

SPI Australia (LP) No. 2 Ltd
Registration No: 3679712

Directors' Report and Financial Statements

For the financial year ended 31 March 2013



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The financial report is presented in Australian dollars

SPI Australia (LP) No 2 Ltd is a company limited by shares, incorporated in the United Kingdom. Its registered office in the United Kingdom is

3 More London Riverside
London
SE1 2AQ
United Kingdom

Its registered office in Australia and principal place of business is

Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006
Australia

A description of the nature of SPI Australia (LP) No 2 Ltd's operations and its principal activities is included in the Directors' report

The financial report was authorised for issue by the Directors on 12 November 2013

Reporting by Directors

31 March 2013

The Directors of SPI Australia (LP) No 2 Ltd (the Company) present their report and financial statements for the financial year ended 31 March 2013

The immediate parent of the Company is SPI Australia Group Pty Ltd (SPI Australia Group). The parent of SPI Australia Group is SP Australia Networks (Distribution) Ltd (SP AusNet Distribution), a company incorporated in Australia, which is part of a listed stapled group trading as SP AusNet. SP AusNet comprises the Stapled Group of SP AusNet Distribution and its subsidiaries, SP Australia Networks (Transmission) Ltd (SP AusNet Transmission) and its subsidiaries, and SP Australia Networks (Finance) Trust (SP AusNet Finance Trust). The Stapled Group is also referred to as the SP AusNet 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 shareholder is the Minister for Finance, a body corporate under the Minister for Finance (Incorporation) Act, Chapter 183 of Singapore.

Directors

The persons listed below were Directors of the Company during the whole of the financial year and up to the date of this report unless otherwise noted.

Nino Ficca (Managing Director)

Norman Drew

Adam Newman (appointed effective 4 March 2013)

Geoff Nicholson (ceased effective 1 March 2013)

Charles Popple (appointed effective 28 March 2013)

Principal activities and business review

The principal activity of the Company is to hold ownership interests in other entities.

The Company is a limited partner with a 49.75 per cent interest in SPI Australia Holdings (Partnership) Limited Partnership (the Partnership).

During the year the principal activities of the Partnership through its subsidiaries consisted of

- **Electricity distribution** – delivery of electricity to approximately 658,000 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 620,000 consumer connection points over 60,000 square kilometres in central and western Victoria including some of Melbourne's western suburbs, and
- **Select Solutions** – the provision of specialist utility related metering, monitoring and asset management services.

Dividends

No dividends were paid and/or approved to members during the financial year (2012: A\$nil).

Reporting by Directors

31 March 2013

Discussion and analysis for the year ended 31 March 2013

This discussion and analysis is provided to assist readers in understanding the financial statements

Financial position

The Company's total assets as at 31 March 2013 were A\$613 198 million comprising solely of the Company's investment in the Partnership

Total liabilities as at 31 March 2013 were A\$31 628 million comprising primarily of related party borrowings

Shareholders' equity as at 31 March 2013 was A\$581 570 million

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 Company that occurred during the year under review

Matters subsequent to the end of the financial year

Ownership of SP AusNet

On 17 May 2013, Singapore Power International Pte Ltd (SPI) and State Grid International Development Limited (SGID) announced an agreement for SGID to purchase a 19.9 per cent security holding in SP AusNet from SPI. This transaction remains subject to formal clearance by certain regulatory authorities. If these are not received on or before 16 November 2013, then SPI or SGID may elect to terminate the agreement. Upon approval, SPI will continue to be the largest securityholder in SP AusNet, with a stake of 31.1 per cent and the public continuing to own 49 per cent.

Credit rating of SP AusNet

On 17 May 2013, Standard & Poor's lowered its long term rating on the SP AusNet Group and SP AusNet's subsidiaries to 'BBB+', from 'A-'. In addition, Moody's Investor Services has placed the SP AusNet Group and SP AusNet's subsidiaries 'A1' rating on review for downgrade. The adjustment in credit rating will not have a material impact on the SP AusNet Group's interest costs for the financial year ended 31 March 2014.

Debt raising

In July 2013, SP AusNet successfully completed a EUR 500 million 7 year Euro bond issue to raise approximately \$707 million. The proceeds will be used to refinance existing debt and to fund capital expenditure.

With the exception of the matters outlined above, the Directors are not aware of any circumstances that have arisen since 31 March 2013 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the Company in financial years subsequent to 31 March 2013.

Reporting by Directors

31 March 2013

Likely developments and expected results of operations

Information on likely developments in the operations of the Company 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 likely result in unreasonable prejudice to the Company

Disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

Indemnification and insurance

During the financial year, the SP AusNet 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

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be reappointed and KPMG LLP will therefore continue in office

Statement of Directors' responsibilities in respect of the Directors' Report and financial statements

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements for the year ended 31 March 2013 in accordance with International Financial Reporting Standards

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable IFRS have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

Reporting by Directors

31 March 2013

Statement of Directors' responsibilities in respect of the Directors' Report and financial statements (continued)

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

By order of the Board

A handwritten signature in black ink, appearing to read 'Adam Newman', is written over a horizontal line.

Adam Newman
Director

Melbourne
12 November 2013

Independent auditor's report to the members of SPI Australia (LP) No. 2 Ltd

We have audited the financial statements of SPI Australia (LP) No. 2 Ltd for the year ended 31 March 2013 set out on pages 8 to 19. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its result for the year then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Craig Parkin (Senior Statutory Auditor) for and on behalf of KPMG LLP, Statutory Auditor

St Nicholas House, Park Row, Nottingham, NG1 6FQ
12 November 2013

Income statement

For the year ended 31 March 2013

	2013 A\$'000	2012 A\$'000
Revenue	-	-
Expenses, excluding finance costs	-	-
Result from operating activities	-	-
Finance income	-	-
Finance costs	-	-
Net finance costs	-	-
Result before income tax	-	-
Income tax expense	-	-
Result for the year	-	-

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

The results above are in respect of continuing operations

SPI Australia (LP) No 2 Ltd

Statement of comprehensive income

For the year ended 31 March 2013

	2013 A\$'000	2012 A\$'000
Result for the year	-	-
Other comprehensive income for the year, net of income tax	-	-
Total comprehensive income for the year	-	-

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

Statement of financial position

As at 31 March 2013

	Notes	2013 A\$'000	2012 A\$'000
ASSETS			
Non-current assets			
Investment in the Partnership	3	613,198	613,198
Total non-current assets		613,198	613,198
Total assets		613,198	613,198
LIABILITIES			
Non-current liabilities			
Payables and other liabilities	4	31,628	31,628
Total non-current liabilities		31,628	31,628
Total liabilities		31,628	31,628
Net assets		581,570	581,570
EQUITY			
Equityholders of SPI Australia (LP) No 2 Ltd			
Contributed equity	5	666,723	666,723
Accumulated losses		(85,153)	(85,153)
Total equity		581,570	581,570

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

The financial statements were approved by the Board of Directors on 12 November 2013 and were signed on its behalf by



Adam Newman

Director

Registration number 3679715

Statement of changes in equity

For the year ended 31 March 2013

	Contributed equity A\$'000	Accumulated losses A\$'000	Total equity A\$'000
31 March 2013			
Balance as at 1 April 2012	666,723	(85,153)	581,570
Total comprehensive income for the year			
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 March 2013	666,723	(85,153)	581,570
31 March 2012			
Balance as at 1 April 2011	666,723	(85,153)	581,570
Total comprehensive income for the year			
Profit for the year	-	-	-
Total comprehensive income for the year	-	-	-
Balance at 31 March 2012	666,723	(85,153)	581,570

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

Statement of cash flows

For the year ended 31 March 2013

	2013 A\$'000	2012 A\$'000
Net cash inflow from operating activities	-	-
Net cash inflow from investing activities	-	-
Net cash inflow from financing activities	-	-
Net movement in cash held	-	-
Cash and cash equivalents at the beginning of the year	-	-
Cash and cash equivalents at the end of the year	-	-

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

Notes to the financial statements

31 March 2013

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Notes to the financial statements

31 March 2013

Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below

(a) Basis of preparation

These financial statements have been prepared in accordance with Companies Act 2006, Article 4 of the IAS Regulation and International Accounting Standards and International Financial Reporting Standards and related interpretations, as adopted by the European Union. The financial statements are also in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Where the classification of items has been amended in the financial report, the comparative information has been restated to align to the revised classification unless otherwise noted.

This financial report is presented in Australian dollars.

The financial report was approved by the Directors on 12 November 2013.

(i) Historical cost convention

The financial statements have been prepared under the historical cost convention.

(ii) Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The directors have prepared forecasts, and on the basis of these forecasts the company has sufficient funding to enable it to continue for the foreseeable future.

(b) Functional and presentation currency

Items included in the financial statements of the Company 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 Company's presentation currency.

(c) Income tax

The Company is a resident tax payer for Australian taxation purposes. It is not a resident of the UK for taxation purposes.

(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 the balance sheet liability method in respect of differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

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. Deferred tax assets and liabilities are, however, 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.

Notes to the financial statements

31 March 2013

Note 1 Summary of significant accounting policies (continued)

(c) Income tax (continued)

(ii) Deferred tax (continued)

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 SP AusNet Distribution 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 SP AusNet Distribution Group intends to settle its tax assets and liabilities on a net basis.

(iii) Tax expense

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

(iv) Tax consolidation

SP AusNet Distribution is the head entity of a tax consolidated group comprising SP AusNet Distribution and its Australian wholly-owned subsidiaries.

The current and deferred tax amounts for the tax consolidated group are allocated among the entities in the group using the stand-alone taxpayer method.

The members of the 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) calculated under the stand-alone taxpayer method and any deferred tax asset relating to tax losses assumed by the head entity. The members of the tax consolidated group have also entered into valid tax sharing agreements under the tax consolidation legislation which sets 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 head entity recognises deferred tax assets arising from unused tax losses of the 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.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in the tax consolidated group are recognised in conjunction with any tax funding arrangement amounts.

Notes to the financial statements

31 March 2013

Note 1 Summary of significant accounting policies (continued)

(d) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible 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 Company estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest group of assets that generate independent cash flows.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, the estimated future post-tax 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. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss is recognised in the income statement immediately.

(e) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company 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.

(f) 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.

(g) New accounting standards not yet adopted

A number of new standards, amendments to standards and interpretations were available for early adoption for the Company's annual reporting period beginning 1 April 2012, but have not been applied in preparing this financial report. These changes are not expected to result in any material changes to the Company's financial performance or financial position.

Notes to the financial statements

31 March 2013

Note 2 Dividends

No dividends were paid and/or approved to members during the financial year (2012 A\$nil)

Note 3 Investment in the Partnership

	2013	2012
	A\$'000	A\$'000
Investment in the Partnership	613,198	613,198
	<u>613,198</u>	<u>613,198</u>

Note 4 Payables and other liabilities

	2013	2012
	A\$'000	A\$'000
Non-current payables and other liabilities		
Intra-group payables	31,628	31,628
Total non-current payables and other liabilities	<u>31,628</u>	<u>31,628</u>
Total payables and other liabilities	<u>31,628</u>	<u>31,628</u>

Note 5 Equity

	Notes	2013	2012
Share capital			
Ordinary shares A\$1 - fully paid	(a), (b)	666,451,000	666,451,000
Ordinary shares £1 - fully paid (i)	(c)	25	25

(i) Ordinary shares of A\$1 and £1 each rank par passu in all respects

(a) Ordinary shares

Ordinary shares authorised and issued have no par value. 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.

Notes to the financial statements

31 March 2013

Note 5 Equity (continued)**(b) Movements in ordinary share capital (A\$1):**

Date	Details	Number of shares	A\$'000
1 April 2012	Opening balance	666,451,000	666,723
31 March 2013	Closing balance	666,451,000	666,723
1 April 2011	Opening balance	666,451,000	666,723
31 March 2012	Closing balance	666,451,000	666,723

(c) Movements in ordinary share capital (£1):

Date	Details	Number of shares	£
1 April 2012	Opening balance	25	25
31 March 2013	Closing balance	25	25
1 April 2011	Opening balance	25	25
31 March 2012	Closing balance	25	25

Note 6 Remuneration of auditor

The auditor of the Company is KPMG. Audit fees for the Company are paid by another entity in the SP AusNet Group. It is not possible to allocate these audit fees to individual entities within the SP AusNet Group. No non-audit services were provided to the Company by KPMG.

Note 7 Events occurring after the balance sheet date**(a) Ownership of SP AusNet**

On 17 May 2013, Singapore Power International Pte Ltd (SPI) and State Grid International Development Limited (SGID) announced an agreement for SGID to purchase a 19.9 per cent security holding in SP AusNet from SPI. This transaction remains subject to formal clearance by certain regulatory authorities. If these are not received on or before 16 November 2013, then SPI or SGID may elect to terminate the agreement. Upon approval, SPI will continue to be the largest securityholder in SP AusNet, with a stake of 31.1 per cent and the public continuing to own 49 per cent.

(b) Credit rating of SP AusNet

On 17 May 2013, Standard & Poor's lowered its long term rating on the SP AusNet Group and SP AusNet's subsidiaries to 'BBB+', from 'A-'. In addition, Moody's Investor Services has placed the SP AusNet Group and SP AusNet's subsidiaries 'A1' rating on review for downgrade. The adjustment in credit rating will not have a material impact on the SP AusNet Group's interest costs for the financial year ended 31 March 2014.

Notes to the financial statements

31 March 2013

Note 7 Events occurring after the balance sheet date (continued)

(c) Debt raising

In July 2013, SP AusNet successfully completed a EUR 500 million 7 year Euro bond issue to raise approximately \$707 million. The proceeds will be used to refinance existing debt and to fund capital expenditure.

(d) Other matters

Other than mentioned above, there has been no matter or circumstance that has arisen since 31 March 2013 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 2013 of the Company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2013, of the Company