602
Geoff Nicholson	1 April 2009	-	-	31 March 2012	-	344,531
Charles Popple	1 April 2009	-	-	31 March 2012	-	265,978
Total granted 1 April 2009						2,143,673

1 These grants have been approved but not yet paid.

2 For the grant of 1 April 2007, the amounts payable equated to 29.4% of the target LTIP. For the grants of 1 April 2008 and 1 April 2009, the amounts are based on maximum performance in relation to TSR and EPS at the end of the three year performance period described above and assumes prevailing FARs increase of 5% per annum.

3 Mr Adams resigned with effect from 7 November 2008.

4 Mr Azaris commenced as a KMP with effect from 1 April 2009.

5 Mr Hill resigned with effect from 29 August 2008.

6 Mr Kelso commenced as a KMP with effect from 1 April 2009.

Directors' report (continued)

Remuneration report (Audited) (continued)

Directors' interests

The Directors of SP AusNet have disclosed relevant interests in stapled securities as follows:

Name	Number of stapled securities
Ng Kee Choe [1]	195,883
Nino Ficca [2]	720,334
Jeremy Davis	105,000
Eric Gwee [1]	146,674
Ho Tian Yee	-
Tony Iannello [3]	136,049
George Lefroy [4]	239,206
Martyn Myer [5]	50,000
Ian Renard	73,825

1 Securities held by The Central Depository (Pte) Limited.

2 278,131 securities held by immediate family members of Mr Ficca and 442,203 securities held by Mr and Mrs Ficca as Trustees for the Ficca Investment Trust.

3 37,500 securities held by immediate family members of Mr Iannello through a Superannuation Plan held by Summit Custodial Services and 98,549 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.

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

	Singapore Tele-communications Limited	Singapore Airport Terminal Services Limited	PT Bank Danamon Indonesia Tbk [6]	Keppel Corporation Limited	CapitaMalls Asia Limited
Ng Kee Choe	3,080 [1]	11,000	82,843	10,000	130,000
Nino Ficca	720 [2]	-	-	-	-
Jeremy Davis	-	-	-	-	-
Eric Gwee	1,980 [3]	-	-	-	-
Ho Tian Yee	2,850 [4]	-	-	-	-
Tony Iannello	-	-	-	-	-
George Lefroy	158,792 [5]	-	-	-	-
Martyn Myer	-	-	-	-	-
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 1,490 securities held by The Central Depository (Pte) Limited on behalf of Mr Ho and 1,360 securities held by The Central Depository (Pte) Limited on behalf of immediate family members of Mr Ho.

5 Securities held by Serp Hills Pty Ltd (as trustee for Serp Hills Super Fund).

6 32,843 securities are Series B shares.

Directors' report (continued)

Remuneration report (Audited) (continued)

Service agreements

Remuneration and other terms of employment for the Managing Director and specified senior management (including KMP) 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

Term of agreement	Permanent, subject to one month's notice of termination by either party;
Fixed remuneration	Fixed remuneration includes base salary and superannuation.
	As at 31 March 2010, fixed annual remuneration was $834,000.
	Fixed remuneration is reviewed annually by the Remuneration Committee and the Board.
Short-term incentive	Annual short-term incentive of 50% of FAR for on-target performance.
Termination benefits	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 Executive KMP listed are substantially the same as those that apply to the Managing Director.

Proceedings on behalf of the Company

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.

Directors' report (continued)

Indemnification and insurance of officers and auditors

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 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 and no insurance cover is provided to the auditor.

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 25 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 35.

Directors' report (continued)

Rounding of amounts

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

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

Ng Kee Choe
Chairman

Nino Ficca
Managing Director

Melbourne
11 May 2010

KPMG

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

To the directors of SP Australia Networks (Distribution) Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2010 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
11 May 2010

Income statements
For the year ended 31 March 2010

		Combined		Parent	
		2010	2009	2010	2009
	Notes	$M	$M	$M	$M
Revenue	3	1,333.6	1,169.4	0.6	0.6
Expenses, excluding finance costs	4	(789.8)	(712.2)	(0.6)	(0.6)
Profit/(loss) from operating activities		543.8	457.2	-	-
Finance income	5	13.8	14.2	1,711.9	-
Finance expenses	5	(308.5)	(303.1)	(196.8)	(175.9)
Net finance (costs)/income		(294.7)	(288.9)	1,515.1	(175.9)
Profit/(loss) before income tax		249.1	168.3	1,515.1	(175.9)
Income tax (expense)/benefit	6	(40.1)	(21.4)	53.5	52.7
Profit/(loss) for the year		209.0	146.9	1,568.6	(123.2)
Profit attributable to SP AusNet Transmission and SP AusNet Finance Trust (minority interest)		183.1	154.9	-	-
Profit/(loss) attributable to SP AusNet Distribution		25.9	(8.0)	1,568.6	(123.2)
Total profit/(loss) for the year		209.0	146.9	1,568.6	(123.2)
Earnings per share for profit/(loss) attributable to the ordinary equityholders of the Company (SP AusNet Distribution)					
Basic and diluted earnings per share (cents per share)	8	1.00	(0.38)		

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

Statements of comprehensive income

For the year ended 31 March 2010

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Profit/(loss) for the year	209.0	146.9	1,568.6	(123.2)
Other comprehensive income				
Movement in defined benefit funds				
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	15.8	(34.7)	-	-
SP AusNet Distribution	23.8	(62.6)	-	-
Movement in hedge reserve				
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	18.6	(21.7)	-	-
SP AusNet Distribution	118.2	(325.3)	-	-
Income tax on other comprehensive income	(52.9)	133.2	-	-
Other comprehensive income for the year, net of income tax	123.5	(311.1)	-	-
Total comprehensive income for the year	332.5	(164.2)	1,568.6	(123.2)
Attributable to:				
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	207.2	115.4	-	-
SP AusNet Distribution	125.3	(279.6)	1,568.6	(123.2)
Total comprehensive income for the year	332.5	(164.2)	1,568.6	(123.2)

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

Statements of financial position

As at 31 March 2010

	Notes	Combined 2010 $M	Combined 2009 $M	Parent 2010 $M	Parent 2009 $M
ASSETS					
Current assets					
Cash and cash equivalents	9	545.1	7.2	-	-
Receivables	10	207.6	182.7	75.5	54.7
Inventories	11	16.4	15.8	-	-
Derivative financial instruments	12	349.0	54.3	-	-
Other current assets	13	11.2	11.0	0.3	0.3
Total current assets		1,129.3	271.0	75.8	55.0
Non-current assets					
Inventories	11	15.8	16.1	-	-
Receivables	10	-	-	1,555.6	-
Intangible assets	16	356.2	354.5	-	-
Property, plant and equipment	15	7,065.0	6,721.9	-	-
Deferred tax assets	6(d)	-	-	122.5	89.9
Derivative financial instruments	12	41.5	455.4	-	-
Other assets	13	0.9	0.9	-	-
Investments in subsidiaries	14	-	-	2,227.0	2,227.0
Total non-current assets		7,479.4	7,548.8	3,905.1	2,316.9
Total assets		8,608.7	7,819.8	3,980.9	2,371.9
LIABILITIES					
Current liabilities					
Payables and other liabilities	17	215.9	225.3	0.3	0.3
Borrowings	18	749.0	225.1	1,164.0	735.3
Derivative financial instruments	12	72.4	240.0	-	-
Current tax payable		4.1	2.0	-	-
Provisions	19	57.6	51.0	-	-
Total current liabilities		1,099.0	743.4	1,164.3	735.6
Non-current liabilities					
Payables and other liabilities	17	4.1	5.0	-	-
Borrowings	18	3,731.9	4,267.1	1,551.1	1,939.4
Derivative financial instruments	12	649.4	245.9	-	-
Deferred tax liabilities	6(d)	306.5	237.3	-	-
Provisions	19	43.7	93.3	-	-
Total non-current liabilities		4,735.6	4,848.6	1,551.1	1,939.4
Total liabilities		5,834.6	5,592.0	2,715.4	2,675.0
Net assets/(liabilities)		2,774.1	2,227.8	1,265.5	(303.1)
EQUITY					
Equityholders of SP AusNet Distribution					
Contributed equity		0.5	0.5	0.5	0.5
Reserves		(77.0)	(159.7)	-	-
Retained profits/(accumulated losses)		608.1	565.5	1,265.0	(303.6)
		531.6	406.3	1,265.5	(303.1)
Equityholders of SP AusNet Transmission and SP AusNet Finance Trust (minority interest)		2,242.5	1,821.5	-	-
Total equity		2,774.1	2,227.8	1,265.5	(303.1)

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

Statements of changes in equity
For the year ended 31 March 2010

	Notes	Contributed equity $M	Issued units $M	Hedge reserve (i) $M	Retained profits (ii) $M	Fair value adjustment on stapling $M	Other equity component (iii) $M	Total equity $M
31 March 2010								
SP AusNet Distribution - Combined								
Balance as at 1 April 2009		0.5	-	(159.7)	565.5	-	-	406.3
Total comprehensive income for the year								
Profit/(loss) for the year		-	-	-	25.9	-	-	25.9
Total other comprehensive income		-	-	82.7	16.7	-	-	99.4
Total comprehensive income for the financial year		-	-	82.7	42.6	-	-	125.3
Balance as at 31 March 2010		0.5	-	(77.0)	608.1	-	-	531.6
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)								
Balance as at 1 April 2009		650.1	1,737.6	(14.9)	492.4	51.4	(1,095.1)	1,821.5
Total comprehensive income for the year								
Profit/(loss) for the year		-	-	-	183.1	-	-	183.1
Total other comprehensive income		-	-	13.0	11.1	-	-	24.1
Total comprehensive income for the financial year		-	-	13.0	194.2	-	-	207.2
Transactions with owners, recorded directly in equity								
Distributions paid	7	-	(50.0)	-	(182.2)	-	-	(232.2)
New units issued (net of transaction costs)		-	399.3	-	-	-	-	399.3
Distribution reinvestment plan (net of transaction costs)	7	-	46.7	-	-	-	-	46.7
Total transactions with owners		-	396.0	-	(182.2)	-	-	213.8
Balance as at 31 March 2010		650.1	2,133.6	(1.9)	504.4	51.4	(1,095.1)	2,242.5
Total stapled securityholders' equity as at 31 March 2010		650.6	2,133.6	(78.9)	1,112.5	51.4	(1,095.1)	2,774.1

Statements of changes in equity

For the year ended 31 March 2010

	Notes	Contributed equity $M	Issued units $M	Hedge reserve (i) $M	Retained profits (ii) $M	Fair value adjustment on stapling $M	Other equity component (iii) $M	Total equity $M
31 March 2009								
SP AusNet Distribution - Combined								
Balance as at 1 April 2008		0.5	-	68.1	617.3	-	-	685.9
Total comprehensive income for the year								
Profit/(loss) for the year		-	-	-	(8.0)	-	-	(8.0)
Total other comprehensive income		-	-	(227.8)	(43.8)	-	-	(271.6)
Total comprehensive income for the financial year		-	-	(227.8)	(51.8)	-	-	(279.6)
Balance as at 31 March 2009		0.5	-	(159.7)	565.5	-	-	406.3
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)								
Balance as at 1 April 2008		650.1	1,827.7	0.3	490.2	51.4	(1,095.1)	1,924.6
Total comprehensive income for the year								
Profit/(loss) for the year		-	-	-	154.9	-	-	154.9
Total other comprehensive income		-	-	(15.2)	(24.3)	-	-	(39.5)
Total comprehensive income for the financial year		-	-	(15.2)	130.6	-	-	115.4
Transactions with owners, recorded directly in equity								
Distributions paid	7	-	(116.7)	-	(128.4)	-	-	(245.1)
Distribution reinvestment plan (net of transaction costs)	7	-	26.6	-	-	-	-	26.6
Total transactions with owners		-	(90.1)	-	(128.4)	-	-	(218.5)
Balance as at 31 March 2009		650.1	1,737.6	(14.9)	492.4	51.4	(1,095.1)	1,821.5
Total stapled securityholders' equity as at 31 March 2009		650.6	1,737.6	(174.6)	1,057.9	51.4	(1,095.1)	2,227.8

Statements of changes in equity

For the year ended 31 March 2010

	Contributed equity	Issued units	Hedge reserve (i)	Retained profits (ii)	Fair value adjustment on stapling	Other equity component (iii)	Total equity
	$M	$M	$M	$M	$M	$M	$M
31 March 2010							
SP AusNet Distribution - Parent							
Balance as at 1 April 2009	0.5	-	-	(303.6)	-	-	(303.1)
Total comprehensive income for the year							
Profit/(loss) for the year	-	-	-	1,568.6	-	-	1,568.6
Total comprehensive income for the financial year	-	-	-	1,568.6	-	-	1,568.6
Balance as at 31 March 2010	0.5	-	-	1,265.0	-	-	1,265.5
31 March 2009							
SP AusNet Distribution - Parent							
Balance as at 1 April 2008	0.5	-	-	(180.4)	-	-	(179.9)
Total comprehensive income for the year							
Profit/(loss) for the year	-	-	-	(123.2)	-	-	(123.2)
Total comprehensive income for the financial year	-	-	-	(123.2)	-	-	(123.2)
Balance at 31 March 2009	0.5	-	-	(303.6)	-	-	(303.1)

(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) Actuarial gains and losses on the defined benefit obligation and the pension plan assets are recognised directly in retained earnings, as described in note 1(x).

(iii) SP AusNet Transmission other equity component results from the application of reverse acquisition accounting and represents the difference between the net assets of SP AusNet Transmission and SPI Australia Finance Pty Ltd and the purchase price paid by the legal acquirer, SP AusNet Transmission.

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

Statements of cash flows

For the year ended 31 March 2010

	Notes	Combined 2010 $M	Combined 2009 $M	Parent 2010 $M	Parent 2009 $M
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		1,362.3	1,238.5	0.7	0.6
Payments to suppliers and employees (inclusive of goods and services tax)		(611.3)	(553.0)	(0.6)	(7.4)
Dividends received		-	-	1,693.2	-
Income tax paid		(21.7)	(25.7)	-	-
Interest received		9.3	4.6	18.7	-
Interest and other costs of finance paid		(318.0)	(315.6)	(196.9)	(175.8)
Net cash inflow/(outflow) from operating activities	30	420.6	348.8	1,515.1	(182.6)
Cash flows from investing activities					
Payments for property, plant and equipment		(583.4)	(461.7)	-	-
Proceeds from sale of property, plant and equipment		4.2	2.9	-	-
Purchase of other intangible assets		(1.8)	-	-	-
Net cash inflow/(outflow) from investing activities		(581.0)	(458.8)	-	-
Cash flows from financing activities					
Proceeds of loans with related parties		-	-	871.8	301.4
Repayment of loans with related parties		-	-	(2,386.9)	(118.8)
Proceeds from issue of securities (i)		399.3	-	-	-
Distributions paid (ii)	7	(185.5)	(218.5)	-	-
Proceeds from borrowings		1,283.5	1,263.2	-	-
Repayment of borrowings		(799.0)	(939.5)	-	-
Net cash inflow/(outflow) from financing activities		698.3	105.2	(1,515.1)	182.6
Net increase/(decrease) in cash held		537.9	(4.8)	-	-
Cash and cash equivalents at the beginning of the financial year		7.2	12.0	-	-
Cash and cash equivalents at the end of the financial year	9	545.1	7.2	-	-

(i) The amount of proceeds from issue of units net of transaction costs.

(ii) Amounts shown represent distributions paid of $232.2 million (2009: $245.1 million) offset by proceeds from the DRP of $46.9 million (2009: $26.6 million), less transaction costs of $0.2 million.

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

Notes to the financial statements
31 March 2010

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 ("IASB").

This general purpose financial report is presented in Australian dollars.

The financial statements were approved by the Board of Directors on 11 May 2010.

The parent entity has a current net asset deficiency of $1,088.5 million as at 31 March 2010. The financial report of the parent has been prepared on a going concern basis as the deficiency arises from the related party loans with SP AusNet Finance Trust. Whilst repayable on demand the loan agreements between SP AusNet Distribution and SP AusNet Finance Trust are for terms of ten years and mature in July 2014 and December 2018 (refer note 28(h) for further details on terms and conditions). The Directors are confident that either SP AusNet Finance Trust will not demand repayment of the outstanding principal and unpaid accrued interest prior to the expiration of the term, or the Directors will have put in place satisfactory refinancing.

(i) New standards adopted

The standards relevant to the Stapled Group that have been adopted during the annual reporting period beginning 1 April 2009 are:

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

- Revised AASB 136 *Impairment of Assets* is applicable to annual reporting periods commencing on or after 1 January 2009. The amendments align the disclosure requirements required when the unit's (or group of units) recoverable amount is based on fair value less costs to sell determined using discounted cash flows with those required when the recoverable amount is based on its value in use.

- AASB Interpretation 18 *Transfers of Assets from Customers* is applicable for transfers occurring on or after 1 July 2009. This interpretation clarifies the accounting for agreements where an entity receives an item of property, plant and equipment (or cash to construct such an item) from a customer and this equipment in turn is used to connect a customer to SP AusNet's network or to provide ongoing access to supply of goods or services. As revenue earned from customer contributions is in exchange for connection to the network, this interpretation results in no change to the accounting for customer contributions.

Note 1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) New standards adopted (continued)

- Revised AASB 7 *Financial Instruments: Disclosures* is applicable to annual reporting periods beginning on or after 1 January 2009. The amended Standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by the source of inputs using a three level fair value hierarchy, by class. In addition, a reconciliation of significant transfers between levels in the fair value hierarchy is required. The hierarchy reflects the availability of observable market inputs when estimating fair values. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. This standard does not result in any changes to the treatment of the financial instruments but results in additional disclosures of information on their fair value measurement and liquidity risk.

(ii) New standards not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Stapled Group in the period of initial implication. They are available for early adoption for the annual reporting period beginning 1 April 2009, but have not been applied in preparing this financial report:

- AASB 3 *Business Combinations (revised 2008)* is applicable to annual reporting periods commencing on or after 1 July 2009. AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest (previously “minority interest”), the accounting for transactions costs, the initial recognition and subsequent measurement of contingent consideration and business combination achieved in stages. These changes, which become mandatory for the Stapled Group’s March 2011 financial statements, will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and also future reported results.

- AASB 127 *Consolidated and Separate Financial Statements (revised 2008)* is applicable to annual reporting periods commencing on or after 1 July 2009. AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control in subsidiary. This standard cannot be early adopted unless AASB 3 (revised 2008) is early adopted. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests. These amendments will become mandatory for the Stapled Group’s March 2011 financial statements.

- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* is applicable to annual reporting periods commencing on or after 1 July 2009. AASB 2008-3 amends the requirements in several accounting standards due to the changes made to AASB 3 and AASB 127. The standard cannot be early adopted unless revised AASB 3 is early adopted.

- AASB 2008-8 *Further Amendments to Australian Accounting Standards – Eligible Hedged Items* is applicable to annual reporting periods commencing on or after 1 July 2009. AASB 2008-8 clarifies the eligibility principles for designation as a hedged item. These amendments will become mandatory for the Stapled Group’s March 2012 financial statements. Their impact has not yet been quantified by the Stapled Group.

Note 1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards not yet adopted (continued)

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* is applicable to annual reporting periods commencing on or after 1 January 2010. This standard makes minor changes for presentation, disclosure, recognition and measurement purposes. The amendments become mandatory for the Stapled Group's March 2011 financial statements and impact the financial statements as follows:
  - Amendments to AASB *117 Leases*. The IASB deleted guidance stating that a lease of land with an indefinite economic life is normally classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7-13 of the standard, taking into account the fact that land normally has an indefinite economic life. The impact of this amendment has not yet been quantified by the Stapled Group.

There are also other minor amendments and revisions to standards and interpretations that have not been early adopted. As these changes are minor in nature, 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.

(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 23.

(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 of the Stapled Group.

Note 1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(i) Stapling (continued)

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 comprehensive income and combined cash flow statements reflect the combined results, comprehensive income and cash flows of SP AusNet Distribution, SP AusNet Transmission and SP AusNet Finance Trust for the full financial years ended 31 March 2010 and 31 March 2009.

The figures in the combined statement of financial position 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 are presently 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 comprehensive income and combined statements of financial position 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.

Service revenue

- Service revenue is earned from niche asset services, in particular metering, vegetation management, asset inspection and technical services and is recognised as the services are rendered.

(ii) Other excluded services revenue

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

Note 1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(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.

(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 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.

Note 1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

(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.

The members of each tax consolidation group have recognised tax payable or receivable within the tax consolidation groups as fully funded through intercompany loans.

(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.

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.

Note 1 Summary of significant accounting policies (continued)

(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 other than goodwill

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 post-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 and loans 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.

Collectability 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. Derivatives that do not qualify for hedge accounting, even when entered into for economic hedging purposes are classified as "held for trading" financial instruments in accordance with AASB 139.

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).

Note 1 Summary of significant accounting policies (continued)

(o) Derivatives (continued)

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 12. Movements in the hedge reserve in securityholders' equity are shown in the statements of changes in equity.

(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.

(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.

(p) Fair value estimation

All SP AusNet's assets and liabilities carried at fair value are derivative instruments that are measured using market observable data and as such are deemed level two within the fair value hierarchy as per AASB 7 *Financial Instruments: Disclosure*.

The fair value and net fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. Appropriate transaction costs are included in the determination of net fair value.

Note 1 Summary of significant accounting policies (continued)

(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.

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, and where material changes are made, their effects are disclosed in the financial statements.

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

	Years
Distribution network (gas)*	15-120
Buildings	40-99
Transmission network	15-70
Distribution network (electricity)	5-70
Other general assets	3-10
Motor vehicles and heavy machinery	3-12
Computer equipment and software	3-5

* The service life of industrial gas meters was reassessed during the year to be 15 years. The impact on depreciation was immaterial.

(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.

Note 1 Summary of significant accounting policies (continued)

(r) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Stapled Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the income statement as a gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Stapled Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

(s) Intangible assets

(i) Distribution licences

The distribution licences held entitle certain subsidiaries to distribute electricity and gas within the subsidiary'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.

(ii) Other intangible assets

Other intangible assets that are acquired by the Stapled Group and that have a finite useful life are measured at cost less accumulated amortisation and accumulated impairment losses.

(t) 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, are unsecured and are usually payable within 30 days of end of month.

Note 1 Summary of significant accounting policies (continued)

(u) 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.

(v) 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, other than borrowing costs directly attributable to a qualifying asset which 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 7.6 per cent (2009: 7.6 per cent) applicable to the Stapled Group’s outstanding borrowings during the period.

(w) 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.

Note 1 Summary of significant accounting policies (continued)

(w) Provisions (continued)

(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 provision

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) Customer rebates

Provision for customer rebates represents an assessment of the rebates payable to the customer for costs incurred by the customer in the construction of low voltage and high voltage infrastructure for turnkey projects in the electricity distribution business.

(iv) 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 and Finance.

(v) 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 the Australian Energy Market Operator ("AEMO") has released final gas system volume information in June of each year.

(x) 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.

Note 1 Summary of significant accounting policies (continued)

(x) Employee benefits (continued)

(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 retained earnings in the period in which they occur, and are presented in the statement of comprehensive income.

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)

(y) 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.

(z) 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. 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.

(aa) Earnings per share

(i) Basic earnings per share and basic earnings per stapled security

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 and diluted earnings per stapled security

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.

(ab) Rounding of amounts

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

Note 2 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 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. The Stapled Group's network covers eastern Victoria including the eastern metropolitan region of Melbourne.

Also included in this segment is revenue and expenses from Select Solutions including metering and vegetation management services.

(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 Stapled Group charges AEMO distribution network service providers and electricity generators for connections and use of the electricity transmission network.

The electricity transmission segment does not purchase or sell electricity.

Note 2 Segment information (continued)

2010	Electricity distribution $M	Gas distribution $M	Transmission $M	Inter-segment eliminations $M	Combined $M
Regulated revenue	467.2	181.2	482.5	(9.3)	1,121.6
Excluded revenue	17.1	3.2	21.0	(4.5)	36.8
Customer contributions	34.6	4.0	-	-	38.6
Service revenue	95.8	1.1	9.1	-	106.0
Other revenue	11.5	1.3	18.7	(0.9)	30.6
Total segment revenue	626.2	190.8	531.3	(14.7)	1,333.6
Segment result before interest expense	176.9	94.6	272.3	-	543.8
Segment interest expense	(104.0)	(59.6)	(145.9)	-	(309.5)
Unallocated finance income less unallocated finance expenses					14.8
Profit before income tax					249.1
Income tax expense					(40.1)
Net profit for the year					209.0
Segment assets	3,617.3	1,672.1	3,317.5	-	8,606.9
Unallocated assets					1.8
Total assets					8,608.7
Segment liabilities	2,325.4	1,252.3	1,946.4	-	5,524.1
Unallocated liabilities					310.5
Total liabilities					5,834.6
Other segment information					
Capital expenditure	350.6	67.6	162.5	-	580.7
Depreciation expense	116.1	42.1	76.3	-	234.5

Note 2 Segment information (continued)

(b) Reportable segment financial information

2009 (i)	Electricity distribution $M	Gas distribution $M	Transmission $M	Inter-segment eliminations $M	Combined $M
Regulated revenue	437.8	171.4	456.1	(10.2)	1,055.1
Excluded revenue	14.9	3.0	11.1	(0.2)	28.8
Customer contributions	21.5	3.0	-	-	24.5
Service revenue	23.0	0.8	7.9	-	31.7
Other revenue (i)	12.0	1.0	17.1	(0.8)	29.3
Total segment revenue	509.2	179.2	492.2	(11.2)	1,169.4
Segment result before impairment and interest expense	154.4	89.6	256.5	-	500.5
Impairment write-down on property, plant and equipment (before tax) (note 4 (ii))	(43.3)	-	-	-	(43.3)
Segment result before interest expense	111.1	89.6	256.5	-	457.2
Segment interest expense	(86.2)	(78.0)	(139.7)	-	(303.9)
Unallocated finance income less unallocated finance expenses					15.0
Profit before income tax					168.3
Income tax expense					(21.4)
Net profit for the year					146.9
Segment assets	2,887.8	1,693.3	3,238.5	-	7,819.6
Unallocated assets					0.2
Total assets					7,819.8
Segment liabilities	2,151.5	1,326.1	1,875.4	-	5,353.0
Unallocated liabilities					239.0
Total liabilities					5,592.0
Other segment information					
Capital expenditure	262.4	69.0	140.1	-	471.5
Depreciation expense	101.6	38.2	69.3	-	209.1

Note 2 Segment information (continued)

(b) Reportable segment financial information

(i) For the year ended 31 March 2009, a portion of other revenue has been restated as service revenue.

(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. Unallocated finance income less unallocated finance expenses includes amounts relating to cash flow and fair value hedges recognised in the income statement, capitalised finance charges and defined benefits interest expense and income. 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 3 Revenue

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Revenue				
Regulated revenue	1,121.6	1,055.1	-	-
Excluded services	36.8	28.8	-	-
Total regulated revenue	1,158.4	1,083.9	-	-
Other revenue				
Customer contributions	38.6	24.5	-	-
Service revenue	106.0	31.7	-	-
Other revenue (i)	30.6	29.3	0.6	0.6
Total other revenue	175.2	85.5	0.6	0.6
Total revenue	1,333.6	1,169.4	0.6	0.6

(i) For the year ended 31 March 2009, a portion of other revenue has been restated as service revenue.

Note 4 Expenses

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Profit before income tax includes the following specific expenses:				
Expenses, excluding finance costs, included in the income statement:				
Use of system and associated charges	69.4	59.8	-	-
Employee benefits				
Defined benefit superannuation expenses	4.6	3.8	-	-
Defined contribution superannuation expenses	5.7	8.9	-	-
Employee benefits expenses	105.1	97.5	-	-
Materials	33.3	14.7	-	-
External maintenance and contractors' services	135.1	60.1	-	-
Information technology and communication costs	9.5	12.1	-	-
External consulting, legal and accounting costs	13.5	15.7	-	-
Property taxes	99.7	82.5	-	-
Administrative expenses	31.1	32.5	-	-
Management services fees (i)	13.8	39.7	-	-
Performance fees	12.2	12.3	-	-
Flame logo fee	1.0	1.0	0.6	0.6
Other costs	11.3	9.8	-	-
Depreciation	234.5	209.1	-	-
Net (gain)/loss on disposal of property, plant and equipment	(1.1)	(1.1)	-	-
Operating lease rental expenses	10.5	10.0	-	-
Allowance for impairment losses on receivables	0.6	0.5	-	-
Total expenses, excluding finance costs and abnormal items	789.8	668.9	0.6	0.6
Impairment of meters (ii)	-	43.3	-	-
Total expenses, excluding finance costs	789.8	712.2	0.6	0.6

(i) The movement is predominantly due to the pass through of actuarial gains and losses in the defined benefit plan for SPIMS employees from 1 April 2008.

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

Note 5 Net finance costs/(income)

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Finance income				
Interest income	3.3	1.1	-	-
Interest income - related parties	-	-	18.7	-
Dividend income	-	-	1,693.2	-
Expected return on defined benefit fund plan assets	10.5	13.1	-	-
Total finance income	13.8	14.2	1,711.9	-
Finance expenses				
Interest expense	309.5	304.9	-	-
Interest expense - related parties	-	-	196.8	175.9
Change in discount on provisions	0.6	(1.7)	-	-
Net (profit)/loss on derivatives in a fair value hedge	495.0	(490.5)	-	-
Net (profit)/loss on borrowings in a fair value hedge	(496.1)	496.3	-	-
Net (profit)/loss on derivatives not in a hedging relationship	(1.6)	(4.5)	-	-
Transfers from cash flow hedge reserve	8.0	(1.0)	-	-
Ineffective portion of changes in fair value of cash flow hedges transferred from cash flow hedge reserve	(5.0)	0.7	-	-
Other finance charges	7.3	4.3	-	-
Defined benefit interest expense	8.2	8.8	-	-
Capitalised finance charges	(17.4)	(14.2)	-	-
Total finance expenses	308.5	303.1	196.8	175.9
Net finance costs/(income)	294.7	288.9	(1,515.1)	175.9

Note 6 Income tax and deferred tax

(a) Income tax expense/(benefit)

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Current tax	24.3	19.8	(22.0)	(41.0)
Prior year (over)/under provision - current tax	(0.5)	1.6	1.1	-
Deferred tax	17.1	1.3	(31.5)	(11.7)
Prior year (over)/under provision - deferred tax	(0.8)	(1.3)	(1.1)	-
	40.1	21.4	(53.5)	(52.7)

Note 6 Income tax and deferred tax (continued)

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

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Profit/(loss) from operations before income tax expense	249.1	168.3	1,515.1	(175.9)
Tax at the Australian tax rate of 30% (2009: 30%)	74.7	50.5	454.5	(52.7)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Non-assessable interest income	(33.4)	(28.7)	-	-
Non-assessable dividend income	-	-	(508.0)	-
Prior year (over)/under provisions	(1.3)	0.3	-	-
Sundry items	0.1	(0.7)	-	-
Income tax expense/(benefit)	40.1	21.4	(53.5)	(52.7)

(c) Amounts recognised directly in equity

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
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	41.1	(104.0)	-	-
Defined benefit funds	11.8	(29.2)	-	-
Net deferred tax debited/(credited) directly to equity	52.9	(133.2)	-	-

The Stapled Group's effective tax rate for the period ended 31 March 2010 is approximately 16 per cent (2009: 13 per cent). The divergence in the effective rate, from the prima facie rate of 30 per cent, is mainly caused by SP AusNet Finance Trust's interest income not being assessable in the Trust on the basis that all beneficiaries are presently entitled to trust income at the end of the reporting period. However, the corresponding interest expense incurred in SP AusNet Distribution and SP AusNet Transmission is deductible for tax purposes.

Note 6 Income tax and deferred tax (continued)

(d) Recognised deferred tax assets and liabilities

		Deferred tax assets		Deferred tax liabilities	
		2010	2009	2010	2009
	Notes	$M	$M	$M	$M
Combined					
Alinta acquisition investigation costs (i)		2.9	4.3	-	-
Employee benefits		14.2	11.0	-	-
Other accruals and provisions		12.9	19.0	-	-
Intellectual property - copyright	26(b)	40.1	42.1	-	-
Derivatives and fair value adjustments on borrowings		35.6	76.6	-	-
Tax prepayments		0.5	3.8	-	-
Tax losses		122.7	90.4	-	-
Defined benefit funds		9.0	24.1	-	-
Deferred charges (non-current)		-	-	(1.8)	(2.1)
Intangibles		-	-	(4.0)	(4.0)
Property, plant and equipment		-	-	(538.6)	(502.5)
Tax assets/(liabilities)		237.9	271.3	(544.4)	(508.6)
Set off of tax		(237.9)	(271.3)	237.9	271.3
Net tax assets/(liabilities)		-	-	(306.5)	(237.3)
Parent					
Other accruals and provisions		-	-	-	(0.2)
Tax losses		122.5	90.1	-	-
Tax assets/(liabilities)		122.5	90.1	-	(0.2)
Set off of tax		-	(0.2)	-	0.2
Net tax assets/(liabilities)		122.5	89.9	-	-

(i) One–off transaction costs associated with the proposed acquisition of the Alinta assets and businesses from Singapore Power International Pty Ltd which did not proceed.

Note 6 Income tax and deferred tax (continued)

(e) Movement in temporary differences during the year

	Notes	Combined 2010 $M	Combined 2009 $M	Parent 2010 $M	Parent 2009 $M
Net deferred tax asset/(liabilities)					
Opening balance at 1 April		(237.3)	(370.5)	89.9	78.2
(Charged)/credited to the income statement (i)	6(a)	(17.1)	(1.3)	31.5	11.7
Credited/(debited) to equity	6(c)	(52.9)	133.2	-	-
Net prior year over provision	6(a)	0.8	1.3	1.1	-
Closing balance at 31 March		(306.5)	(237.3)	122.5	89.9

(i) Deferred tax income/expense recognised in the income statement in respect of each type of temporary difference is as follows:

	Charged/(credited) to the income statements 2010 $M	Charged/(credited) to the income statements 2009 $M
Combined		
Alinta acquisition investigation costs	1.5	1.4
Employee benefits	(1.6)	(0.9)
Other accruals and provisions	4.6	(1.2)
Intellectual property - copyright	2.0	2.0
Derivatives and fair value adjustments on borrowings	(0.1)	(0.5)
Tax prepayments	3.3	8.8
Tax losses	(31.5)	(11.8)
Defined benefit funds	3.2	0.7
Deferred charges (non-current)	(0.4)	0.1
Property, plant and equipment	36.1	2.7
Total charged/(credited) to the income statements	17.1	1.3
Parent		
Other accruals and provisions	-	0.1
Tax losses	(31.5)	(11.8)
Total charged/(credited) to the income statements	(31.5)	(11.7)

Note 7 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 $M
Distributions from earnings				
Fully franked dividend	SP AusNet Transmission	25 June 2009	1.911	40.5
Fully franked dividend	SP AusNet Transmission	22 December 2009	1.289	34.3
Assessable interest income	SP AusNet Finance Trust	25 June 2009	2.692	57.1
Assessable interest income	SP AusNet Finance Trust	22 December 2009	1.887	50.3
Total distributions from earnings				182.2
Distributions from capital				
Return of capital	SP AusNet Finance Trust	25 June 2009	1.324	28.1
Return of capital	SP AusNet Finance Trust	22 December 2009	0.824	21.9
Total distributions from capital				50.0
Total distributions				232.2

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 $M
Distributions from earnings				
Fully franked dividend	SP AusNet Transmission	23 June 2008	0.736	15.4
Fully franked dividend	SP AusNet Transmission	18 December 2008	1.911	40.0
Assessable interest income	SP AusNet Finance Trust	23 June 2008	1.655	34.6
Assessable interest income	SP AusNet Finance Trust	18 December 2008	1.839	38.4
Total distributions from earnings				128.4
Distributions from capital				
Return of capital	SP AusNet Finance Trust	23 June 2008	3.397	71.1
Return of capital	SP AusNet Finance Trust	18 December 2008	2.177	45.6
Total distributions from capital				116.7
Total distributions				245.1

In relation to the distributions paid in the current financial year of $232.2 million (2009: $245.1 million), $46.9 million (2009: $26.6 million), less transaction costs of $0.2 million, was utilised in the allotment of new securities issued under the Distribution Reinvestment Plan.

Note 7 Distributions (continued)

(a) Franking account

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
30 per cent franking credits available to securityholders for subsequent financial years	26.4	34.7	0.1	0.1

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 $18.4 million (2009: $17.4 million). 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 $0.1 million and $26.3 million (2009: $0.1 million and $34.6 million) franking credits respectively.

Note 8 Earnings per share and earnings per stapled security

(a) Basic earnings per share for SP AusNet Distribution

	Combined	
	2010	2009
	$M	$M
Profit/(loss) from operations attributable to the ordinary equityholders of the Company	25.9	(8.0)
Profit attributable to the ordinary equityholders of the Company	25.9	(8.0)
Weighted average number of shares (million)	2,583.9	2,100.6
	Cents	Cents
Earnings per share from profit/(loss)	1.00	(0.38)

(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.

Note 8 Earnings per share and earnings per stapled security (continued)

(c) Earnings per stapled security

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

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

(d) Basic earnings per stapled security

(i) As reported in income statements

	Combined	
	2010	2009
	$M	$M
Profit from operations attributable to the ordinary securityholders of the Stapled Group	209.0	146.9
Profit attributable to the ordinary securityholders of the Stapled Group	209.0	146.9
Weighted average number of securities (million)	2,583.9	2,100.6
	Cents	Cents
Earnings per security from profit (Stapled Group)	8.09	6.99

(ii) Adjusted for individually material items

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

	Combined	
	2010	2009
	$M	$M
Profit from operations attributable to the ordinary securityholders of the Stapled Group	209.0	146.9
Adjusted for the after tax impact of the impairment write-down of existing meters to be replaced under the Advanced Metering Infrastructure roll-out program	-	30.3
Profit attributable to the ordinary securityholders of the Stapled Group	209.0	177.2
Weighted average number of securities (million)	2,583.9	2,100.6
	Cents	Cents
Earnings per security from profit (Stapled Group)	8.09	8.44

(e) Diluted earnings per stapled security

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

Note 9 Cash and cash equivalents

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Cash and cash equivalents (i)	545.1	7.2	-	-
Total cash and cash equivalents	545.1	7.2	-	-

(i) Cash and cash equivalents have increased this year due to the debt raising activities in February and March 2010. These funds will be utilised progressively throughout the year to repay existing debt and fund capital expenditure and for other working capital requirements.

Note 10 Receivables

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Current receivables				
Accounts receivable	100.3	94.0	-	-
Allowance for impairment loss	(0.4)	(0.3)	-	-
Related party receivables	20.8	17.8	75.5	54.7
	120.7	111.5	75.5	54.7
Accrued revenue	86.8	71.1	-	-
Other receivables	0.1	0.1	-	-
Total current receivables	207.6	182.7	75.5	54.7
Non-current receivables				
Related party receivables	-	-	1,555.6	-
Total non-current receivables	-	-	1,555.6	-
Total receivables	207.6	182.7	1,631.1	54.7

Note 10 Receivables (continued)

(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 greater than 90 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			
	2010	2010	2009	2009
	Gross	Allowance	Gross	Allowance
	$M	$M	$M	$M
Not past due	96.8	-	90.8	-
0 - 30 days	1.6	-	1.8	-
31 - 60 days	0.5	-	0.7	-
61 - 90 days	0.6	-	0.1	-
Greater than 90 days	0.8	(0.4)	0.6	(0.3)
Total	100.3	(0.4)	94.0	(0.3)

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 87 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.

(c) Reconciliation of movement in allowance for impairment loss

The movement in the allowance for impairment losses in respect of accounts receivable was as follows:

	Combined	
	2010	2009
	$M	$M
Opening balance	0.3	0.3
Additional allowance recognised/(written back)	0.6	0.5
Amounts utilised	(0.5)	(0.5)
Closing balance	0.4	0.3

Note 11 Inventories

	Combined 2010 $M	Combined 2009 $M	Parent 2010 $M	Parent 2009 $M
Current inventories				
Construction, maintenance stocks and general purpose materials	16.4	15.8	-	-
Total current inventories	16.4	15.8	-	-
Non-current inventories				
Construction, maintenance stocks and general purpose materials	15.8	16.1	-	-
Total non-current inventories	15.8	16.1	-	-
Total inventories	32.2	31.9	-	-

Note 12 Derivative financial instruments

	Combined 2010 $M	Combined 2009 $M	Parent 2010 $M	Parent 2009 $M
Current derivative financial instrument assets				
Interest rate swaps	10.5	19.1	-	-
Cross-currency swaps	337.9	34.0	-	-
Forward foreign exchange contracts	0.6	1.2	-	-
Total current derivative financial instrument assets	349.0	54.3	-	-
Non-current derivative financial instrument assets				
Interest rate swaps	25.4	48.3	-	-
Cross-currency swaps	16.1	407.1	-	-
Total non-current derivative financial instrument assets	41.5	455.4	-	-
Total derivative financial instrument assets	390.5	509.7	-	-

Note 12 Derivative financial instruments (continued)

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Current derivative financial instrument liabilities				
Interest rate swaps	66.6	151.0	-	-
Cross-currency swaps	0.6	88.5	-	-
Forward foreign exchange contracts	5.2	0.5	-	-
Total current derivative financial instrument liabilities	72.4	240.0	-	-
Non-current derivative financial instrument liabilities				
Interest rate swaps	89.5	225.2	-	-
Cross-currency swaps	552.9	20.7	-	-
Forward foreign exchange contracts	7.0	-	-	-
Total non-current derivative financial instrument liabilities	649.4	245.9	-	-
Total derivative financial instrument liabilities	721.8	485.9	-	-

(a) Financial risk management objectives

Details of the Stapled Group's financial risk management objectives and policies are disclosed in note 22 to the financial statements.

(b) Interest rate risk management

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

	Cash flow hedges	Fair value hedges	Derivatives not in a hedge relationship	Total
2010	$M	$M	$M	$M
Interest rate swaps				
Financial assets	31.2	-	4.7	35.9
Financial liabilities	(129.6)	(8.9)	(17.6)	(156.1)
2009				
Interest rate swaps				
Financial assets	41.8	-	25.6	67.4
Financial liabilities	(336.8)	-	(39.4)	(376.2)

The parent entity does not utilise interest rate swaps.

Note 12 Derivative financial instruments (continued)

(b) Interest rate risk management (continued)

As at reporting date, unrealised losses after tax in respect of interest rate swaps of $69.0 million (2009: $205.8 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.

(c) Foreign currency risk management

	Weighted average exchange rate	Foreign currency (FC) contract value FC'M	Fair value (including AUD notional contract value) $M	Less than 1 year $M	1 - 5 years $M	More than 5 years $M
2010						
Forward foreign currency contracts						
Buy EUR (European Euro)	0.590	0.6	1.1	1.0	0.1	-
Buy USD (United States Dollar)	0.804	165.3	217.2	47.0	170.2	-
Buy GBP (British Pound)	0.434	0.1	0.2	0.2	-	-
Cross-currency swaps						
USD (United States Dollar)	0.755	975.0	1,145.6	-	700.9	444.7
GBP (British Pound)	0.465	250.0	462.0	-	-	462.0
CHF (Swiss Franc)	0.913	475.0	529.9	-	-	529.9
HKD (Hong Kong Dollar)	6.998	700.0	112.7	-	-	112.7
2009						
Forward foreign currency contracts						
Buy EUR (European Euro)	0.541	2.3	4.0	3.6	0.4	-
Buy SEK (Swedish Krone)	5.285	27.5	5.5	5.5	-	-
Buy USD (United States Dollar)	0.777	4.1	4.7	4.7	-	-
Buy GBP (British Pound)	0.445	0.3	0.8	0.8	-	-
Buy JPY (Japanese Yen)	85.039	74.9	0.7	0.7	-	-
Cross-currency swaps						
USD (United States Dollar)	0.755	975.0	1,571.2	-	478.6	1,092.6
GBP (British Pound)	0.465	250.0	590.3	-	-	590.3

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

Note 12 Derivative financial instruments (continued)

(c) Foreign currency risk management (continued)

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

	Cash flow hedges	Fair value hedges	Derivatives not in a hedge relationship	Total
	$M	$M	$M	$M
2010				
Forward foreign currency contracts				
Financial assets	0.6	-	-	0.6
Financial liabilities	(12.2)	-	-	(12.2)
Cross-currency swaps				
Financial assets	198.5	155.5	-	354.0
Financial liabilities	(199.9)	(353.6)	-	(553.5)
2009				
Forward foreign currency contracts				
Financial assets	1.2	-	-	1.2
Financial liabilities	(0.5)	-	-	(0.5)
Cross-currency swaps				
Financial assets	132.4	308.7	-	441.1
Financial liabilities	(88.5)	(20.7)	-	(109.2)

As at reporting date, unrealised losses after tax in respect of forward foreign exchange contracts of $8.1 million (2009: gains of $0.5 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 losses after tax in respect of cross-currency swaps of $1.8 million (2009: gains of $30.7 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.

(d) Derivatives in cash flow hedge reserve

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Opening balance	(174.6)	68.4	-	-
Transferred to interest expense	2.1	(0.2)	-	-
Charged to other comprehensive income	93.6	(242.8)	-	-
Closing balance	(78.9)	(174.6)	-	-

Note 12 Derivative financial instruments (continued)

(e) Cash flow hedge - expected settlement

	Carrying amount	Total contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years
	$M	$M	$M	$M	$M	$M
2010 - Combined						
Derivative financial assets - cash flow hedge expected settlement						
Interest rate swaps	31.2	24.1	7.2	0.5	15.9	0.5
Cross-currency swaps	198.5	330.6	58.1	34.7	66.3	171.5
Forward foreign currency contracts	0.6	-	-	-	-	-
- Inflow	-	4.1	4.1	-	-	-
- Outflow	-	(3.5)	(3.5)	-	-	-
	230.3	355.3	65.9	35.2	82.2	172.0
Derivative financial liabilities - cash flow hedge expected settlement						
Interest rate swaps	129.6	154.2	63.1	35.5	55.6	-
Cross-currency swaps	199.9	553.7	103.8	77.4	169.8	202.7
Forward foreign currency contracts	12.2	-	-	-	-	-
- Inflow	-	(198.7)	(42.4)	(48.2)	(108.1)	-
- Outflow	-	210.9	47.6	52.1	111.2	-
	341.7	720.1	172.1	116.8	228.5	202.7
Net maturity	(111.4)	(364.8)	(106.2)	(81.6)	(146.3)	(30.7)
2009 - Combined						
Derivative financial assets - cash flow hedge expected settlement						
Interest rate swaps	41.8	25.2	8.0	8.8	8.4	-
Cross-currency swaps	132.4	323.5	81.7	69.5	65.0	107.3
Forward foreign currency contracts	1.2	-	-	-	-	-
- Inflow	-	7.2	7.2	-	-	-
- Outflow	-	(6.0)	(6.0)	-	-	-
	175.4	349.9	90.9	78.3	73.4	107.3
Derivative financial liabilities - cash flow hedge expected settlement						
Interest rate swaps	336.8	380.2	136.0	102.4	141.8	-
Cross-currency swaps	88.5	411.5	61.8	63.3	88.2	198.2
Forward foreign currency contracts	0.5	-	-	-	-	-
- Inflow	-	(9.8)	(9.4)	(0.4)	-	-
- Outflow	-	10.3	9.9	0.4	-	-
	425.8	792.2	198.3	165.7	230.0	198.2
Net maturity	(250.4)	(442.3)	(107.4)	(87.4)	(156.6)	(90.9)

Note 13 Other assets

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Current other assets				
Prepayments	9.4	10.6	0.3	0.3
Interest receivable	1.8	0.4	-	-
Total current other assets	11.2	11.0	0.3	0.3
Non-current other assets				
Prepayments	0.9	0.9	-	-
Total non-current other assets	0.9	0.9	-	-
Total other assets	12.1	11.9	0.3	0.3

Note 14 Investments in subsidiaries

		Combined		Parent	
		2010	2009	2010	2009
	Notes	$M	$M	$M	$M
Investments in subsidiaries	29	-	-	2,227.0	2,227.0
Total investments in subsidiaries		-	-	2,227.0	2,227.0

Note 15 Property, plant and equipment

	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
	$M	$M	$M	$M	$M	$M	$M	$M	$M
2010 - Combined									
Carrying amount at 1 April 2009	255.9	142.9	1,218.7	1,395.0	2,026.8	1,180.2	106.6	395.8	6,721.9
Additions	-	-	-	-	-	-	-	580.7	580.7
Transfers	0.3	14.8	-	122.7	328.9	73.0	73.2	(612.9)	-
Disposals	(0.9)	-	-	(1.4)	(0.4)	(0.1)	(0.3)	-	(3.1)
Depreciation expense	-	(5.6)	-	(59.8)	(98.7)	(32.5)	(37.9)	-	(234.5)
Carrying amount at 31 March 2010	255.3	152.1	1,218.7	1,456.5	2,256.6	1,220.6	141.6	363.6	7,065.0
Net book value at 31 March 2010									
Cost	255.3	176.8	1,218.7	1,698.4	2,770.4	1,385.8	320.7	363.6	8,189.7
Accumulated depreciation	-	(24.7)	-	(241.9)	(513.8)	(165.2)	(179.1)	-	(1,124.7)
Carrying amount at 31 March 2010	255.3	152.1	1,218.7	1,456.5	2,256.6	1,220.6	141.6	363.6	7,065.0

The parent entity holds no property, plant and equipment.

Note 15 Property, plant and equipment (continued)

	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
	$M	$M	$M	$M	$M	$M	$M	$M	$M
2009 - Combined									
Carrying amount at 1 April 2008	254.6	128.6	1,218.7	1,377.7	2,026.3	1,120.2	105.6	272.9	6,504.6
Additions	-	-	-	-	-	-	-	471.5	471.5
Transfers	1.4	20.2	-	73.2	133.9	90.1	29.8	(348.6)	-
Disposals	(0.1)	-	-	(0.3)	(0.9)	0.3	(0.8)	-	(1.8)
Impairment	-	-	-	-	(43.3)	-	-	-	(43.3)
Depreciation expense	-	(5.9)	-	(55.6)	(89.2)	(30.4)	(28.0)	-	(209.1)
Carrying amount at 31 March 2009	255.9	142.9	1,218.7	1,395.0	2,026.8	1,180.2	106.6	395.8	6,721.9
Net book value at 31 March 2009									
Cost	255.9	162.0	1,218.7	1,578.3	2,442.9	1,312.9	251.1	395.8	7,617.6
Accumulated depreciation	-	(19.1)	-	(183.3)	(416.1)	(132.7)	(144.5)	-	(895.7)
Carrying amount at 31 March 2009	255.9	142.9	1,218.7	1,395.0	2,026.8	1,180.2	106.6	395.8	6,721.9

The parent entity holds no property, plant and equipment.

Note 16 Intangible assets

	Combined 2010 $M	Combined 2009 $M	Parent 2010 $M	Parent 2009 $M
Distribution licenses (i)				
Opening net book amount - distribution licences	354.5	354.5	-	-
Closing net book amount - distribution licences	354.5	354.5	-	-
Other intangible assets (ii)				
Opening net book amount - other intangible assets	-	-	-	-
Additions	1.8	-	-	-
Accumulated amortisation	(0.1)	-	-	-
Closing net book amount - other intangible assets	1.7	-	-	-
Total intangible assets	356.2	354.5	-	-

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

- the licences have been issued in perpetuity provided the licensee complies with 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.

(ii) Other intangible assets net of accumulated amortisation represent intangible assets acquired as part of a business combination. Goodwill represents the amount of the excess of the purchase consideration over the net identifiable assets acquired and the liabilities assumed at acquisition date. Goodwill is not material and thus details of the current year's business combination has not been disclosed.

Note 17 Payables and other liabilities

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Current liabilities - payables and other liabilities				
Trade payables and accruals	117.9	123.4	-	-
Accrued interest	32.8	34.1	-	-
GST payable	5.7	6.2	-	-
Customer deposits	13.6	23.3	-	-
Deferred revenue	1.3	2.4	-	-
Related party payables	44.6	35.9	0.3	0.3
Total current payables and other liabilities	215.9	225.3	0.3	0.3
Non-current liabilities - payables and other liabilities				
Deferred revenue	4.1	5.0	-	-
Total non-current payables and other liabilities	4.1	5.0	-	-
Total payables and other liabilities	220.0	230.3	0.3	0.3

Note 18 Borrowings

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Current borrowings				
Working capital	-	96.5	-	-
Commercial paper	34.6	63.6	-	-
Short-term debts	-	65.0	-	-
Domestic medium term notes	184.9	-	-	-
Bank debt facilities	529.5	-	-	-
Amounts owed to related parties:				
Amounts owed to SP AusNet Finance Trust	-	-	1,164.0	735.3
Total current borrowings	749.0	225.1	1,164.0	735.3
Non-current borrowings				
Bank debt facilities	773.0	1,548.3	-	-
Domestic medium term notes	718.1	608.0	-	-
US senior notes (i)	1,125.4	1,506.7	-	-
Sterling senior notes (i)	481.3	604.1	-	-
Swiss senior notes (i)	523.1	-	-	-
Hong Kong senior notes (i)	111.0	-	-	-
Amounts owed to related parties:				
Amounts owed to subsidiaries	-	-	1,551.1	1,939.4
Total non-current borrowings	3,731.9	4,267.1	1,551.1	1,939.4
Total borrowings	4,480.9	4,492.2	2,715.1	2,674.7

(i) Foreign currency borrowings translated at spot rate.

(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 subsidiaries have guarantee facilities with a number of institutions amounting to $15.0 million of which $1.5 million was lodged with third parties at 31 March 2010 (2009: $2.0 million).

Note 19 Provisions

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Current provisions				
Employee benefits	44.9	40.0	-	-
Uninsured losses (i)	1.6	1.4	-	-
Environmental provision (ii)	1.1	1.0	-	-
Customer rebates (iii)	6.2	1.9	-	-
Licence fee (iv)	0.7	1.6	-	-
Unaccounted for gas (v)	1.4	3.7	-	-
Sundry provisions	1.7	1.4	-	-
Total current provisions	57.6	51.0	-	-
Non-current provisions				
Employee benefits	2.5	2.1	-	-
Environmental provision (ii)	11.2	10.9	-	-
Defined benefit funds	30.0	80.3	-	-
Total non-current provisions	43.7	93.3	-	-
Total provisions	101.3	144.3	-	-

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

	Uninsured losses (i)	Environmental provision (ii)	Customer rebates (iii)	Licence fee (iv)	Unaccounted for gas (v)	Sundry provisions
	$M	$M	$M	$M	$M	$M
Combined						
Balance at 1 April 2009	1.4	11.9	1.9	1.6	3.7	1.4
Additional provisions recognised in the period	0.9	-	12.4	0.7	1.4	1.7
Change in discount	-	0.6	-	-	-	-
Amounts utilised	(0.7)	(0.2)	(8.1)	(1.6)	(3.7)	(1.4)
Balance at 31 March 2010	1.6	12.3	6.2	0.7	1.4	1.7
Current	1.6	1.1	6.2	0.7	1.4	1.7
Non-current	-	11.2	-	-	-	-
Total	1.6	12.3	6.2	0.7	1.4	1.7

Note 19 Provisions (continued)

(i) Provision for uninsured losses represents 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) The environmental provision 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 8 per cent of the provision will be utilised during the financial year ending 31 March 2011.

(iii) Provision for customer rebates represents an assessment of the rebates payable to the customer for costs incurred by the customer in the construction of low voltage and high voltage infrastructure for turnkey projects in the electricity distribution business.

(iv) Provision 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.

(v) 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 AEMO has released final gas system volume information in June of each year.

Note 20 Equity

		Parent	
		2010	2009
	Notes	Shares	Shares
Share capital			
Ordinary shares - fully paid (million)	(a), (b)	2,705.1	2,120.4

(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.

Note 20 Equity (continued)

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	$M (i)
1 April 2008	Opening balance		2,092,680,010	0.5
18 December 2008	Distribution reinvestment plan	(ii)	27,743,305	-
31 March 2009	Closing balance		2,120,423,315	0.5
1 April 2009	Opening balance		2,120,423,315	0.5
28 May 2009	Institutional capital raising	(iii)	431,541,856	-
28 May 2009	Retail capital raising	(iii)	9,967,159	-
17 June 2009	Retail capital raising	(iii)	85,169,591	-
25 June 2009	Distribution reinvestment plan	(iv)	15,829,499	-
22 December 2009	Distribution reinvestment plan	(iv)	42,208,731	-
31 March 2010	Closing balance		2,705,140,151	0.5

(i) With respect to the allocation of the proceeds in the form of shares in SP AusNet Transmission, SP AusNet Distribution and units in SP AusNet Finance Trust, all amounts were allocated to the units in SP AusNet Finance Trust with the shares in SP AusNet Transmission and SP AusNet Distribution being issued at nominal consideration.

(ii) On 7 October 2008, the Stapled Group announced the establishment of a Distribution Reinvestment Plan (“DRP”). On 18 December 2008, 27.7 million new stapled securities were issued under the DRP. The new securities were issued at a price of $0.96 per security providing approximately $26.6 million.

(iii) A total of 526,678,606 securities were issued under the non-renounceable entitlement offer completed in June 2009 at an issue price of $0.78 per stapled security for eligible securityholders in Australia and New Zealand and S$0.86 per stapled security for eligible securityholders in Singapore.

(iv) On 25 June 2009 and on 22 December 2009, 15.8 million and 42.2 million new stapled securities were issued under the DRP respectively. The new securities were issued at a price of $0.78 per security and $0.82 per security, respectively, providing approximately $12.3 million and $34.6 million, respectively.

(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.

(d) Capital management

The Board’s policy is to maintain a capital structure appropriate to generate desired securityholder returns and to ensure 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 net debt to Regulated Asset Base (“RAB”) ratio, determined as indebtedness as a percentage of RAB. Indebtedness is debt at face value (net of cash), excluding any derivatives. The movement of this metric over time demonstrates how the business is funding its capital expenditure in terms of debt versus income generating assets. SP AusNet targets a net debt to RAB ratio of less than 85 per cent.

Note 20 Equity (continued)

(d) Capital management (continued)

The debt to RAB ratios as at reporting date were as follows:

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Total indebtedness	4,709.7	4,225.1	-	-
Less cash and cash equivalents	(545.1)	(7.2)	-	-
Net indebtedness	4,164.6	4,217.9	-	-
Total RAB	5,689.1	5,333.2	-	-
	%	%	%	%
Debt to RAB	82.8	79.2	-	-
Net debt to RAB	73.2	79.1	-	-

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.

SP AusNet 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.

SP AusNet complied with all externally imposed capital requirements throughout the current and previous reporting period.

In October 2008 SP AusNet commenced the establishment of a Distribution Reinvestment Plan (“DRP”) which was activated for the interim distribution paid on 18 December 2008. This was maintained for distributions paid 25 June 2009 and 22 December 2009. The funds raised by the DRP will be used for capital management purposes and to fund capital expenditure for growth.

SP AusNet maintains a well diversified debt maturity profile together with well diversified sources of debt. In order to maintain its prudent capital structure, support its existing A range credit rating and enable continued access to capital markets to fund growth driven by strong energy demand in Victoria, SP AusNet undertook an internal capital review. As a result of this process, SP AusNet completed a CHF 475.0 million five and a half year Swiss franc bond issue, a HK$700.0 million ten year Hong Kong dollar bond issue and also completed $300.0 million seven and a half year Australian dollar bond issue in March 2010.

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

(e) Net tangible assets per stapled security

Net tangible assets per stapled security is $0.94 (2009: $0.89).

Note 21 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, in some cases, defined benefit members are also eligible for pension benefits. 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 2010 and 31 March 2009.

The Stapled Group has recognised a liability in the statement of financial position in respect of its defined benefit obligations.

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

	Combined	
	2010	2009
	%	%
Key assumptions used (expressed as weighted averages):		
Discount rate (active members)	5.20	3.90
Discount rate (pensioners)	5.70	4.30
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	4.50	4.50
Expected pension increase rate	3.00	3.00

	Combined	
	2010	2009
	$M	$M
Amounts recognised in the income statement in respect of these defined benefit plans are as follows:		
Current service cost	4.6	3.8
Interest cost	8.2	8.8
Expected return on plan assets	(10.5)	(13.1)
Total	2.3	(0.5)
Actuarial (losses)/gains recognised during the year in the statements of comprehensive income	39.6	(97.3)
Cumulative actuarial (losses)/gains recognised in the statements of comprehensive income	(48.6)	(88.2)
Total amount included in the statement of financial position arising from the Stapled Group's obligations in respect of its defined benefit plans are as follows:		
Present value of funded defined benefit obligations	(223.4)	(234.0)
Fair value of plan assets	193.4	153.7
Net (liability)/asset arising from defined benefit obligations recognised in the statement of financial position	(30.0)	(80.3)

Note 21 Defined benefit obligations (continued)

	Combined	
	2010	2009
	$M	$M
Movement in the present value of the defined benefit obligations in the current period were as follows:		
Opening defined benefit obligation	234.0	180.4
Current service cost	4.6	3.8
Interest cost	8.2	8.8
Contributions by plan participants	2.4	2.4
Actuarial (gains)/losses	(16.8)	48.6
Benefits, taxes and premiums paid	(9.8)	(10.0)
Transfers in	0.8	-
Closing defined benefit obligations	223.4	234.0
Movements in the fair value of plan assets in the current period were as follows:		
Opening fair value of plan assets	153.7	194.9
Expected return on plan assets net of investment and administration expenses	10.5	13.1
Actuarial gains/(losses)	22.8	(48.7)
Contributions from the employer	13.0	2.0
Contributions by plan participants	2.4	2.4
Benefits, taxes and premiums paid	(9.8)	(10.0)
Transfers in	0.8	-
Closing fair value of plan assets	193.4	153.7

The actual return on plan assets was a gain of $33.3 million (2009: loss of $35.6 million).

The Stapled Group expects to make contributions of $8.0 million to the defined benefit plan 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 87 per cent of the plans' liabilities.

Note 21 Defined benefit obligations (continued)

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	
	2010 (i)	2009
	%	%
Australian equities	37	33
International equities	25	24
Fixed interest securities	13	13
Property	10	13
Growth alternative	7	8
Defensive alternative	2	4
Cash	6	5
	100	100

(i) Asset allocation as at 31 March 2010 is currently unavailable. Asset allocation as at 11 March 2010 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

	2010	2009	2008	2007	2006
	$M	$M	$M	$M	$M
Defined benefit plan's obligation	(223.4)	(234.0)	(180.4)	(166.8)	(160.5)
Plans' assets	193.4	153.7	194.9	196.1	171.2
(Deficit)/surplus	(30.0)	(80.3)	14.5	29.3	10.7
Experience adjustments loss/(gains) arising on plans' liabilities	7.0	23.5	7.3	5.5	4.1
Experience adjustments loss/(gains) arising on plans' assets	(22.8)	48.7	13.6	(18.5)	(11.2)

Note 22 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;
- SP AusNet Refinancing and Hedging Strategy which sets out the refinancing and hedging strategies over the relevant financial period; and
- SP AusNet Credit Metrics Policy which sets out target ranges for the key credit metrics that determine the Stapled Group's credit strength, such as the percentage of debt to the value of the regulatory asset base at a balance date.

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.

Note 22 Financial risk management (continued)

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.

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	
		2010	2009	2010	2009
	Notes	$M	$M	$M	$M
Financial assets					
Cash and cash equivalents (i)		5.7	5.8	-	-
Derivative financial instruments	12(b), 12(c)	160.2	334.3	-	-
Financial liabilities					
Related party borrowings		-	-	2,583.9	2,517.0
Derivative financial instruments	12(b), 12(c)	380.1	60.1	-	-
Borrowings not in a cash flow hedging relationship		-	21.6	-	-

(i) Represents an average holding of cash and cash equivalents over a 12 month period that is subject to interest rate risk.

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 12). 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.

Note 22 Financial risk management (continued)

(a) Interest rate risk (continued)

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 increased/(decreased) as follows:

	Combined		Parent	
	Net profit (after tax)	Equity (hedge reserve)	Net profit (after tax)	Equity (hedge reserve)
	$M	$M	$M	$M
Judgements of reasonably possible movements:				
2010				
3.08 per cent increase with all other variables held constant	13.2	219.1	(55.7)	-
3.08 per cent decrease with all other variables held constant	(14.4)	(290.7)	55.7	-
2009				
2.04 per cent increase with all other variables held constant	2.8	120.8	(35.9)	-
2.04 per cent decrease with all other variables held constant	(2.6)	(162.9)	35.9	-

The interest impact on the net profit after tax has increased with the 1.04 per cent widening in the movements in rates from 31 March 2009 to 31 March 2010.

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 (refer note 12).

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, British pounds, Swiss francs and Hong Kong dollars (refer note 12). 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.

Note 22 Financial risk management (continued)

(b) Currency risk (continued)

As at reporting date, the Stapled Group had cross-currency swaps for its US dollar, GBP and CHF and HK dollar denominated borrowings. The notional amount outstanding on US dollar cross-currency swaps was $1,292.1 million (2009: $1,292.1 million), GBP cross-currency swaps was $537.5 million (2009: $537.5 million), CHF cross-currency swaps was $520.1 million (2009: $nil) and HK dollar cross-currency swaps was $100.0 million (2009: $nil). The maturity of these swaps coincides with the maturity of the relevant US dollar, GBP, CHF and HK 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 12). 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	
	2010	2009	2010	2009
	$M	$M	$M	$M
Financial assets				
Derivative financial instruments	155.5	308.7	-	-
Financial liabilities				
Derivative financial instruments	353.6	20.7	-	-
Borrowings designated in a fair value hedging relationship	2,240.8	2,110.8	-	-

Note 22 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 increased/(decreased) as follows:

	Combined		Parent	
	Net profit (after tax)	Equity (hedge reserve)	Net profit (after tax)	Equity (hedge reserve)
	$M	$M	$M	$M
Judgements of reasonably possible movements:				
2010				
United States Dollar				
21 cents increase with all other variables held constant	(0.6)	(51.2)	-	-
21 cents decrease with all other variables held constant	1.0	82.0	-	-
British Pound				
7 pence increase with all other variables held constant	-	(4.3)	-	-
7 pence decrease with all other variables held constant	-	5.5	-	-
Swiss Franc				
18 Swiss centime increase with all other variables held constant	0.1	(6.1)	-	-
18 Swiss centime decrease with all other variables held constant	(0.2)	8.9	-	-
Hong Kong Dollar				
1.672 HK dollar increase with all other variables held constant	-	(3.0)	-	-
1.672 HK dollar decrease with all other variables held constant	-	4.1	-	-
2009				
United States Dollar				
16 cents increase with all other variables held constant	(0.8)	(21.2)	-	-
16 cents decrease with all other variables held constant	1.3	35.2	-	-
British Pound				
5 pence increase with all other variables held constant	-	(6.0)	-	-
5 pence decrease with all other variables held constant	(0.1)	10.2	-	-

Note 22 Financial risk management (continued)

(b) Currency risk (continued)

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.

Exchange rate risk arising from foreign currency denominated borrowings is managed using cross-currency swaps at 100 per cent of borrowed funds at inception date.

For the year ended 31 March 2010, hedging alignment with the Transmission regulatory reset produced minor ineffectiveness for the associated international debt. This reduced the corresponding cross-currency swaps effectiveness from 99.97 per cent to 99.96 per cent.

For the year ended 31 March 2009, 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.

In March 2010, SP AusNet successfully completed a CHF 475.0 million five and a half year Swiss franc bond issue to raise approximately $520.1 million and a HK$700.0 million ten year Hong Kong dollar bond issue to raise approximately $100.0 million. Currency risk was managed using a cross-currency swaps at 100 per cent of borrowed funds at inception date.

(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 10). 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. At balance date, SP AusNet had $542.7 million on term deposit with 'AA' rated Australian banks. These funds were a portion of the proceeds from SP AusNet's bond issues, which were completed in March 2010. These deposits will be recalled as needed to fund operational requirements.

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.

Note 22 Financial risk management (continued)

(c) Credit risk (continued)

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	
	2010	2009
	$M	$M
Financial assets and other credit exposures		
Cross-currency swaps	131.8	367.3
US interest rate swaps	22.4	42.3
AUD interest rate swaps	7.6	20.7

(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 non-derivative and derivative financial assets and liabilities based on the remaining earliest contractual maturities. The contractual cash flows are based on undiscounted principal and interest commitments. For related party borrowings, other than borrowings with SP AusNet Finance Trust, the maturity has been deemed to be greater than five years.

Note 22 Financial risk management (continued)

(d) Liquidity risk (continued)

Combined 2010	Notes	Principal at face value $M	Carrying amount $M	Total contractual cash flows $M	Less than 1 year $M	1 - 2 years $M	2 - 5 years $M	Greater than 5 years $M
Financial assets								
Non-derivative financial assets								
Cash and cash equivalents	9	-	545.1	545.1	545.1	-	-	-
Accounts and other receivables	10	-	207.6	207.6	207.6	-	-	-
Derivative financial assets								
Interest rate swaps	12	-	35.9	157.1	41.0	32.4	58.5	25.2
Cross-currency swaps	12	-	354.0	2,740.3	94.2	101.2	944.1	1,600.8
Forward foreign currency contracts	12	-	0.6	-	-	-	-	-
- Inflow	12(e)			4.1	4.1	-	-	-
- Outflow	12(e)			(3.5)	(3.5)	-	-	-
			1,143.2	3,650.7	888.5	133.6	1,002.6	1,626.0
Financial liabilities								
Non-derivative financial liabilities								
Trade and other payables	17	-	220.0	220.0	215.9	4.1	-	-
Commercial paper	18	35.0	34.6	35.0	35.0	-	-	-
Bank debt facilities	18	1,305.0	1,302.5	1,329.2	554.2	-	775.0	-
Domestic medium term notes	18	920.0	903.0	1,146.7	239.1	483.8	67.5	356.3
US senior notes	18	1,292.1	1,125.4	1,391.7	61.6	61.6	818.3	450.2
Sterling senior notes	18	537.5	481.3	679.1	29.5	29.5	88.4	531.7
Swiss Franc senior notes	18	520.1	523.1	556.9	5.9	11.7	35.2	504.1
Hong Kong senior notes	18	100.0	111.0	138.9	4.1	4.1	12.2	118.5
Derivative financial liabilities								
Interest rate swaps	12	-	156.1	299.6	102.2	68.4	92.1	36.9
Cross-currency swaps	12	-	553.5	3,539.0	151.0	171.9	1,311.5	1,904.6
Forward foreign currency contracts	12	-	12.2	-	-	-	-	-
- Inflow	12(e)			(198.7)	(42.4)	(48.2)	(108.1)	-
- Outflow	12(e)			210.9	47.6	52.1	111.2	-
			5,422.7	9,348.3	1,403.7	839.0	3,203.3	3,902.3
Net maturity			(4,279.5)	(5,697.6)	(515.2)	(705.4)	(2,200.7)	(2,276.3)

Note 22 Financial risk management (continued)

(d) Liquidity risk (continued)

Combined		Principal at face value	Carrying amount	Total contractual cash flows	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years
2009	Notes	$M	$M	$M	$M	$M	$M	$M
Financial assets								
Non-derivative financial assets								
Cash and cash equivalents	9	-	7.2	7.2	7.2	-	-	-
Accounts and other receivables	10	-	182.7	182.7	182.7	-	-	-
Derivative financial assets								
Interest rate swaps	12	-	67.4	118.5	29.7	32.1	43.2	13.5
Cross-currency swaps	12	-	441.1	2,762.4	111.3	110.5	770.1	1,770.5
Forward foreign currency contracts	12	-	1.2	-	-	-	-	-
- Inflow	12(e)			7.2	7.2	-	-	-
- Outflow	12(e)			(6.0)	(6.0)	-	-	-
			699.6	3,072.0	332.1	142.6	813.3	1,784.0
Financial liabilities								
Non-derivative financial liabilities								
Trade and other payables	17	-	230.3	230.3	225.3	5.0	-	-
Working capital facility	18	161.5	161.5	161.9	161.9	-	-	-
Commercial paper	18	64.0	63.6	64.0	64.0	-	-	-
Bank debt facilities	18	1,550.0	1,548.3	1,563.1	13.1	775.0	775.0	-
Domestic medium term notes	18	620.0	608.0	707.3	31.7	214.9	460.7	-
US senior notes	18	1,292.1	1,506.7	1,923.0	81.5	81.5	676.9	1,083.1
Sterling senior notes	18	537.5	604.1	885.0	36.8	36.8	110.5	700.9
Derivative financial liabilities								
Interest rate swaps	12	-	376.2	459.3	163.2	131.3	164.8	-
Cross-currency swaps	12	-	109.2	2,616.2	78.3	92.9	755.2	1,689.8
Forward foreign currency contracts	12	-	0.5	-	-	-	-	-
- Inflow	12(e)			(9.8)	(9.4)	(0.4)	-	-
- Outflow	12(e)			10.3	9.9	0.4	-	-
			5,208.4	8,610.6	856.3	1,337.4	2,943.1	3,473.8
Net maturity			(4,508.8)	(5,538.6)	(524.2)	(1,194.8)	(2,129.8)	(1,689.8)

Note 22 Financial risk management (continued)

(d) Liquidity risk (continued)

Parent 2010	Notes	Carrying amount $M	Total contractual cash flows $M	Less than 1 year $M	1 - 2 years $M	2 - 5 years $M	Greater than 5 years $M
Financial assets							
Non-derivative financial assets							
Accounts and other receivables	10	1,631.1	1,631.1	75.5	-	-	1,555.6
		1,631.1	1,631.1	75.5	-	-	1,555.6
Financial liabilities							
Non-derivative financial liabilities							
Trade and other payables	17	0.3	0.3	0.3	-	-	-
Related party borrowings	18	2,715.1	2,715.1	1,164.0	-	-	1,551.1
		2,715.4	2,715.4	1,164.3	-	-	1,551.1
Net maturity		(1,084.3)	(1,084.3)	(1,088.8)	-	-	4.5

Parent 2009							
Financial assets							
Non-derivative financial assets							
Accounts and other receivables	10	54.7	54.7	54.7	-	-	-
		54.7	54.7	54.7	-	-	-
Financial liabilities							
Non-derivative financial liabilities							
Trade and other payables	17	0.3	0.3	0.3	-	-	-
Related party borrowings	18	2,674.7	2,674.7	735.3	-	-	1,939.4
		2,675.0	2,675.0	735.6	-	-	1,939.4
Net maturity		(2,620.3)	(2,620.3)	(680.9)	-	-	(1,939.4)

Note 22 Financial risk management (continued)

(d) Liquidity risk (continued)

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		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Financing facilities (face value)				
Unsecured bank overdraft facility, reviewed annually and payable at call:				
- Amount used	-	-	-	-
- Amount unused	2.5	2.5	-	-
	2.5	2.5	-	-
Unsecured working capital facility, reviewed annually:				
- Amount used	-	96.5	-	-
- Amount unused	-	73.5	-	-
	-	170.0	-	-
Unsecured bank loan facility with various maturity dates and which may be extended by mutual agreement:				
- Amount used	1,305.0	1,550.0	-	-
- Amount unused	570.0	-	-	-
	1,875.0	1,550.0	-	-
Unsecured commercial paper standby facilities:				
- Amount used	-	65.0	-	-
- Amount unused	-	70.0	-	-
	-	135.0	-	-

Note 22 Financial risk management (continued)

(e) Fair value of financial assets and liabilities

All SP AusNet's assets and liabilities carried at fair value are derivative instruments that are measured using market observable data and as such are deemed level two within the fair value hierarchy as per AASB 7 *Financial Instruments: Disclosure*.

The fair value and net fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis. 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	
		2010	2009	2010	2009
	Notes	$M	$M	$M	$M
Combined					
Financial assets					
Interest rate swaps	12	35.9	67.4	35.9	67.4
Cross-currency swaps	12	354.0	441.1	354.0	441.1
Forward foreign currency contracts	12	0.6	1.2	0.6	1.2
Financial liabilities					
Borrowings	18	4,480.9	4,492.2	4,700.0	4,818.6
Interest rate swaps	12	156.1	376.2	156.1	376.2
Cross-currency swaps	12	553.5	109.2	553.5	109.2
Forward foreign currency contracts	12	12.2	0.5	12.2	0.5
Parent					
Financial liabilities					
Borrowings	18	2,715.1	2,674.7	2,715.1	2,674.7

Note 23 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 generates cash inflows independent from other groups of assets. Management has determined that each segment, details of which are disclosed in note 2, represents a CGU.

The following CGUs have significant amounts of intangible assets with an indefinite useful life.

	Intangible assets with an indefinite useful life	
	2010	2009
	$M	$M
CGU		
Electricity distribution	117.2	117.2
Gas distribution	237.3	237.3
	354.5	354.5

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 incorporating growth rates based on the long-term Consumer Price Index assumption of 2.6 per cent. 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. SP AusNet expects to have liabilities under the *National Carbon Pollution Reduction Scheme* for unaccounted for gas losses from the gas distribution network. Management has not incorporated the potential impact of these liabilities into the 20 year cash flow projections as it is too early, at this stage, to quantify the impacts. Uncertainties include the price of the emission permits, the ability to pass on the cost of the permits and the impacts on costs charged by suppliers. Cash flows are discounted using post-tax discount rates of 7.0 per cent to 7.4 per cent. The rates used for each CGU reflect current market assessments of the time value of money and risks specific to the assets that are not already reflected in cash.

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.

An impairment write-down of $43.3 million (before tax) on meters to be replaced under the roll-out program was recognised during the prior year (refer note 4(ii)).

Note 23 Critical accounting estimates and assumptions (continued)

(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, 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 including in regard to the deductibility of the S163AA imposts and intellectual property which are currently subject to a formal Australian Taxation Office ("ATO") audit (refer note 26). 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 statement of financial position. 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.

(c) Derivatives

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

All SP AusNet's assets and liabilities carried at fair value are derivative instruments that are measured using market observable data and as such are deemed level two within the fair value hierarchy as per AASB 7 *Financial Instruments: Disclosure*.

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 in accordance with generally accepted pricing models based on discounted cash flow analysis. This involves the valuation of derivatives based on prices sourced from observable data or market corroboration based on active quotes, for example, swaps and physical forward contracts. 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.

Note 23 Critical accounting estimates and assumptions (continued)

(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.

(f) Defined benefit plans

A number of estimates and assumptions are used in determining defined benefit assets, obligations and expenses. These estimates include salary increases, future earnings, rates of return etc. As SP AusNet has adopted the option to recognise actuarial gains and losses through retained earnings, any difference in estimates will be recognised in retained earnings and not through the income statement.

The net (liability)/asset from defined benefit obligations recognised in the statement of financial position will be affected by any significant movement in investment returns and/or interest rates.

Each year SP AusNet engages Mercer to perform actuarial reviews of the SPI PowerNet and SPI Electricity defined benefit funds.

(g) Management services fee

Fees charged under the Management Services Agreements (refer note 28(d)) comprise a services charge and a performance fee. Effective 1 April 2008, the services charge is based on the actual cost of the remuneration of employees of SPI Management Services involved in the management of SP AusNet. The actual cost of remuneration includes any actuarial gains or losses incurred by the SPI Management Services defined benefit plan as well as any defined benefit plan expenses. The calculation of the actuarial gains or losses and the defined benefit expense is undertaken by Mercer Investment Nominees based on assumptions provided by SPI Management Services. These assumptions include salary increases, discount rates and expected return on assets. These assumptions are subject to risk and uncertainty, and there is a possibility that actual outcomes will differ from the assumptions made which will impact the actuarial gain or loss and defined benefit plan expense recognised by SPI Management Services and passed on to SP AusNet through the services charge.

Note 24 Key management personnel disclosure

SPI Management Services, a wholly-owned subsidiary of related party Singapore Power International Pte Ltd, SP AusNet Distribution and SP AusNet Transmission are parties to a Management Services Agreement ("MSA"). In addition, SPI Management Services and the Responsible Entity are parties to a Management Services Agreement ("RE MSA"). 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.

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

	Combined	
	2010	2009 (i)
	$	$
Remuneration by category		
Short-term employee benefits	4,686,964	4,824,160
Post-employment benefits	313,144	326,931
Termination benefits (ii)	-	285,261
Share-based payment	512,015	2,294,808
	5,512,123	7,731,160

(i) Remuneration for 31 March 2009 has been adjusted for a reallocation of superannuation as disclosed in the *Remuneration Report* in the *Directors' report*.

(ii) Termination benefits represent the payment of accrued annual and long service leave benefits.

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.

Note 24 Key management personnel disclosure (continued)

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:

	Balance at beginning of year (1 April 2009)	Granted during the year as compensation (i)	Options exercised	Net change other (ii)	Balance at end of year (31 March 2010)
Key management personnel					
Directors					
Ng Kee Choe	152,990	-	-	42,893	195,883
Nino Ficca	159,260	480,000	-	81,074	720,334
Jeremy Davis	50,000	-	-	55,000	105,000
Eric Gwee	105,981	-	-	40,693	146,674
Ho Tian Yee	-	-	-	-	-
Tony Iannello	104,321	-	-	31,728	136,049
George Lefroy	185,556	-	-	53,650	239,206
Martyn Myer	50,000	-	-	-	50,000
Ian Renard	53,086	-	-	20,739	73,825
Executives					
Nino Ficca	159,260	480,000	-	81,074	720,334
John Azaris (iii)	-	117,000	-	-	117,000
Norman Drew	20,782	161,795	-	-	182,577
John Kelso (iv)	4,227	-	-	1,714	5,941
Geoff Nicholson	-	200,000	-	-	200,000
Charles Popple	7,782	144,750	-	-	152,532

Note 24 Key management personnel disclosure (continued)

	Balance at beginning of year (1 April 2008)	Granted during the year as compensation (i)	Options exercised	Net change other (ii)	Balance at end of year (31 March 2009)
Key management personnel					
Directors					
Ng Kee Choe	150,000	-	-	2,990	152,990
Nino Ficca	150,000	-	-	9,260	159,260
Jeremy Davis	50,000	-	-	-	50,000
Eric Gwee	100,000	-	-	5,981	105,981
Ho Tian Yee (v)	-	-	-	-	-
Tony Iannello	100,000	-	-	4,321	104,321
George Lefroy	100,000	-	-	85,556	185,556
Martyn Myer	650,000	-	-	(600,000)	50,000
Quek Poh Huat (vi)	206,000	-	-	-	206,000
Ian Renard	50,000	-	-	3,086	53,086
Executives					
Nino Ficca	150,000	-	-	9,260	159,260
Paul Adams (vii)	60,782	-	-	(60,782)	-
Michael Besselink (viii)	-	-	-	-	-
Norman Drew	20,782	-	-	-	20,782
Adrian Hill (ix)	50,000	-	-	(50,000)	-
Geoff Nicholson	-	-	-	-	-
Charles Popple	7,782	-	-	-	7,782

(i) Includes securities purchased under the Company's Long-term Incentive Plan ("LTIP").

(ii) Net change other refers to securities purchased, sold or acquired through the DRP during the financial year or people ceasing to be a member of the key management personnel during the year.

(iii) Mr Azaris commenced as a member of the key management personnel effective 1 April 2009.

(iv) Mr Kelso commenced as a member of the key management personnel effective 1 April 2009.

(v) Mr Ho commenced as a Non-executive Director effective 1 September 2008.

(vi) Mr Quek resigned as a Non-executive Director effective 17 July 2008.

(vii) Mr Adams resigned as a member of the key management personnel effective 7 November 2008.

(viii) Mr Besselink was a member of the key management personnel from 8 November 2008 to 31 March 2009.

(ix) Mr Hill resigned as a member of the key management personnel effective 29 August 2008.

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

Note 25 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 2010 $'000	Combined 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Audit services				
Audit and review of financial reports and other audit work under the *Corporations Act* 2001	1,335	1,383	-	-
Additional audit of subsidiaries 31 March 2009	47	-	-	-
Total remuneration for audit services	1,382	1,383	-	-
Other assurance services				
Audit of regulatory returns	208	213	-	-
Equity raising accounting services	59	-	-	-
Debt raising offering circular	44	40	-	-
Other assurance services	48	-	-	-
Total remuneration for other assurance services	359	253	-	-
Total remuneration for assurance services	1,741	1,636	-	-

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

	Combined 2010 $'000	Combined 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Tax compliance services, including review of company income tax returns	-	4	-	-
Tax assurance services	88	-	-	-
Total remuneration for taxation services	88	4	-	-

(c) Advisory services

	Combined 2010 $'000	Combined 2009 $'000	Parent 2010 $'000	Parent 2009 $'000
Regulatory advice	9	27	-	-
Recruitment and related services	15	17	-	-
Other	1	6	-	-
Total remuneration for advisory services	25	50	-	-
Total fees	1,854	1,690	-	-

Note 26 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 ("MSAs")

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 24.

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 note 27).

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

(a) Environmental

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

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

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

(b) Tax audits

The Australian Taxation Office ("ATO") is undertaking large business audits of the SP AusNet group. The focus of the audits is as follows:

- deductions claimed in respect of fees imposed under Section 163AA of the *Electricity Industry Act* 1993 in the 1999 to 2001 tax years;
- deductions claimed in respect of intellectual property referable to the 1998 tax year and each subsequent year; and
- the entry allocable cost amount ("ACA") step 1 amount (relating to the cost of membership interests) when the SPI Australia Group Pty Ltd ("SPIAG") consolidated group joined the SP AusNet Distribution consolidated group on 2 August 2004.

Note 26 Contingent liabilities (continued)

(b) Tax audits (continued)

In the year ended 31 March 2007, SP AusNet Transmission reversed $81.4 million of previously recognised deferred tax liabilities in relation to Section 163AA imposts ($53.3 million), intellectual property ($18.3 million) and general interest charges ($9.8 million), on the basis of expert advice which enabled SP AusNet Transmission to be satisfied that the deductions were properly taken for income tax purposes. The reversed deferred tax liabilities, which predominantly related to primary tax payable, are not necessarily indicative of any outflow or liability that may actually arise from an adverse ATO audit outcome or that may ultimately arise in the event that the matters are subject to litigation.

On 31 March 2010, the ATO advised SP AusNet Transmission that it intends to disallow deductions claimed in respect of Section 163AA imposts, although it has not yet issued an amended assessment to confirm this position. The ATO has invited SP AusNet Transmission to make a submission (before 30 May 2010) regarding whether the ATO should remit all or part of general interest and administrative charges that may apply in respect of Section 163AA imposts.

The ultimate timeframe or likely outcomes of the ATO audits are not known.

Despite the ATO audit activities, SP AusNet has not changed its view in regard to the availability of deductions for Section 163AA imposts and intellectual property or its entry ACA step 1 amount when the SPIAG consolidated group joined the SP AusNet Distribution consolidated group.

(c) Victorian February bushfires

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

In the months following these bushfires, SP AusNet was served with a writ that alleges that “faulty and/or defective power lines” caused loss and damage as a consequence of the fire known as the Kilmore East fire. More recently, SP AusNet has been advised of a number of additional writs alleging that SP AusNet is implicated in the fire known as the Beechworth fire, where a tree limb allegedly brought down power lines, causing loss and damage. SP AusNet will vigorously defend these claims.

It is too early for SP AusNet to speculate on the outcome of any claims which may be instituted by third parties. If these claims are pursued, SP AusNet has liability insurance which provides cover for bushfire liability. SP AusNet reviews its insurance cover annually and ensures it is commensurate with the scale and size of its operations, the risks assessed to be associated with its operations and with industry standards and practice. SP AusNet’s bushfire mitigation and vegetation management programs fully comply with Electricity Safety (Bushfire Mitigation) Regulations and are audited annually by Energy Safe Victoria. SP AusNet had a “zero” bushfire mitigation index throughout the 2008-09 bushfire season.

(d) Other

SP AusNet is involved in various other legal and administrative proceedings and various claims on foot, 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.

Other than listed above, the Directors are not aware of any contingent liabilities as at 31 March 2010.

Note 27 Commitments

(a) Capital commitments

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

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Property, plant and equipment				
Payable:				
Within one year	165.5	170.0	-	-
	165.5	170.0	-	-

(b) Other expenditure commitments

	Combined 2010 $M	Combined 2009 $M	Parent 2010 $M	Parent 2009 $M
Payable:				
Within one year	87.4	110.6	16.2	14.9
Later than one year, but no later than five years	144.0	137.1	69.4	65.5
Later than five years	67.9	106.2	9.6	28.6
	299.3	353.9	95.2	109.0

(c) Lease commitments

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

	Combined 2010 $M	Combined 2009 $M	Parent 2010 $M	Parent 2009 $M
Payable:				
Within one year	7.3	6.1	-	-
Later than one year, but no later than five years	20.2	21.3	-	-
Later than five years	5.2	6.6	-	-
	32.7	34.0	-	-
Representing:				
Non-cancellable operating leases	32.7	34.0	-	-

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 28 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 of 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) Entities with joint control or significant influence

Logo

Singapore Power Limited has granted SP AusNet a licence for consideration of $1.0 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 29.

(d) Other related parties

(i) Management Services Agreements ("MSAs")

SPI Management Services, a wholly-owned subsidiary of related party Singapore Power International Pte Ltd, is a party to two management services agreements with SP AusNet Distribution and SP AusNet Transmission, and the Responsible Entity respectively, as detailed in note 24.

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.

Note 28 Related party transactions (continued)

(d) Other related parties (continued)

(i) Management Services Agreements ("MSAs") (continued)

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. Effective 1 April 2008, the management services charge is based on the actual cost of the remuneration of the employees of SPI Management Services involved in the management of 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. Effective 1 October 2008 and for the duration of the Information Technology ("IT") Services Agreement (refer below), the maximum performance fee payable by SP AusNet in respect of a financial year is capped at 0.50 per cent of the market capitalisation amount of SP AusNet's securities (this was previously capped at 0.75 per cent of market capitalisation).

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 $5.0 million in any financial year.

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 $5.0 million in any financial year.

(ii) Long-term operational agreement

On 29 September 2008, SP AusNet entered into an agreement with the Singapore Power Group on a number of operational arrangements. SP AusNet through Select Solutions provides end-to-end metering services, technical services and vegetation management services to the electricity and gas networks owned and managed by Jemena Asset Management Pty Ltd (referred to as "Jemena") (formerly a part of the Alinta Group and now a member of the Singapore Power Group). SP AusNet will also assume responsibility to deliver contestable metering services to Jemena's existing customers.

To ensure continued capital investment and deliver network growth, Jemena has been appointed to SP AusNet's preferred supplier panel, securing resources for the delivery of SP AusNet's capital portfolio.

Each of the above arrangements is for an initial five year term and will continue for further five year terms unless terminated by either party by giving notice to terminate at the end of the current term. The arrangements may also be terminated early by either party in certain circumstances.

Note 28 Related party transactions (continued)

(d) Other related parties (continued)

(iii) IT services agreement

On 29 September 2008, SP AusNet entered into an agreement with a wholly-owned subsidiary of SPI Management Services Pty Ltd (the management company of SP AusNet), Enterprise Business Services (Australia) Pty Ltd ("EBS"), for it to be the exclusive provider to SP AusNet of IT services. The agreement is for an initial term of seven years and may be terminated early by SP AusNet in certain circumstances, including on 12 months notice.

(e) Key management personnel

Disclosures relating to Directors and executives are set out in note 24.

(f) 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 28 Related party transactions (continued)

(f) Transactions with related parties (continued)

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

	Combined		Parent	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Sales of goods and services				
Regulated revenue	5,998	6,914	-	-
Service revenue	78,320	13,693	-	-
Other revenue (i)	4,599	4,429	600	600
Purchases of good and services				
Management services charge	13,800	39,750	-	-
Performance fees	12,173	12,298	-	-
Flame logo fees	1,000	1,000	600	600
Directors fees (ii)	-	33	-	-
Other costs	22,535	1,918	-	-
Property, plant and equipment	75,217	14,489	-	-
Loans from related parties				
Loans advanced to:				
Subsidiaries	-	-	1,711,504	-
Loans received from:				
Subsidiaries	-	-	222,889	268,230
Other related parties	-	-	492,928	33,198
Loan repayments from:				
Subsidiaries	-	-	155,859	-
Loan repayments to:				
Subsidiaries	-	-	611,170	604
Other related parties	-	-	64,233	118,225
Interest income				
Subsidiaries	-	-	18,728	-
Interest expense				
Subsidiaries	-	-	121,079	123,575
Other related parties	-	-	75,721	52,341
Dividend income				
Subsidiaries	-	-	1,693,248	-
Distributions paid				
Fully franked dividend	38,148	28,251	-	-
Assessable interest income	54,774	37,290	-	-
Return of capital (iii)	1,581	45,951	-	-

Note 28 Related party transactions (continued)

(f) Transactions with related parties (continued)

(i) For the year ended 31 March 2009, a portion of other revenue has been restated as service revenue.

(ii) Mr Quek is an executive of Singapore Power Limited and was a nominee Director of Singapore Power Limited on the Board of SP AusNet. Singapore Power Limited received the fees for Mr Quek's services as a Director of SP AusNet. Mr Quek resigned as a Non-executive Director of SP AusNet effective 17 July 2008.

(iii) The amount shown represents the distributions paid offset by proceeds from the DRP.

(g) 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	
	2010	2009	2010	2009
	$'000	$'000	$'000	$'000
Current receivables (sale of goods and services)				
Subsidiaries	-	-	75,527	54,627
Other related parties	20,820	17,764	-	-
Other current assets (prepayments)				
Joint control or significant influence	500	500	300	300
Non-current receivables (loans)				
Subsidiaries	-	-	1,555,648	-
Current payables and other liabilities (purchase of goods)				
Subsidiaries	-	-	300	300
Other related parties	44,567	35,885	-	-
Current payables (loans)				
Other related parties	-	-	1,164,029	735,334
Non-current payables (loans)				
Subsidiaries	-	-	1,551,133	1,939,417

No allowance for impairment loss has been raised in relation to any outstanding balances due from related parties.

Note 28 Related party transactions (continued)

(h) Terms and conditions

Prior to 16 December 2008, SP AusNet Finance Trust had four loan agreements in place ("existing loan agreements"). Two loan agreements are with SP AusNet Distribution and two loan agreements are with SP AusNet Transmission. On 16 December 2008, SP AusNet Finance Trust entered into four additional loan agreements for the proceeds received under the DRP ("DRP loan agreements"). Two loan agreements are with SP AusNet Distribution and two loan agreements are with SP AusNet Transmission. At 31 March 2010, the amounts outstanding under these loan agreements (excluding any accrued interest) and the applicable interest rates were:

	Closing balance (excluding accrued interest)	Interest rate
Loans to SP AusNet Distribution	$M	%
1 April 2009 to 30 September 2009		
- Existing loan	140.6	Nil
- Existing loan	544.5	8.08
- Institutional Rights Issue	329.1	8.19
- Retail Rights Issue	70.1	8.26
- DRP loan	12.3	8.24
	1,096.6	
1 October 2009 to 31 March 2010		
- Existing loan	131.2	Nil
- Existing loan	544.5	8.79
- Institutional Rights Issue	329.1	8.79
- Retail Rights Issue	69.9	8.79
- DRP loan	12.2	8.79
- DRP loan	34.5	9.04
	1,121.4	

The amount of accrued interest as at 31 March 2010 was $42.6 million (2009: $33.2 million).

Loans to SP AusNet Transmission		
1 April 2009 to 30 September 2009		
- Existing loan	603.9	Nil
- Existing loan	394.0	8.08
- DRP loan	26.6	8.08
	1,024.5	
1 October 2009 to 31 March 2010		
- Existing loan	591.4	Nil
- Existing loan	394.0	8.79
- DRP loan	26.6	8.79
	1,012.0	

The amount of accrued interest as at 31 March 2010 was $18.5 million (2009: $24.0 million).

Note 28 Related party transactions (continued)

(i) Existing loan agreements

The loan agreements are each 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.

(ii) DRP loan agreements

The loan agreements are each for a term of ten years. The loan agreements with both SP AusNet Distribution and SP AusNet Transmission mature in December 2018. All the loan agreements have similar terms and conditions which have been complied with. These terms and conditions are the same as those in the existing loan agreements (refer note 28(h)(i)). 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 29 Subsidiaries

The Stapled Group's 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 2010 %	Equity holding 2009 %
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	Ordinary	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 (ii)	Australia	Ordinary	100	100
SPI Networks (Gas) Pty Ltd	Australia	Ordinary	100	100
SPI (No.12) Pty Ltd (i), (ii), (iii)	Australia	Ordinary	-	100
Data and Measurement Solutions Pty Ltd (i), (ii)	Australia	Ordinary	100	100
SPI Victoria Networks Pty Ltd (i), (ii), (iii)	Australia	Ordinary	-	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 2009.

(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.

(iii) These entities were formally deregistered on 13 April 2009.

* 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 30 Reconciliation of profit/(loss) after income tax to net cash flows from operating activities

	Combined		Parent	
	2010	2009	2010	2009
	$M	$M	$M	$M
Profit/(loss) from ordinary activities after related income tax	209.0	146.9	1,568.6	(123.2)
Depreciation and amortisation of non-current assets	234.5	209.1	-	-
Net (gain)/loss on sale of non-current assets	(1.1)	(1.1)	-	-
Impairment of meters	-	43.3	-	-
Contributed assets	(5.1)	(2.6)	-	-
Changes in operating assets and liabilities, net of the effects from acquisition of businesses:				
(Increase)/decrease in receivables	(24.9)	(48.2)	-	-
(Increase)/decrease in inventories	(0.3)	(5.9)	-	-
(Increase)/decrease in other assets	(0.2)	8.2	-	-
Increase/(decrease) in payables and other liabilities	30.4	20.8	-	(6.7)
Increase/(decrease) in net other financial assets and liabilities	(35.8)	2.1	-	-
Increase/(decrease) in other liabilities	(0.9)	(0.9)	-	-
Increase/(decrease) in provisions	(3.4)	(18.7)	-	-
Movement in tax balances	18.4	(4.2)	(53.5)	(52.7)
Net cash inflow/(outflow) from operating activities	420.6	348.8	1,515.1	(182.6)

Note 31 Events occurring after the balance sheet date

(a) Distributions

Since the end of the financial year, the Directors have approved a final distribution for 2010 of $108.2 million (4.000 cents per stapled security) to be paid on 29 June 2010 comprised as follows:

	Cents per security	Total distribution $M
Fully franked dividend payable by SP AusNet Transmission	1.591	43.0
Assessable interest income payable by SP AusNet Finance Trust	2.261	61.2
Capital distribution payable by SP AusNet Finance Trust	0.148	4.0
	4.000	108.2

(b) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 31 March 2010 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 2010 of the Company; or

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 31 March 2010, of the Company.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 36 to 123, 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 2010 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 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
11 May 2010

KPMG

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

Report on the financial report

We have audited the accompanying financial report of SP Australia Networks (Distribution) Ltd ("the Company"), which comprises the combined statements of financial position as at 31 March 2010, combined income statements and combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 31 and the directors' declaration set out on pages 36 to 124. The financial report includes the financial statements of the combined entity, being 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").

Directors' responsibility for the financial report

The directors of the Company, SP Australia Networks (Transmission) Ltd and the directors of the Responsible Entity of SP Australia Networks (Finance) Trust, SP Australia Networks (RE) Pty Ltd, are responsible for the preparation and fair presentation of the 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 of the Combined Entity, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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 Combined 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.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and 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.

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

KPMG

Independence

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

Auditor's opinion

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 2010 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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 19 to 32 of the directors' report for the year ended 31 March 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of SP Australia Networks (Distribution) Ltd for the year ended 31 March 2010, complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

Alison Kitchen

Alison Kitchen
Partner

Melbourne

11 May 2010