

AusNet LDP (No. 2) Ltd
Registration No: 3679712

Directors' Report and Financial Statements

For the financial year ended 31 March 2017



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The financial report is presented in Australian dollars.

AusNet LDP (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 AusNet LDP (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 24 July 2017.

Directors' Report

31 March 2017

The Directors of AusNet LDP (No.2) Ltd (the Company) present their report and financial statements for the financial year ended 31 March 2017.

The immediate parent of the Company is AusNet Distribution Group Pty Ltd (AusNet Distribution Group). The ultimate Australian parent of the Company is AusNet Services Ltd, a company incorporated in Australia, which is part of a listed group trading as AusNet Services (referred to as the Group).

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)

Adam **Newman**

Alistair **Parker** (*appointed 10 October 2016*)

Susan **Taylor** (*appointed 1 April 2016, resigned 23 September 2016*)

Review of operations for the year ended 31 March 2017

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 AusNet 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 over 705,000 customer connection points over approximately 80,000 square kilometres in eastern Victoria including Melbourne's outer eastern suburbs;
- **Gas distribution** – delivery of natural gas to over 676,000 customer connection points over approximately 60,000 square kilometres in central and western Victoria including some of Melbourne's western suburbs; and
- **Select Solutions** – the provision of specialist metering, asset intelligence and telecommunication solutions to the utility and infrastructure sectors.

Dividends

No dividends were paid and/or approved to shareholders during the financial year (2016: nil).

Financial position as at 31 March 2017

The Company's total assets as at 31 March 2017 were A\$612.9 million (2016: A\$613.2 million) comprising of the Company's investment in the Partnership. Total liabilities as at 31 March 2017 were A\$1.9 million (2016: A\$1.9 million) comprising of related party payables.

Directors' Report

31 March 2017

Financial position as at 31 March 2017 (continued)

The financial statements are prepared on a basis other than on a going concern basis, as the Company is expected to be wound up within 12 months from the date of the financial statements. Furthermore, all assets and liabilities as at 31 March 2017 have been reclassified to current.

Significant changes in the state of affairs

In March and July 2017, the Board approved certain preparatory steps related to the simplification of the AusNet Services Group structure and the winding up of entities that are no longer required following the repayment of external debt obligations in December 2016, which included the Company. Following further steps and due diligence to be carried out in FY2018, it is management's intention that the Company will be wound up and subsequently deregistered. This is expected to occur within the next 12 months following the date of signing the financial report.

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

Other than the simplification of the AusNet Services Group structure as referred to above, the Directors are not aware of any circumstances that have arisen since 31 March 2017 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 2017.

Likely developments and expected results of operations

Other than the changes noted above, there are no other likely developments for the business.

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 of officers

During the financial year, AusNet Services Ltd 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 AusNet Services. 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.

Directors' compensation

The Directors of the Company do not receive any compensation or fees for serving on the board of Company.

Auditor

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

Directors' Report

31 March 2017

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 2017 in accordance with International Financial Reporting Standards (as adopted by the EU).

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 International Financial Reporting Standards (as adopted by the EU) 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. As explained in Note 1(a), the Directors do not believe that it is appropriate to prepare these financial statements on a going concern basis.

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.



Adam Newman
Director

Melbourne
24 July 2017

Independent Auditors' report to the members of AusNet LDP (No. 2) Ltd

We have audited the financial statements of AusNet LDP (No.2) Ltd for the year ended 31 March 2017 set out on pages 7 to 18. 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 website 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 2017 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.

Emphasis of matter – Non-going concern basis of preparation

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure in note 1(a) to the financial statements which explain that the financial statements have not been prepared on the going concern basis for the reasons set out in that note.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

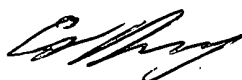
Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

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; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Colin Brearley (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
St Nicholas House
Park Row
Nottingham
NG1 6FQ

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AusNet LDP (No. 2) Ltd

Income statement

For the year ended 31 March 2017

	2017	2016
	A\$'000	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.

AusNet LDP (No. 2) Ltd

Statement of comprehensive income

For the year ended 31 March 2017

	2017 A\$'000	2016 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.

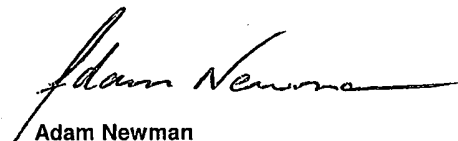
Statement of financial position

As at 31 March 2017

	Notes	2017 A\$'000	2016 A\$'000
ASSETS			
Current assets			
Investment in the Partnership	2	612,926	-
Total current assets		612,926	-
Non-current assets			
Investment in the Partnership	2	-	613,198
Total non-current assets		-	613,198
Total assets		612,926	613,198
LIABILITIES			
Current liabilities			
Payables and other liabilities	3	1,906	1,906
Total current liabilities		1,906	1,906
Total liabilities		1,906	1,906
Net assets		611,020	611,292
EQUITY			
Equityholders of AusNet LDP (No. 2) Ltd			
Contributed equity	4	696,173	696,445
Accumulated losses		(85,153)	(85,153)
Total equity		611,020	611,292

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 24 July 2017 and were signed on its behalf by:


Adam Newman
 Director

Melbourne
 Registration No: 3679712

Statement of changes in equity

For the year ended 31 March 2017

	Notes	Contributed equity A\$'000	Accumulated losses A\$'000	Total equity A\$'000
31 March 2017				
Balance as at 1 April 2016		696,445	(85,153)	611,292
Total comprehensive income for the year				
Result for the year		-	-	-
Total comprehensive income for the year		-	-	-
Transactions with owners, recorded directly in equity				
Share based payment reserve	4	(272)	-	(272)
Total transactions with owners		(272)	-	(272)
Balance as at 31 March 2017		696,173	(85,153)	611,020
31 March 2016				
Balance as at 1 April 2015		666,723	(85,153)	581,570
Total comprehensive income for the year				
Result for the year		-	-	-
Total comprehensive income for the year		-	-	-
Transactions with owners, recorded directly in equity				
New shares issued	4	29,722	-	29,722
Total transactions with owners		29,722	-	29,722
Balance as at 31 March 2016		696,445	(85,153)	611,292

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

AusNet LDP (No. 2) Ltd .

Statement of cash flows

For the year ended 31 March 2017

No cash flow statement has been prepared as the Company does not hold a bank account and does not have any cash flows as defined under IAS 7 *Statement of Cash Flows*. Significant non-cash transactions relating to financing and investing activities are disclosed within the notes.

Notes to the financial statements

31 March 2017

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Notes to the financial statements

31 March 2017

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 for the year ended 31 March 2017 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.

This financial report is presented in Australian dollars.

The financial statements were approved by the Board of Directors on 24 July 2017.

In March and July 2017, the Board approved certain preparatory steps related to the simplification of the AusNet Services Group structure and the winding up of entities that are no longer required following the repayment of external debt obligations in December 2016, which included the Company.

Following further steps and due diligence to be carried out in FY2018, it is management's intention that the Company will be wound up and subsequently deregistered. This is expected to occur within the next 12 months following the date of signing the financial report. As a result, the financial statements have been prepared on a basis other than going concern because the Directors intend to commence the actions required to transfer or settle the Company's obligations and deregister the Company.

In preparing the financial statements on a basis other than going concern, the Directors have continued to apply the requirements of International Financial Reporting Standards, taking into account the Directors' intent to deregister the Company as described above. The change in basis of preparation has resulted in the reclassification of all assets and liabilities as current. No additional provision for future wind-up costs has been recognised as the company has not incurred any additional legal or contractual obligations.

(i) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities measured at fair value.

(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).

Notes to the financial statements

31 March 2017

Note 1 Summary of significant accounting policies (continued)

(c) Income tax (continued)

(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.

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 Company 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 Company 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. Both current income tax and deferred tax are calculated using tax rates that have been enacted or substantively enacted at reporting date.

(iv) *Tax consolidation*

AusNet Services Ltd is the head entity in a tax consolidated group comprising AusNet Services Ltd and its wholly owned subsidiaries, which includes the Company. The Company is part of a tax consolidated group and accordingly does not have franking credits in its own right. The current and deferred tax amounts for the tax consolidated group are allocated among entities in the group using the stand alone taxpayer method.

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. Members of the tax consolidated group have also entered into a valid tax sharing agreement 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 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 2017

Note 1 Summary of significant accounting policies (continued)

(d) Receivables

Receivables 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.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance for impairment is established when there is objective evidence that the Company 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.

(e) 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. An impairment loss occurs when an asset's carrying amount exceeds its recoverable amount. 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 largely independent cash inflows.

Intangible assets with indefinite useful lives are tested for impairment annually regardless of whether there is an indication that the asset or related CGU may be impaired.

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.

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.

(f) Trade and other payables

These amounts represent intercompany short-term, non-interest bearing payables at call.

(g) 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.

(h) Investment in subsidiaries

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

(i) 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 2016, 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 2017

Note 2 Investment in the Partnership

	2017 \$'000	2016 \$'000
Current		
Investment in AusNet Holdings (Partnership) Limited Partnership	612,926	-
Total current investment in the Partnership	612,926	-
Non-current		
Investment in AusNet Holdings (Partnership) Limited Partnership	-	613,198
Total non-current investment in the Partnership	-	613,198
Total investment in the Partnership	612,926	613,198

Note 3 Payables and other liabilities

	2017 A\$'000	2016 A\$'000
Current payables and other liabilities		
Related party payables (i)	1,906	1,906
Total payables and other liabilities	1,906	1,906

- (i) Related party payables represent intercompany tax balances to other entities within the Group, are not interest bearing and are repayable on demand.

Notes to the financial statements

31 March 2017

Note 4 Equity

	Notes	2017 Shares	2016 Shares
Share capital			
Ordinary shares A\$1 – fully paid (i)	(a), (b)	696,172,931	696,172,931
Ordinary shares £1 – fully paid (i)	(a), (c)	25	25

(i) Ordinary shares of A\$1 and £1 each rank pari 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.

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

Date	Details	Number of shares	A\$'000
1 April 2016	Opening balance	696,172,931	696,445
31 March 2017	Reclassification of FY2007 share based payment reserve	-	(272)
31 March 2017	Closing balance	696,172,931	696,173
1 April 2015	Opening balance	666,451,000	666,723
22 May 2015	Share issue (i)	29,721,931	29,722
31 March 2016	Closing balance	696,172,931	696,445

(i) Additional equity was injected into AusNet LDP (No. 2) Ltd to enable the settlement of outstanding intercompany tax balance upon restructure of the AusNet Services Group.

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

Date	Details	Number of shares	£
1 April 2016	Opening balance	25	25
31 March 2017	Closing balance	25	25
1 April 2015	Opening balance	25	25
31 March 2016	Closing balance	25	25

Notes to the financial statements

31 March 2017

Note 5 Remuneration of auditor

The auditor of the Company is KPMG LLP. Audit fees for the Company were GBP £4,750 for the year. These fees were paid by another entity within the Group. No non-audit services were provided to the Company by KPMG LLP.

Note 6 Related undertakings

The financial statements include the following related undertakings:

Name of entity	Country of incorporation	Class of shares	Equity interest	
			2017 %	2016 %
Direct interest				
AusNet Holdings (Partnership) Limited Partnership	Australia	Ordinary	49.75	49.75
Indirect interest				
AusNet Services Holdings Pty Ltd	Australia	Ordinary	49.75	49.75
AusNet Electricity Services Pty Ltd	Australia	Ordinary	49.75	49.75
AusNet Asset Services Pty Ltd	Australia	Ordinary	49.75	49.75
AusNet (No. 8) Pty Ltd	Australia	Ordinary	49.75	49.75
AusNet (No. 9) Pty Ltd	Australia	Ordinary	49.75	49.75
AusNet Gas Services Pty Ltd	Australia	Ordinary	49.75	49.75
Select Solutions Group Pty Ltd	Australia	Ordinary	49.75	49.75

Note 7 Events occurring after the balance sheet date

Other than matters noted within Note 1(a) in regards to the simplification of the AusNet Services Group structure, there has been no matter or circumstance that has arisen since 31 March 2017 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 2017 of the Company;
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 31 March 2017, of the Company.