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

Directors' Report and Financial Statements
For the year ended 31 March 2009

Contents

The financial report is presented in the Australian currency.

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

Directors' Report

The Directors of SPI Australia (LP) No. 2 Ltd ("the Company") present their report and financial statements for the year ended 31 March 2009.

The ultimate Australian parent entity of the Company is SP Australia Networks (Distribution) Ltd ("SP AusNet Distribution").

Pursuant to a Stapling Deed effective 21 October 2005, a Stapled Group was established for the purpose of facilitating a joint quotation of SP AusNet Distribution, SP Australia Networks (Transmission) Ltd and SP Australia Networks (Finance) Trust on the Australian Stock Exchange and the Singapore Exchange Securities Trading Limited. The Stapled Group was listed on 14 December 2005 and is also referred to as SP AusNet.

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)
Paul John **Adams** (resigned effective 7 November 2008)
Norman Peter **Drew**
Geoff **Nicholson** (commenced effective 18 February 2009)

Change in accounting policy

In the prior year the financial statements included the Company's interest in SPI Australia Holdings (Partnership) Limited Partnership ('the Partnership') at cost, adjusted for its 49.75% share of the profits or losses made by the Partnership. Being a limited partner, the Company's share of the Partnership losses were capped to its capital contribution.

In the current year the basis of preparation has been changed in order to include the investment in the underlying partnership in the balance sheet at cost, less provision for impairment where applicable. Dividend income is recognised in the profit and loss account when the Partnership has a legally binding obligation to make the distribution. The profit and loss account and balance sheet have been restated as a result of this change.

The directors believe this change in policy more appropriately presents the activities of the Company and its interest in the Partnership as it no longer results in the recognition of liabilities when the company has no legal or constructive obligation to transfer economic benefit.

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% interest in the Partnership.

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

- **Electricity distribution** – delivery of electricity to approximately 608,000 consumer supply points over 80,000 square kilometres in eastern Victoria including Melbourne's outer eastern suburbs; and

- **Gas distribution** – delivery of natural gas to approximately 554,000 consumer connection points over 60,000 square kilometres in central and western Victoria including some of Melbourne's western suburbs.

The principal operations of the Partnership are conducted through the following main operating group companies:

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

Dividends

The Directors do not recommend the payment of a dividend (2008: A$ nil).

Review of operations

A summary of the Company's revenues and results is set out below:

	2009 A$'000	As restated 2008 A$'000
Profit before taxation	**8,304**	8,024
Taxation on ordinary activities	**(2,491)**	(2,407)
Profit for the year	**5,813**	5,617

Discussion and analysis for the year ended 31 March 2009

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

Results for the year

The result for the Company for the year ended 31 March 2009 was a profit of A$5.8 million which resulted from interest receivable.

Balance sheet

The Company's total assets as at 31 March 2009 were A$733.4 million comprising non-current related party receivables and investments.

Current liabilities as at 31 March 2009 were A$27.5 million comprising related party payables under the tax funding agreement.

Shareholders' funds were A$705.9 million as at 31 March 2009.

Significant changes in the state of affairs

In the opinion of the Directors, there were no significant changes in the state of affairs of the Company that occurred during the period under review.

Matters subsequent to the end of the financial year

Debt Raising

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

In May 2009, SP AusNet successfully established A$325.0 million of three year bank debt facilities. This replaced A$255.0 million of existing working capital and standby facilities that matured in August 2009. Proceeds drawn under these new facilities were used to repay the A$161.5 million drawn under the existing commercial paper standby lines and working capital facilities. As a consequence there is A$163.5 million of undrawn but committed debt available under these three year bank debt facilities which will be used to refinance the A$63.6 million outstanding under the commercial paper program as it matures.

SP AusNet maintains its A- credit rating from Standard and Poor's and A1 from Moody's. At the date of this report, SP AusNet has no refinancing obligations until September 2010.

Capital Management Initiatives

On 12 May 2009, SP AusNet announced its intention to raise up to A$415.0 million through an accelerated non renounceable pro rata entitlement offer ("Entitlement Offer"). In May 2009, SP AusNet successfully raised A$336.0 million from the institutional component of the Entitlement Offer and in June 2009, the retail component of the Entitlement Offer was successfully completed, raising approximately A$72.0 million. These amounts exclude the costs of raising these funds.

Funds will be used to repay existing debt facilities. These facilities will then be redrawn over time to fund capital expenditure programs as required. SP AusNet's debt facilities are available to the Company through the CFV.

With the exception of the matters outlined above, the Directors are not aware of any circumstances that have arisen since 31 March 2009 that have significantly affected or may significantly affect the operations, and results or the state of affairs, of the Company in the financial years subsequent to 31 March 2009.

Likely developments and expected results of operations

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

Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

Indemnification and insurance

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

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 auditors will be reappointed and KPMG LLP will therefore continue in office.

Directors' Report (continued)

Statement of Directors' responsibilities in respect of the Directors' Report and the 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

The financial statements are required by law to 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 UK Accounting Standards 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.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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

Nino Ficca
Director

Melbourne
4 November 2009

KPMG LLP
St Nicholas House
Park Row
Nottingham NG1 6FQ

Independent auditors' report to the members of SPI Australia (LP) No. 2 Limited

We have audited the financial statements of SPI Australia (LP) No. 2 Limited for the year ended 31 March 2009 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 6.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

KPMG LLP

Chartered Accountants
Registered Auditor

4 November 2009.

Profit and loss account

For the year ended 31 March 2009

	Note	**2009** **A$'000**	As restated 2008 A$'000
Operating profit	3	-	-
Interest receivable	4	**8,304**	8,024
Profit on ordinary activities before taxation		**8,304**	8,024
Taxation on ordinary activities	5	**(2,491)**	(2,407)
Profit for the financial year		**5,813**	5,617

The results above are in respect of continuing operations.

All comparatives have been restated. Further information regarding this restatement is provided in Notes 1 and 2.

Balance sheet
As at 31 March 2009

	Note	2009 A$'000	As restated 2008 A$'000
Fixed assets			
Investments	6	**613,198**	613,198
Debtors – due in more than one year	7	**120,180**	111,876
Total assets		**733,378**	725,074
Creditors: amounts falling due in less than one year	8	**27,482**	24,991
Total liabilities		**27,482**	24,991
Net assets		**705,896**	700,083
Capital and reserves			
Called up share capital	9	**666,723**	666,723
Profit and loss account	11	**39,173**	33,360
Total shareholders' funds		**705,896**	700,083

All comparatives have been restated. Further information regarding this restatement is provided in Notes 1 and 2.

The financial statements were approved by the Board of Directors on 4 November 2009 and were signed on its behalf by:

NFicca

Nino Ficca
Director

Melbourne

Registration No: 3679712

Statement of total recognised gains and losses
For the year ended 31 March 2009

	Note	2009 A$'000	As restated 2008 A$'000
Profit for the financial year		**5,813**	5,617
Total recognised gains and losses relating to the financial year		**5,813**	5,617
Prior year adjustment	2	**612,233**	
Total gains and losses recognised since last annual report		**618,046**	

Note 1 Summary of significant accounting policies

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

(a) Basis of preparation

These financial statements have been prepared in Australian dollars (A$) because that is the trading currency of the Company.

The financial statements have been prepared in accordance with applicable accounting standards, under the historical cost accounting rules and on a going concern basis.

(b) Cash flow statement

The Company has elected to utilise the exemption provided in FRS 1 and not produce a cash flow statement on the grounds that the ultimate Australian parent of the Company includes the Company in its own published consolidated financial statements.

(c) Foreign currency translation

(i) 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.

(d) Income tax

The Company is a resident tax payer for Australian taxation purposes, it is not resident in 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 recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(iii) Tax consolidation

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

The current and deferred tax amounts for the tax consolidated group are allocated among the entities in the 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 the head entity from subsidiaries in the tax consolidated group are recognised in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the 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.

The 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.

Note 1 Summary of significant accounting policies (continued)

(d) Income tax (continued)

(iii) Tax consolidation (continued)
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) assumed by the head entity 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 a valid tax sharing agreement 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.

(e) Fixed asset investments – change in accounting policy

In the prior year the financial statements included the Company's interest in SPI Holdings Australia (Partnership) Limited ('the Partnership') at cost, adjusted for its 49.75% share of the profits or losses made by the Partnership. Being a limited partner, the Company's share of the Partnership losses were capped to its capital contribution.

In the current year the basis of preparation has been changed in order to include the investment in the underlying partnership in the balance sheet at cost, less provision for impairment where applicable. Dividend income is recognised in the profit and loss account when the Partnership has a legally binding obligation to make the distribution. The profit and loss account and the balance sheet have been restated as a result of this change.

The directors believe this change in policy more appropriately presents the activities of the holding company and its interest in the Partnership as it no longer results in the recognition of liabilities when the company has no legal or constructive obligation to transfer economic benefit.

The net effect of this change in policy is disclosed at Note 2.

Note 2 Restatement of comparatives

	As restated 2008 A$'000	As previously reported 2008 A$'000	Difference
Share of Partnership's losses	-	(16,657)	16,657
Operating loss	-	(16,657)	16,657
Interest receivable	8,024	8,024	-
Profit/(loss) on ordinary activities before taxation	8,024	(8,633)	16,657
Taxation on ordinary activities	(2,407)	(2,407)	-
Profit/(loss) for the financial year	5,617	(11,040)	16,657
Investments	613,198	-	613,198
Debtors – due in more than one year	111,876	111,876	-
Total assets	725,074	111,876	613,198
Creditors : amounts falling due in less than one year	24,991	24,026	965
Total liabilities	24,991	24,026	965
Net assets	700,083	87,850	612,233
Called up share capital	666,723	666,723	-
Profit and loss account	33,360	(578,873)	612,233
Total shareholders' funds	700,083	87,850	612,233

The above differences arise solely from the change in accounting policy as described in Note 1(e).

The effect of this change on the current period results would be to remove the share of partnership losses from the profit and loss for the financial year and to reflect the investment at its cost in the balance sheet.

Note 3 Operating profit

The Company's Operating profit during the financial year was A$nil (2008: A$nil).

Auditor's fees have been borne by a related party in both the current and prior years.

Note 4 Interest receivable

	2009 A$'000	2008 A$'000
Interest income – related parties	**8,304**	8,024

Note 5 Taxation on ordinary activities

	2009 A$'000	2008 A$'000
(a) Income tax expense		
Current tax	**2,491**	2,407
Total current tax	**2,491**	2,407

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

Current tax reconciliation

	2009 A$'000	As restated 2008 A$'000
Profit on ordinary activities before taxation	**8,304**	8,024
Tax at the Australian tax rate of 30% (2008: 30%)	**2,491**	2,407
Total current tax	**2,491**	2,407

Note 6 Fixed asset investments

	2009 A$'000	As restated 2008 A$'000
Investment in the Partnership:		
Equity at purchase cost	**633,616**	633,616
Equity increase *(i)*	**8,700**	8,700
Equity increase (convertible loan and interest) *(ii)*	**36,505**	36,505
Equity increase (employee share gift) *(iii)*	**272**	272
Equity decrease (return of contribution)	**(65,895)**	(65,895)
As at 31 March 2009 and 31 March 2008	**613,198**	613,198

(i) On 31 May 2005, A$8.7m additional equity was contributed to the Partnership.

(ii) On 26 February 2004, the Company's subordinated convertible loan of A$32.8m, plus the related accrued but unpaid interest of A$3.7m, was converted into equity in the Partnership.

(iii) A one-off gift of A$1,000 worth of securities was offered by SPI Management Services Pty Ltd ("SPI Management Services"), a related party, to all SP AusNet employees. This gift was funded by SPI Management Services without charge to SP AusNet.

The securities were purchased on the stockmarket. SP AusNet has accounted for this gift in accordance with FRS 20. As the gift was at no charge to SP AusNet the fair value of the gift was accounted for as an additional contribution of capital.

The share-based payment is a non-cash transaction as it was paid for by a related party.

Notes to the financial statements (continued)

For the year ended 31 March 2009

Note 7 Debtors – due in more than one year

	2009 A$'000	2008 A$'000
Related party receivables	**120,180**	111,876

Note 8 Creditors: amounts falling due in less than one year

	2009 A$'000	As restated 2008 A$'000
Related party payables	**27,482**	24,991

Note 9 Called up share capital

	Notes	2009 Shares	2008 Shares
Share capital			
Ordinary shares A$1 – fully paid	(a), (b)	**666,451,000**	666,451,000
Ordinary shares £1 – fully paid *(i)*		**25**	25

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

(a) Ordinary shares

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

(b) Movements in ordinary share capital (A$1):

Date	Details	Notes	Number of shares	Issue price	A$'000
1 April 2007	Opening balance		666,451,000	-	666,723
31 March 2008	Closing balance		666,451,000	-	666,723
1 April 2008	Opening balance		666,451,000	-	666,723
31 March 2009	Closing balance		666,451,000	-	666,723

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

Date	Details	Number of shares	Issue price	£1
1 April 2007	Opening balance	25	-	25
31 March 2008	Closing balance	25	-	25
1 April 2008	Opening balance	25	-	25
31 March 2009	Closing balance	25	-	25

Note 10 Reconciliation of movement in shareholders' funds

	Notes	2009 A$'000	As restated 2008 A$'000
Capital and reserves attributable to shareholders as:			
Contributed equity		**666,723**	666,723
Retained profits	11	**39,173**	33,360
Closing shareholders' funds (all equity)		**705,896**	700,083
Total equity at the beginning of the financial year		**700,083**	694,466
Profit for the financial year		**5,813**	5,617
Closing shareholders' funds (all equity)		**705,896**	700,083

Note 11 Profit and loss account

	2009 A$'000	As restated 2008 A$'000
Movements in retained profits were as follows:		
Balance at beginning of financial year:	**33,360**	27,743
Profit for the financial year	**5,813**	5,617
Balance at end of financial year	**39,173**	33,360

The net profit of the consolidated Partnership Group for the year ended 31 March 2009 was A$104.4m (2008: A$135.2m) reported in accordance with Australian Accounting Standards.

Note 12 Contingent liabilities

The Directors of the Company are not aware of any contingent liabilities as at 31 March 2009 (2008: A$nil).

Note 13 Commitments

The Company has no commitments as at 31 March 2009 (2008: A$nil).

Note 14 Parent company and controlling party

The immediate parent of the company is SPI Australia Group Pty Ltd, a company incorporated in Australia.

The ultimate Australian parent of the Company is SP AusNet Distribution, a company incorporated in Australia. 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 Ltd. Singapore Power International Pte Ltd owns 51% of the issued shares in SP AusNet Distribution as part of its ownership of 51% 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.

Note 15 Related party transactions

The Company is an indirect wholly owned subsidiary of Singapore Power Limited and, as permitted under FRS 8, transactions with other entities in the Group are not disclosed.

Note 16 Events occurring after the balance sheet date

(a) Debt raising

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

In May 2009, SP AusNet successfully established A$325.0 million of three year bank debt facilities. This replaced A$255.0 million of existing working capital and standby facilities that matured in August 2009. Proceeds drawn under these new facilities were used to repay the A$161.5 million drawn under the existing commercial paper standby lines and working capital facilities. As a consequence there is A$163.5 million of undrawn but committed debt available under these three year bank debt facilities which will be used to refinance the A$63.6 million outstanding under the commercial paper program as it matures.

(b) Capital Management Initiative

On 12 May 2009, SP AusNet announced its intention to raise up to A$415.0 million through an accelerated non renounceable pro rata entitlement offer ("Entitlement Offer"). In May 2009, SP AusNet successfully raised A$336.0 million from the institutional component of the Entitlement Offer and in June 2009, the retail component of the Entitlement Offer was successfully completed, raising approximately A$72.0 million. These amounts exclude the costs of raising these funds.

Funds will be used to repay existing debt facilities. These facilities will then be redrawn over time to fund capital expenditure programs as required. SP AusNet's debt facilities are available to the Company through the CFV.

(c) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 31 March 2009 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 2009 of the Company, or

(b) the results of those operations, or

(c) the state of affairs, in financial years subsequent to 31 March 2009, of the Company.