CK William UK Holdings Limited

Company Number 10004346

Annual Report - 31 December 2019

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CK William UK Holdings Limited
Strategic report
31 December 2019

The directors present their strategic report on the consolidated entity for the year ended 31 December 2019.

Principal activities

Through its Australian subsidiary CK William Australia Holdings Pty Ltd, the business controls (refer note 11), Dampier Bunbury Natural Gas Pipeline Trust and its controlled entities (DBP or Dampier Bunbury Pipeline), DBP Development Group Nominees Pty Limited and its controlled entities (DDG), Energy Developments Pty Limited and its controlled entities (EDL or Energy Developments), United Energy Distribution Holdings Limited and its controlled entities (UE or United Energy) and Multinet Group Holdings Limited and its controlled entities (MG or Multinet Gas).

DBP is Western Australia's principal gas transmission pipeline. It is the only pipeline connecting the natural gas reserves of the Carnarvon basin on Western Australia's North West Shelf with industrial, commercial and residential customers in Perth and the surrounding regions. Natural gas supplies approximately 50% of total primary energy consumption in Western Australia.

DDG owns and operates gas pipelines in the Pilbara region and owns and operates WA's biggest gas storage facility as well as the Tanami Pipeline in the Northern Territory.

EDL owns and operates electricity generation assets using variety of fuel sources in Australia, North America and Europe.

UE's primary activities are distribution of electricity from Victoria's transmission network to the premises of residential, commercial and industrial electricity users enabled via the ongoing construction, augmentation and maintenance of its electricity network in Victoria, Australia.

MNG's primary activities are the distribution of gas to the premises of residential, commercial and industrial gas users and the construction and maintenance of its gas network in Victoria, Australia

The primary activity of CK William UK Holdings Limited is a holding company.

Review of operations

The profit after tax for the group for the year is $234.5 million (2018: $209.1 million.)

	2019 $'000	2018 $'000	Change $'000	Change %
Revenue	1,898	1,871	27	1%
Other gains	35	14	21	150%
Expenses	1,135	1,130	5	-
Finance expenses	465	472	(7)	(1%)
Income tax expense	100	75	25	33%
Profit after income tax expense	235	209	26	12%

The increase in revenue from 2018 is due to favourable distribution revenue (DUoS revenue) driven by small consumption and tariff increases. The increase in other gains is primarily due to increased finance lease income from Newmont Tanami. The decrease in finance expenses is driven by reduced shareholder loan interest due to the decrease in floating interest rates.

Income tax expense for the year was $99.7 million (2018: $75.4 million) which represents an effective tax rate of 29.8% (2018: 26.5%).

Revenue and operating profit by operating entity is summarised as follows:

	Revenue 2019 $' million	Revenue 2018 $' million	Operating profit* 2019 $' million	Operating profit* 2018 $' million
DBP & DDG	420	426	267	248
EDL	578	586	113	123
UE	682	645	293	262
MG	218	214	129	120
Other	-	-	(3)	(3)
	1,898	1,871	799	750

* Operating profit represents profit / (loss) before income tax expense less finance expenses and expenses relating to the acquisition of DUET.

DBP & DDG
DBP demonstrated strong financial performance in 2019, with an increase in operating profit of $19 million, driven largely by growth in operations of DDG and reductions in depreciation expense.

On 15th February 2019, the Tanami pipeline was commissioned for operation without injuries, ahead of schedule and under budget contributing an additional $16 million of revenue and $11 million of operating profit in 2019.

In November 2019, DBP was awarded a contract to design, construct and operate a new pipeline connecting the Woodside operated LNG Plant to the North West Shelf Project's Karratha Gas Plant. Construction is being commenced 2020.

EDL
EDL revenue decreased slightly by $8m compared to prior year mainly due to decrease in green credit revenue as a result of lower spot LGC price. The decrease in operating profit is primarily due to this reduction in revenue.

In October 2019 EDL acquired Broadrock Energy, a landfill-gas-to-energy (LFGTE) business in the US for $350 million. Broadrock contributed $17 million additional revenue and $3 million operating profit from acquisition to year end. Refer to note 33 for details on the business combination.

UE
UE demonstrated strong financial performance in 2019, with an increase in operating profit of $31 million. This was driven by higher revenue of $37 million primarily from favourable DUoS revenue due to improved residential consumption and pricing. Operating expenses increased primarily due to depreciation in line with the growth in the asset base depreciation expense by $7 million offset by lower other costs through a continued focus on operating expense optimisation with key savings across multiple categories.

MG
MG demonstrated strong financial performance in 2019, with an increase in operating profit of $9 million. The result was driven by higher revenue of $4 million in the year due to higher distribution revenue arising from an increase in tariffs from 1 January 2019, reductions in loss on disposal of fixed assets due to fewer abandonments of $3 million and reduction in unaccounted gas expenses.

All four operating entities delivered strong cash operating results in 2019.

The consolidated entity continues to invest significantly in replacement and growth capital assets in each operating business to maintain strong operating results. A breakdown by property, plant and equipment additions by entity is below:

	2019 $' million	2018 $' million
DBP & DDG	90	197
EDL	186	102
UE	185	167
MG	89	100
	550	566

Key performance indicators
The four major operating groups each maintain separate financial and non-financial key performance indicators (KPI). The consolidated entity's KPI's focus on safety, reliability and financial performance.

Safety management
Safety is our number one priority across the consolidated entity. This is measured using multiple KPIs across the consolidated entity. Each operating group implements policies and procedures to ensure safety and well-being of employees.

DBP, EDL and MG use lost time injuries to employees and contractors as a key KPI. During the year, the number of lost time injuries incurred was above target by 1 (2018: exceeded target by 3).

DBP, MG and UE use significant health and safety incidents or fatal risk incidents as a key KPI. During the year, the number of fatal risk incidents incurred exceeded target of nil by 1.

Reliability
Given the differences in operations across the CK William Group, there is no consistent reliability metric that is applied to each group, rather each group has a specific reliability KPI.

DBP uses available hours for measuring reliability. In 2019, DBP exceeded both the 2019 KPI target and 2018 reliability measure.

EDL uses generation of GigaWatt hours as the reliability metric. EDL was marginally below target GigaWatt hours generated.

UE uses Service Target Performance Incentive Scheme results, which includes a financial impact from reliability of supply. UE exceeded the KPI target.

MG uses multiple measures of reliability including number of supply interruptions, number of customers with 3 or more disruptions and disruptions not restored within 12 hours. MG did not meet target reliability KPIs or exceed 2018 reliability.

Shareholder distributions
Shareholder distributions comprise both shareholder interest and dividend distributions. For the 2019 year shareholder distributions totalled $205.1 million (2018: $263.5 million), which was in line with the adjusted KPI target. An adjustment was made to the KPI target to reflect Board approval to reinvest $160 million within the CK William Australia Group to help fund EDL's acquisition of Broadrock Energy.

Operating profit
The consolidated entity achieved an operating profit of $234.5 million for the 2019 financial year which exceeded budget by 11% (2018: 19% below budget).

Principal risks and uncertainties
Regulatory environment
The gas transmission, gas distribution and electricity distribution businesses within the group are subject to extensive legal and regulatory obligations, which the businesses must comply with. The possible changes in laws and regulatory standards could have an adverse effect on the operations and financial position of these businesses.

The consolidated entity mitigates this risk by having dedicated regulatory teams in each operating business which work closely with the regulator. In addition, dedicated compliance functions exist to ensure compliance obligations are performed.

Health and Safety
There is a risk that an incident within the operating businesses could lead to injury to an employee, contractor or member of the general public. Any such incident could have an adverse effect on the reputation of the operating business or lead to potential prosecution.

As Health and Safety is our number one priority, there are dedicated Health, Safety and Environment teams in the operating businesses who manage and monitor the safety systems and processes and adopts safety KPIs to monitor this.

Network Performance
If transmission or distribution network assets fail, it could result in a loss of supply to customers and associated adverse publicity.

This risk is mitigated by asset management procedures and network planning activities.

Financial risk management
The consolidated entity's activities expose it to a variety of financial risks. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses derivative financial instruments to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. Financial risk management is carried out by the operational entities treasury functions under policies approved by the respective board of directors. See note 32 for detailed disclosure around financial risk mitigation and hedging.

Interest rate risk

The consolidated entity is exposed to interest rate risk as it invests and borrows funds at both fixed and floating interest rates. The risks are managed by maintaining an appropriate mix between fixed and floating rate borrowings and through the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to confirm alignment with the debt and liquidity management policies and ensure that the operating entities are not exposed to excess risk from interest rate volatility.

Foreign exchange risk

The consolidated entity enters into borrowings denominated in foreign currencies and has overseas operations in foreign currencies. Risk of foreign borrowings are managed by taking out cross currency swaps.

Commodity price risk

The consolidated entity is exposed to unregulated market price fluctuations and enters into fixed price electricity contracts to reduce the volatility attributable to price fluctuations.

COVID-19

The Board continue to assess the impact of COVID-19 on the consolidated entity.

The operational groups have implemented operational responses based on the particular local requirements. These include;

- Segregation of field crews and minimising work group interaction within depots;
- Travel restrictions between depots and offices;
- Expanding Network Control Centres across multiple sites;
- Directions for support staff where they can meet business requirements and work from home, they should work from home;
- Provision of PPE at offices and depots; and
- Where required locally, wearing face coverings unless an exemption applies.

As essential services the operational businesses continue to attend fault, capital works and electricity generation activities.

Given the majority of the revenue of the consolidated entity is derived from regulated or semi-regulated entities, there has not been a significant unfavourable impact to revenue, with marginal decreases in distribution and transmission with a shift from commercial to residential consumption in line with working from home conditions. Costs are expected to increase due to reduction in wages and salaries capitalised offset by lower employee incidental costs such as travel.

The Board has reviewed updated financial forecasts which include the likely impacts of COVID-19 and do not consider the impact to result in an asset impairment or going concern risk.

Brexit risk

The majority of the operations of the consolidated entity occur outside the United Kingdom and as such no material impact to the consolidated entity is expected to occur.

Section 172(1) statement

The Directors present a corporate governance statement under the guidance of section 172 of the Companies Act.

The directors are fully aware of their responsibilities to promote the success of the company in accordance with s172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be mostly likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company

Overview of the Board

No directors of the board are also members of management of the operating groups. M. J. Horsley is the Chief Executive Officer of Northern Gas Networks Holdings Limited.

Each operating group within the consolidated entity has a separate board and board committees including audit, risk and remuneration committees. H. L Kam, A. J. Hunter and L. S. Chan are board members of the DBP, DDG, EDL and MG boards and A. J Hunter is a member of the UE board.

Actions and responsibilities of the Board
The Board is responsible for and makes key decisions on the following areas.

Approving the strategic direction with consideration of the likely consequences in the long term
The Board is responsible for the strategic direction of the company and seeks to balance the best interests of the company with the objective of enhancing shareholder value. The long term objective is to deliver stable, profitable results to the shareholders.

Every 6 months, each CEO of the respective operating business presents their results to the Board.

In October the acquisition of Broadrock Energy by EDL was finalised for $350m. Broadrock has power generating facilities at Brea, California and Providence, Rhode Island. The acquisition supports our value creation strategy to expand in stable, well-structured markets namely, renewables, energy from waste, electricity and gas infrastructure businesses.

The board believe the acquisition of this profitable and growing group adds value to the EDL group and in the long term, we considered that the acquisition would offer new and exciting opportunities going forward.

The interests of the company's employees
Under the delegated authority of the Board, each CEO of the operating businesses keeps their employees informed on matters relevant to their operating business through teleconferences, newsletters and other communications as applicable.

Each operating group manages programs to ensure that they retain, reward and incentivise employees. Annual bonus payments are approved by the respective remuneration committees.

Training and development of employees is a key focus of the consolidated entity, with operating groups having dedicated Learning and Development Teams to support employee needs.

Maintaining relationships with suppliers, customers and others
Under the delegated authority of the Board, each CEO of the operating businesses maintains procurement functions to manage supplier relationships.

Under the delegated authority of the Board, each CEO of the operating businesses monitors customer satisfaction and where applicable to the operating business reliability of supply of electricity and gas to customer through various KPIs reported to the board. As part of the regulatory reset process, operating businesses undertook significant community and customer engagement to ensure that customer and community requirements were factored into the regulatory proposals.

Other stakeholders include the various regulatory bodies including economic and safety regulation. The operating businesses have dedicated regulatory teams for these relationships and monitors key safety KPIs reported to the board.

Monitoring the impact of the company's operations on the community and the environment
Under the delegated authority of the Board, each CEO of the operating businesses maintains policies and procedures on managing environmental obligations. The consolidated entity is mindful about the impact of its actions on the environment and carries out a range of initiatives at its sites to protect the same. These initiative range from Cultural Heritage Management Plans to Asbestos Management Plans to working with Landcare on a number of environmental projects.

EDL's Coober Pedy Hybrid Renewable Project in South Australia won the Environmental Upgrade category at the 2019 Asian Power Awards event.

Maintaining a reputation for high standards of business conduct
Under the delegated authority of the Board, each CEO of the operating businesses maintains risk functions within their businesses to identify and respond to business specific risks. On a six monthly basis, risk reviews are performed and top 10 risks, risk treatment plans and mitigating controls are reported to the respective risk committees.

Each operating business also maintains codes of conduct for employees, fraud mitigation policies and whistleblower hotlines.

Acting fairly as between members of the company
The Board is comprised of directors who are appointed by shareholders. As such each shareholder has representation and the ability to contribute to all Board meetings and so influence the decisions made by the Board.

Dividend payments
The Board approve any dividend declarations after consideration of any planned reinvestment in growth opportunities for the company.

Approved and authorised for issue on behalf of the directors by:

Mark Horsley

M. J. Horsley
Director

30 September 2020

CK William UK Holdings Limited
Directors' report
31 December 2019

The directors present their annual report on the affairs of the consolidated entity (referred to hereafter as the 'consolidated entity'), together with the financial statements and auditors report. on the consolidated entity consisting of CK William Australia Holdings Pty Ltd (referred to hereafter as the 'company' or 'CK William') and the entities it controlled at the end of, or during, the year ended 31 December 2019.

The following disclosures have been disclosed in the strategic report but are cross referenced here: principal activities, business review including KPI's, principal risks and uncertainties and financial risk management objectives and policies.

Directors
The following persons were directors of CK William UK Holdings Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

W. L. Ho
T. C. Ip
H. L. Kam
A. J. Hunter
L. S. Chan
M. J. Horsley
G. B. Ellis (resigned 30 June 2020)
J. T. Miller
R. J. Roberts
K. T. Chow (appointed 30 June 2020)

Dividends
Dividends paid during the financial year were as follows:

	2019 $'000	2018 $'000
Dividend declared and paid for the year ended 31 December 2019 is nil (2018: 0.0147 cents per share)	-	50,200

This excludes dividends payable to non-controlling interests in relation to the subsidiaries of the group.

Review of operations
The profit for the consolidated entity after providing for income tax and non-controlling interest amounted to $201,131,000 (31 December 2018: $180,942,000).

Refer to the Strategic Report for further detail.

Matters subsequent to the end of the financial year
On 21 January 2020 Multinet Gas refinanced $230 million of maturing Medium Term Notes with a Westpac two year bridge facility.

On 25 February 2020 Dampier Bunbury Pipeline refinanced $100 million of maturing fixed rate debt and $25 million of maturing Medium Term Notes with a Mizuho 2 years bridge facility.

On 30 April 2020 EDL extended the $122 million USD facility by a further 12 months.

On 4 May 2020 Dampier Bunbury Pipeline refinanced $75 million of maturing bank loans with a one and a half year bilateral facility.

On 31 July 2020 EDL refinanced $225 million of maturing bank debt with a $225 million revolving bank debt facility.

Post year end there is an outbreak of the Novel Coronavirus (COVID-19) which has resulted in a deterioration of the political, socio-economic and financial situation globally. The businesses have remained operational as the provider of essential services. Given the uncertainties as to the development of the COVID-19 outbreak, it is difficult to predict how long these conditions will exist. From a financial perspective, the businesses have continued to deliver strong financial results as revenues have not been materially impacted by the pandemic.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely future developments
No significant changes to the operations of the consolidated entity are foreseen. The group continues to explore opportunities for growth through its subsidiaries.

Research and development
The consolidated entity undertakes research and development activities in areas such as bushfire mitigation for electricity distribution and asset management and analytics techniques. The consolidated entity recognised R&D grant revenue of $939,000 in note 2 relating to $2,440,000 of costs relating to contract expenditure, wages and salaries and other expenses.

Financial instruments
Information on the consolidated entity's financial instruments are disclosed in the strategic report.

Refer to note 32 Financial Instruments for further details.

Charitable and political donations
No charitable or political donations were made during the year.

Disabled employees
The consolidated entity gives full consideration to employment applications from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the consolidated entity's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Employee consultation
The consolidated entity places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the consolidated entity. This is achieved through formal and informal meetings at an operational level of the respective businesses.

Indemnity of directors
As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Disclosure of information to the auditors
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the consolidated entity's auditor, each director has taken all the steps that they are obliged to take as a director in order to made themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor
Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Going Concern
The consolidated entity's business activities, performance and position, together with its principal risks and uncertainties likely to affect its future development and performance are set out in the Strategic Report and above. The consolidated entity is able to pay its liabilities as they fall due. The consolidated entity has significant liquid resources and uses long term debt instruments to mitigate any liquidity risk as detailed in the Strategic Report. The consolidated entity has refinanced a number of facilities due within 12 months after year end.

CK William UK Holdings Limited
Directors' report
31 December 2019

Due to the nature of operations of the consolidated entity being primarily generation, distribution and transmission of gas and electricity, these underlying activities have been largely unaffected by COVID-19. The latest forecasts do not indicate any significant unfavourable impact to profitability in 2020 with volumes marginally lower with consumption patterns shifting from commercial to residential and most electricity volume sold at contract prices. There have been no significant restrictions applied to the consolidated entity that impair its ability to continue to deliver these services to customers.

The directors have a reasonable expectation that the company and consolidated entity have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

This report is made in accordance with a resolution of directors.

Approved and authorised for issue on behalf of the directors

Mark Horsley

M. J. Horsley
Director

30 September 2020

CK William UK Holdings Limited
Directors' Responsibilities Statement
31 December 2019

The directors are responsible for preparing the annual 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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 Reduced Disclosure Framework. 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 the parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

In preparing these group financial statements, the directors are required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the consolidated entity's transactions and disclose with reasonable accuracy at any time the financial position of the consolidated entity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the consolidated entity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CK William UK Holdings Limited
Contents
31 December 2019

General information

The financial statements cover both CK William UK Holdings Limited as an individual private entity and the consolidated entity consisting of CK William UK Holdings Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian Dollar, which is CK William UK Holdings Limited's functional currency as the majority of operations are based in Australia.

CK William UK Holdings Limited is a company limited by shares, incorporated and domiciled in the United Kingdom (England). Its registered office and principal place of business is:

3 More
London Riverside
London SE1 2AQ
United Kingdom

A description of the nature of the consolidated entity's operations and its principal activities are included in the strategic report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2020. The directors have the power to amend and reissue the financial statements.

CK William UK Holdings Limited
Independent auditor's report to the members of CK William UK Holdings Limited
31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of CK William UK Holdings Limited (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statements of profit or loss and other comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 40.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

CK William UK Holdings Limited
Statements of profit or loss and other comprehensive income
For the year ended 31 December 2019

		Consolidated	
	Note	**2019**	**2018**
		$'000	**$'000**

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

We have nothing to report in respect of these matters.

Use of our report
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.

Scott Bayne, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Leeds, United Kingdom
30 September 2020

CK William UK Holdings Limited
Statements of profit or loss and other comprehensive income
For the year ended 31 December 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue	1	1,897,674	1,870,523
Share of profits of associates accounted for using the equity method	14	2,145	1,772
Other gains	2	34,769	14,165
Expenses			
Expenses from ordinary activities	3	(1,135,248)	(1,130,183)
Finance expenses	4	(465,180)	(471,853)
Profit before income tax expense		334,160	284,424
Income tax expense	7	(99,651)	(75,372)
Profit after income tax expense for the year		234,509	209,052
Other comprehensive loss			
Items that will not be reclassified subsequently to profit or loss			
Actuarial (loss)/gain on defined benefit plans, net of tax		(2,062)	72
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		(95,706)	(58,629)
Foreign currency translation		6,590	6,842
Other comprehensive loss for the year, net of tax		(91,178)	(51,715)
Total comprehensive income for the year		143,331	157,337
Profit for the year is attributable to:			
Non-controlling interest		33,378	28,110
Owners of CK William UK Holdings Limited	28	201,131	180,942
		234,509	209,052
Total comprehensive income for the year is attributable to:			
Non-controlling interest		14,458	20,939
Owners of CK William UK Holdings Limited		128,873	136,398
		143,331	157,337

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

CK William UK Holdings Limited
Statements of financial position
As at 31 December 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Assets					
Current assets					
Cash and cash equivalents	8	262,088	90,069	17,120	104
Trade and other receivables	9	192,978	200,140	-	2,400
Inventories	10	59,910	67,906	-	-
Other financial assets	12	70,099	115,585	-	-
Derivative financial instruments	31	6,299	1,665	-	-
Income tax refund due		-	42	-	-
Other assets	13	40,362	21,794	-	-
Total current assets		631,736	497,201	17,120	2,504
Non-current assets					
Trade and other receivables	9	-	-	27,257	-
Investments accounted for using the equity method	14	22,750	27,519	-	-
Investments in subsidiaries	11	-	-	3,415,000	3,415,000
Other financial assets	12	272,863	123,559	-	-
Derivative financial instruments	31	189,830	83,534	-	-
Property, plant and equipment	15	9,517,128	9,229,182	-	-
Right-of-use assets	18	60,956	-	-	-
Intangibles	16	6,181,260	6,147,224	-	-
Retirement benefit assets	17	1,935	5,379	-	-
Other assets	13	3,120	2,255	-	-
Total non-current assets		16,249,842	15,618,652	3,442,257	3,415,000
Total assets		16,881,578	16,115,853	3,459,377	3,417,504
Liabilities					
Current liabilities					
Trade and other payables	19	352,770	359,906	466	455
Contract liabilities	20	18,870	31,762	-	-
Borrowings	22	923,765	915,484	-	-
Lease liabilities	21	10,444	1,049	-	-
Derivative financial instruments	31	71,473	9,613	-	-
Income tax		11,106	746	-	-
Provisions	23	177,524	177,248	-	-
Other liabilities	24	33,750	20,459	-	-
Total current liabilities		1,599,702	1,516,267	466	455
Non-current liabilities					
Trade and other payables	19	7,693	10,307	-	-
Contract liabilities	20	43,358	44,932	-	-
Borrowings	22	10,234,499	9,767,062	27,257	-
Lease liabilities	21	68,390	14,689	-	-
Derivative financial instruments	31	204,673	179,968	-	-
Deferred tax	25	415,169	380,245	-	-
Provisions	23	788,314	787,776	-	-
Other liabilities	24	1,596	1,941	-	-
Total non-current liabilities		11,763,692	11,186,920	27,257	-
Total liabilities		13,363,394	12,703,187	27,723	455
Net assets		3,518,184	3,412,666	3,431,654	3,417,049

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

CK William UK Holdings Limited
Statements of financial position
As at 31 December 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Equity					
Issued capital	26	3,415,000	3,415,000	3,415,000	3,415,000
Reserves	27	(100,256)	(29,710)	-	-
Retained profits	28	269,272	64,871	16,654	2,049
Equity attributable to the owners of CK William UK Holdings Limited		3,584,016	3,450,161	3,431,654	3,417,049
Non-controlling interest	29	(65,832)	(37,495)	-	-
Total equity		3,518,184	3,412,666	3,431,654	3,417,049

The Company has elected to take the exemption under 408 of the Companies Act 2006 not to present the parent Company profit and loss account. The profit of the parent company for the year was $14,605,000 (2018: $52,355,000).

The financial statements were approved by the board of directors and authorised for issue on 30 September 2020. They were signed on its behalf by:

Mark Horsley

M. J. Horsley
Director

30 September 2020

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

CK William UK Holdings Limited
Statements of changes in equity
For the year ended 31 December 2019

Consolidated	Issued capital $'000	Hedging reserve $'000	Foreign currency reserve $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2018	3,415,000	16,888	(1,994)	(65,931)	(22,396)	3,341,567
Profit after income tax expense for the year	-	-	-	180,942	28,110	209,052
Other comprehensive (loss)/income for the year, net of tax	-	(51,446)	6,842	60	(7,171)	(51,715)
Total comprehensive (loss)/income for the year	-	(51,446)	6,842	181,002	20,939	157,337
Transactions with owners in their capacity as owners:						
Dividends declared but not paid	-	-	-	-	(10,614)	(10,614)
Dividends paid (note 30)	-	-	-	(50,200)	(25,424)	(75,624)
Balance at 31 December 2018	3,415,000	(34,558)	4,848	64,871	(37,495)	3,412,666

Consolidated	Issued capital $'000	Hedging reserve $'000	Foreign currency reserve $'000	Retained profits $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2019	3,415,000	(34,558)	4,848	64,871	(37,495)	3,412,666
Adjustment for reclassification	-	-	-	229	(229)	-
Adjustment – common control transaction	-	-	-	4,753	973	5,726
	3,415,000	(34,558)	4,848	69,853	(36,751)	3,418,392
Profit after income tax expense for the year	-	-	-	201,131	33,378	234,509
Other comprehensive (loss)/income for the year, net of tax	-	(77,136)	6,590	(1,712)	(18,920)	(91,178)
Total comprehensive (loss)/income for the year	-	(77,136)	6,590	199,419	14,458	143,331
Transactions with owners in their capacity as owners:						
Dividends declared but not paid	-	-	-	-	(43,539)	(43,539)
Balance at 31 December 2019	3,415,000	(111,694)	11,438	269,272	(65,832)	3,518,184

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

CK William UK Holdings Limited
Statements of changes in equity
For the year ended 31 December 2019

Parent	**Issued capital $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 January 2018	3,415,000	(106)	3,414,894
Profit after income tax expense for the year	-	52,355	52,355
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	52,355	52,355
Transactions with owners in their capacity as owners:			
Dividends paid (note 30)	-	(50,200)	(50,200)
Balance at 31 December 2018	3,415,000	2,049	3,417,049

Parent	**Issued capital $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 January 2019	3,415,000	2,049	3,417,049
Profit after income tax expense for the year	-	14,605	14,605
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	14,605	14,605
Balance at 31 December 2019	3,415,000	16,654	3,431,654

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

CK William UK Holdings Limited
Statements of cash flows
For the year ended 31 December 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of VAT)		2,123,883	1,912,897
Payments to suppliers and employees (inclusive of VAT)		(869,659)	(887,706)
		1,254,224	1,025,191
Interest received		2,080	2,245
Interest paid - external		(283,881)	(279,253)
Interest paid - related		(230,351)	(239,083)
Income taxes paid		(2,599)	(2,611)
Net cash from operating activities		739,473	506,489
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	33	(341,289)	(2,200)
Payments for property, plant and equipment		(523,613)	(545,010)
Payments for intangibles		(28,292)	(31,619)
Proceeds from / (payments for) term deposits		(14,999)	719
(Loans to) / received from related parties		1,277	(3,753)
Proceeds from disposal of property, plant and equipment		1,970	7,374
Proceeds from disposal of intangibles		20,609	-
Distributions from joint ventures		13,418	-
Payments for joint ventures		(6,277)	-
Net cash from/(used in) investing activities		(877,196)	(574,489)
Cash flows from financing activities			
Proceeds from borrowings - related		27,409	-
Proceeds from borrowings - external		2,854,740	1,876,828
Repayment of borrowings - related		(4,881)	-
Repayment of borrowings - external		(2,506,241)	(1,971,548)
Payment of debt establishment costs		(8,006)	(8,787)
Dividends paid	30	-	(50,200)
Principal elements of lease payments		(8,286)	-
Dividends paid to non-controlling interests in subsidiaries		(45,868)	(25,425)
Net cash used in/(from) financing activities		308,867	(179,132)
Net increase/(decrease) in cash and cash equivalents		171,144	(247,132)
Cash and cash equivalents at the beginning of the financial year		90,069	336,637
Effects of exchange rate changes on cash and cash equivalents		875	564
Cash and cash equivalents at the end of the financial year	8	262,088	90,069

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

Note 1. Revenue

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Distribution Use of System	642,914	604,962
Transmission Use of System	126,663	117,488
Transportation revenue	406,871	411,418
Electricity revenue	472,185	450,582
	1,648,633	1,584,450
Other operating revenue		
Metering revenue	44,927	44,262
Customer contributions - cash	39,339	46,736
Customer contributions - gifted assets	12,983	9,379
Alternative control services revenue	18,039	19,992
Other revenue from contracts with customers	27,632	30,386
Green credit revenue	98,077	131,328
Other revenue not in scope of IFRS 15	8,044	3,990
	249,041	286,073
Revenue	1,897,674	1,870,523

(a) Recognising revenue from major business activities

(i) Distribution and Transmission Use of System revenue
Timing of recognition: Distribution and Transmission Use of System revenue represents the revenue from electricity and gas retailers for the transportation and delivery of electricity or gas through the distribution system to their customers. Revenue is calculated on a per energy retailer customer basis for electricity or gas consumed, time connected to the distribution network and/or demand based charges.

The Use of System contract includes one performance obligation, which is to provide distribution or haulage services. This performance obligation is satisfied when the end customer receives electricity or gas. The company promises to provide transport and deliver electricity or gas through the Distribution System to their customers are performance obligations that are satisfied over time as the customer is able to simultaneously consume the electricity or gas transmitted and distributed to the customer's location.

Transaction price: Rates per quantity unit and customer tariff type are approved by the Australian Energy Regulatory (AER) each year. The method utilized to recognize revenue for the Use of System contract is an output method, which is based on actual volume of electricity distributed or gas transported and actual number of customers serviced each period.

(ii) Transportation revenue
Timing of recognition: Transportation revenue is brought to account when gas is transported for a shipper in accordance with the terms and conditions of the haulage contract.

The performance obligation is satisfied when the end customer injects or withdraws gas from the pipeline. The performance obligation is satisfied at a point in time as the obligation is satisfied when the gas haulage contract has been met.

Transaction price: Revenue is calculated in accordance with terms and conditions of the haulage contract.

(iii) Electricity revenue
Timing of recognition: Electricity revenue generated is recognised or accrued at the time of supply.

This performance obligation is satisfied when the electricity is generated and enters the transmission or distribution network. Performance obligations are satisfied over time as the customer is able to simultaneously consume the electricity transmitted and distributed to the customer's location.

Note 1. Revenue (continued)

(iv) Metering revenue
Timing of recognition: Metering revenue comprises charges to cover the cost of maintaining, operating and replacing the meter once it has reached the end of its economic life. A per annum charge varies depending on the meter type installed. The Distribution Businesses promise to provide metering maintenance services to their customers are performance obligations that are satisfied over time as there is a stand-ready obligation to provide metering maintenance services on an on-going basis.

Transaction price: Metering revenue is based on a metering charge set by meter type as approved by the AER each year.

(v) Customer contributions - cash

Timing of recognition: Customer contributions - cash represent the revenue recorded from construction of network augmentation assets where the customer was required to fund a portion of construction towards their network augmentation.

The rendering of a customer contribution service contract includes one performance obligation, which is to either maintain customer's assets or to develop an asset. This performance obligation is satisfied over time either because the customer simultaneously benefit from the maintenance services completed and the work performed enhances the customer's assets; or the new assets are highly specific for the customer and the company has the right to receive payment for all the services performed at the end of each reporting period.

The method utilised to recognise revenue for the customer contributions contract is an input method, which is based on actual labour cost and materials consumed to perform the required service during each reporting period.

Transaction price: The required contribution is calculated at fair value using an income approach based on Chapter 5A of the National Electricity Rules.

(vi) Customer contributions - gifted assets
Timing of recognition: Customer contributions non-cash represent the fair value of assets 'tied-in' to the distribution network where the customer undertook the construction of the augmentation asset(s) independently. It is a requirement that distribution network assets are transferred to the distribution licence holder for 'tie in'. Gifted assets contributions are recognised at a point in time, namely on the date of 'tie-in' to the distribution network.

Transaction price: Customer contributions gifted assets are recognised at their fair value.

(vii) Alternative Control Services revenue
Timing of recognition: Alternative Control Services (ACS) revenue relates to a set of customer specific activities, primarily on behalf of Electricity Retailers, that fall under a particular area of regulation due to their monopoly or semi-monopoly nature.

ACS activities are of short duration and are recognised either when performed or if the charge is based on duration of the service, such as public lighting.

Transaction price: Rates per activity are based on either a fixed fee approved by the AER or hourly labour rates approved by the AER and recovery of materials at cost.

(viii) Other revenue from contracts with customers
Timing of recognition: Other revenue from contracts with customers comprises primarily unregulated other services and activities including unregulated revenue for rental of regulated assets, recoverable works and construction and maintenance revenue.

The delivery of a construction contract includes one performance obligation, which is to develop an asset for a customer. This performance obligation is satisfied over time either because the customer simultaneously benefit from the maintenance services completed and the work performed enhances the customer's assets; or the new assets are highly specific for the customer and the company has the right to receive payment for all the services performed at the end of each reporting period.

Transaction price: Revenue is recognised in line with contracted amounts.

Note 1. Revenue (continued)

(ix) Green Credit revenue
Timing of recognition: Green credit revenue is recognised at the point of generation.

Transaction price: Green credit revenue is recognised at the lower of spot and net realisable value and adjusted for changes in market value when sold. Where the market is inactive or thin trades are noted, management uses best estimates based on expert advice to determine the fair value recognised at the point of generation.

Green certificates are considered outside the scope of IFRS 15 Revenue.

Revenue from contract types	Consolidated Point in time 2019 ($'000)	Consolidated Point in time 2018 ($'000)	Consolidated Over time 2019 ($'000)	Consolidated Over time 2018 ($'000)	Consolidated Total 2019 ($'000)	Consolidated Total 2018 ($'000)
Distribution Use of System	-	-	642,914	604,962	642,914	604,962
Transmission Use of System	-	-	126,663	117,488	126,663	117,488
Transportation revenue	406,871	411,418	-	-	406,871	411,418
Electricity revenue	-	-	472,185	450,582	472,185	450,582
	406,871	411,418	1,241,762	1,173,032	1,648,633	1,584,450
Other operating revenue						
Metering revenue	-	-	44,927	44,262	44,927	44,262
Customer contributions - cash	-	-	39,339	46,736	39,339	46,736
Customer contributions - gifted assets	12,983	9,379	-	-	12,983	9,379
Alternative Control Services	5,861	6,260	12,178	13,732	18,039	19,992
Other revenue from contracts with customers	6,953	11,051	20,679	19,334	27,632	30,386
	25,797	26,690	117,123	124,064	142,920	150,755

The unsatisfied performance obligations as at 31 December 2019 are $60,594,000 (31 December 2018: $68,810,000) and relate to other revenue from contracts with customers. The unsatisfied contracts will be recognised progressively through to 2034.

(b) Critical accounting policies, estimates and assumptions

There is a certain level of estimation involved in the measurement of the consolidated entity's revenue, which includes:

- In relation to Distribution & Transmission Use of System revenue an estimation of the amount of electricity or gas consumed but not billed at period end; and
- In relation to customer contributions an estimate of the stage of completion.

As the basis of estimation for distribution revenue is based on actual electricity or gas consumption and in the case of pass through revenue the actual and accrued cost incurred, the directors do not envisage significant uncertainty risk with respect to amounts recorded in relation to applying the revenue recognition accounting policies.

Note 1. Revenue (continued)

The consolidated entities revenue is generated by the four operating entities. Details of revenue by operating entity are detailed in the table below.

Revenue from contract types	DBP & DDG	MG	2019 UE	EDL	Total
	$'000	$'000	$'000	$'000	$'000
Distribution Use of System	-	206,817	436,097	-	642,914
Transmission Use of System	-	-	126,663	-	126,663
Transportation revenue	406,871	-	-	-	406,871
Electricity revenue	-	-	-	472,185	472,185
	406,871	206,817	562,760	472,185	1,648,633
Metering revenue	-	2,475	42,452	-	44,927
Customer contributions - cash	-	4,683	34,656	-	39,339
Customer contributions - gifted assets	-	-	12,983	-	12,983
Alternative control services revenue	-	-	18,039	-	18,039
Other revenue from contracts with customers	13,114	3,597	10,921	-	27,632
Green credit revenue	-	-	-	98,077	98,077
Other revenue	-	203	(86)	7,927	8,044
	13,114	10,958	118,965	106,004	249,041
Total	419,985	217,775	681,725	578,189	1,897,674

	DBP & DDG	MG	2018 UE	EDL	Total
	$'000	$'000	$'000	$'000	$'000
Distribution Use of System	-	195,854	409,108	-	604,962
Transmission Use of System	-	-	117,488	-	117,488
Transportation revenue	411,418	-	-	-	411,418
Electricity revenue	-	-	-	450,582	450,582
	411,418	195,854	526,596	450,582	1,584,450
Metering revenue	-	2,894	41,368	-	44,262
Customer contributions - cash	-	10,654	36,082	-	46,736
Customer contributions - non-cash	-	-	9,379	-	9,379
Alternative control services revenue	-	-	19,992	-	19,992
Other revenue from contracts with customers	14,790	4,393	11,203	-	30,386
Green credit revenue	-	-	-	131,328	131,328
Other revenue	-	-	-	3,990	3,990
	14,790	17,941	118,024	135,318	286,073
Total	426,208	213,795	644,620	585,900	1,870,523

	Consolidated 2019	Consolidated 2018
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	80,739	-
Revenue recognised from performance obligations satisfied in previous periods	6,161	-
	86,900	-

Note 1. Revenue (continued)

The effective date of IFRS 15 Revenue was 1 January 2018, hence revenue recognised in relation to contract liabilities in 2018 is nil.

Note 2. Other gains

	Consolidated	
	2019	2018
	$'000	$'000
Net foreign exchange loss	(323)	(14)
Net gain / (loss) on disposal of property, plant and equipment	1,181	(3,683)
Net loss on disposal of intangible assets	-	(122)
Research and development grant	939	707
Interest income - external party	3,257	2,412
Finance lease income	29,715	14,865
Other gains	34,769	14,165

Finance lease income
Timing of recognition: Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the consolidated entity's net investment outstanding in respect of the finance lease.

Note 3. Expenses from ordinary activities

	Consolidated	
	2019	2018
	$'000	$'000
Transmission fees	126,663	117,488
Personnel expense	164,640	157,087
Operation, maintenance and repair expense	146,960	136,908
Taxes, fees & charges	4,855	4,273
Royalties	20,199	20,176
Fuel gas and consumables	99,196	96,477
Depreciation and amortisation expense	435,974	459,720
IT and telecommunication costs	53,334	43,596
Legal and professional fees	22,437	21,195
Unaccounted Gas	(3,170)	(1,884)
Project costs	2,957	7,533
Other expenses	54,948	65,235
Expenses relating to the acquisition of DUET	-	(6,427)
Insurance	12,820	14,479
Capitalised expenses	(6,565)	(5,673)
	1,135,248	1,130,183

Note 4. Finance expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000
Interest and finance expense - external party	239,899	231,301
Interest and finance expense - related parties	223,467	240,552
Interest expense - finance lease	1,814	-
	465,180	471,853

Note 5. Average number of employees and employee benefits expense

The average number of employees during the year was as follows:

	Consolidated 2019	Consolidated 2018
Managerial	180	160
Operations / administration	904	854
Average number of employees	1,084	1,014

The employee benefits expense during the year was as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Wages and salaries	139,204	126,569
Social security costs	534	864
Other pension costs	11,387	11,396
Total employee benefits expense	151,125	138,829

Accounting policy for pension costs
The consolidated entity has obligations for a defined benefit scheme. Refer to note 17 for details on the defined benefit superannuation plan.

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the consolidated balance sheet.

Note 6. Directors' remuneration

The directors did not receive any remuneration in relation to their services to the company or the consolidated entity during the financial year. Directors receive remuneration from other related parties in relation to their services to the wider shareholder group.

Note 7. Income tax expense

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Income tax expense		
Current tax expense in respect of the current year	15,507	12,012
Deferred tax - origination and reversal of temporary differences	85,648	65,601
Adjustments for current tax of prior periods	(1,504)	(2,241)
Aggregate income tax expense	99,651	75,372
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	334,160	284,424
Tax at the statutory tax rate of 30%	100,248	85,327
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable income - other	(373)	(212)
Tax losses not recognised	1,849	777
Effects of transactions with subsidiaries in different tax consolidated groups	-	(8,145)
Share of profits - associates	(644)	(527)
Non-deductible expenses	783	(317)
Change in tax rate - overseas	-	(696)
Effects of different taxation rates within consolidated group	(687)	1,406
Other	(21)	-
	101,155	77,613
Adjustments for current tax of prior periods	(1,504)	(2,241)
Income tax expense	99,651	75,372

As the operations of the consolidated entity are primarily based in Australia, the consolidated entity's income tax expense for the period is calculated under Australian tax laws, based on the Australian Federal income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, and for unused tax losses.

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the year. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for the current and prior years is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the comprehensive statement of financial position 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 or accounting profit. 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 reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity 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 consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Note 7. Income tax expense (continued)

(a) Critical accounting judgements, estimates and assumptions

(i) Income taxes

The consolidated entity applies the criteria outlined in IAS 12 with regards to the calculation and recognition of deferred tax assets. The application of the IAS 12 criteria involves the exercise of judgement regarding the calculation of accounting and tax bases for the consolidated entity's assets and liabilities. Furthermore, the potential reversal of temporary differences also requires the use of estimates of future profitability, availability of taxable profits on both revenue and capital account and potential future changes in accounting and tax bases.

In particular, the expectation of the availability of future taxable profits against which deferred tax assets arising in respect of revenue losses is subject to estimation and judgement.

(ii) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 8. Cash and cash equivalents

	Consolidated		Parent	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current assets				
Cash at bank	120,088	90,069	2,120	104
Cash on deposit	142,000	-	15,000	-
	262,088	90,069	17,120	104

Accounting policy for cash and cash equivalents
Cash and cash equivalents include cash on hand, cash at bank and deposits at call with financial institutions.

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Note 9. Trade and other receivables

	Consolidated		Parent	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current assets				
Trade receivables	51,446	57,063	-	-
Less: Allowance for expected credit losses	(2,172)	(2,663)	-	-
	49,274	54,400	-	-
Contract assets	129,500	137,874	-	-
Other receivables	86	-	-	-
Loan receivables - third parties	2,834	1,972	-	-
Related party receivable	-	2,400	-	2,400
Interest receivable	11,284	3,494	-	-
	192,978	200,140	-	2,400
Non-current assets				
Related party receivable	-	-	27,257	-
	192,978	200,140	27,257	2,400

(a) Trade and other receivables accounting policies

(i) Trade receivables
Trade receivables are primarily for electricity sold by generators, transportation services provided and network fees which are received from electricity retailers and electricity sold by generators. The network fees are governed by a Use of System Agreement which stipulates that all payments are to be made on the tenth day after monthly invoicing.

Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

(ii) Contract assets
Contract assets reflects primarily an estimate of electricity consumption unbilled and unread at the end of the reporting period and sales of electricity.

(iii) Fair value and credit risk
Due to the short-term nature of the current receivables, their fair value is considered the same as their carrying value.

(iv) Impairment and risk exposure
Trade receivables and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The consolidated entity holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the consolidated entity's impairment policies, the consolidated entity's exposure to credit risk, foreign currency risk and interest rate risk and the calculation of the loss allowance are provided in note 32.

(b) Critical accounting judgments, estimates and assumptions

Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent contract performance and historical collection rates.

Note 10. Inventories

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current assets		
Stock on hand - at cost	66,086	72,503
Less: Provision for impairment or obsolescence	(6,176)	(4,597)
	59,910	67,906

Inventories comprise fuel, store items, spares and other consumables.

During the year $34 million of inventory was expensed (2018: $29 million).

Inventories accounting policies
Costs are assigned to inventory on hand on the basis of weighted average costs. Inventories are valued at the lower of cost or net realisable value. Book value is approximate for replacement cost.

Note 11. Investments in subsidiaries

	Parent	
	2019	**2018**
	$'000	**$'000**
Non-current assets		
Investments in subsidiaries	3,415,000	3,415,000

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

Cost at 1 January	3,415,000	3,415,000
Net book value at 31 December	3,415,000	3,415,000

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the Financial Statements of CK William UK Holdings Limited. Dividends received are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

Note 12. Other financial assets

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current assets		
Term deposits	17,888	2,706
Green Credits	38,429	110,928
Finance Lease receivable	13,782	1,951
	70,099	115,585
Non-current assets		
Burrup Extension Pipeline term deposit	16,777	17,764
Finance Lease receivable	256,086	105,795
	272,863	123,559
	342,962	239,144

(a) Accounting policies

(i) Green credits held for sale

Green credits held for sale are recognised at the point of generation at the lower of spot and net realisable value (NRV) where an active market exists without thin trading. Where the market is inactive or thin trades are noted, management uses best estimates based on expert advice to recognise revenue at the point of generation. Green credits that are not expected to be realised within 12 months of the reporting date are recognised as a Non-Current Asset. NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(ii) Finance lease receivable

The finance lease receivable relates to contracts between the DBP Development Group (DDG) to Fortescue Metals Group (FMG) and Newmont Tanami. Management concluded these contracts contained a lease on the basis that risks and rewards were transferred, mainly due to;

- The customer has the ability to direct the operations of the asset;
- The customer has the right to control other shippers using the pipeline;
- The customer has first right of refusal for spare capacity; and
- The customer has a buy-out option.

(iii) Leases accounting policies

Leases of property, plant and equipment where the consolidated entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the consolidated entity is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

Note 13. Other assets

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current assets		
Prepayments	19,942	14,203
Security deposits	4,836	-
Pipeline / shipper imbalance	15,579	7,585
Other current assets	5	6
	40,362	21,794
Non-current assets		
Prepayments	996	392
Other non-current assets	2,124	1,863
	3,120	2,255
	43,482	24,049

Other assets accounting policies

Pipeline / shipper imbalance represents a temporary net difference between the natural gas purchased for system use and that actually used during the period (including gas unaccounted for). This account is either a current asset or liability depending on whether the imbalance is positive or negative.

Note 14. Investments accounted for using the equity method

	Consolidated 2019 $'000	Consolidated 2018 $'000
Non-current assets		
Investment in joint ventures	22,750	27,519

Reconciliation
Reconciliation of the carrying amounts at the beginning and end of the current and previous financial year are set out below:

	2019 $'000	2018 $'000
Opening carrying amount	27,519	24,768
Profit after income tax	2,145	1,772
Additions	6,277	-
Revaluation increments	227	979
Dividends paid	(13,418)	-
Closing carrying amount	22,750	27,519

Details of interests in joint venture partnerships is as follows:

Name and principal activities	Place of incorporation	Ownership interest 2019 %	Ownership interest 2018 %	Carrying amount 2019 $'000	Carrying amount 2018 $'000
BEAL EPE & Tomi EDL Operations EPE - Landfill gas generation	Greece	50.0%	50.0%	16,473	27,519
Indy High BTU, LLC - High BTU operation	United States of America	25.0%	-	6,277	-

Note 15. Property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Non-current assets		
Freehold land - at cost	200,342	180,004
Freehold buildings - at cost	235,625	191,951
Less: *Accumulated depreciation*	(4,758)	(2,590)
	230,867	189,361
Plant and equipment - at cost	1,764,739	1,327,999
Less: Accumulated depreciation	(316,369)	(204,216)
	1,448,370	1,123,783
Distribution and pipelines - at cost	8,292,528	8,167,645
Less: Accumulated depreciation	(654,979)	(431,611)
	7,637,549	7,736,034
	9,517,128	9,229,182

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Distribution/ Pipeline $'000	Total $'000
Balance at 1 January 2018	160,886	148,210	1,114,877	7,600,182	9,024,155
Additions	-	1,180	113,441	451,795	566,416
Additions through business combinations (note 33)	-	-	2,200	-	2,200
Acquisition cost transfers	19,146	40,401	200	(59,747)	-
FX Revaluation	-	-	20,916	-	20,916
Revaluation	-	-	-	6,229	6,229
Disposals	(28)	-	(8,244)	(18,553)	(26,825)
Disposals - accumulated depreciation	-	-	5,010	6,529	11,539
Depreciation expense	-	(430)	(124,617)	(250,401)	(375,448)
Balance at 31 December 2018	180,004	189,361	1,123,783	7,736,034	9,229,182
Additions	1,120	17,676	199,080	331,952	549,828
Additions through business combinations (note 33)	-	-	264,177	-	264,177
Acquisition cost transfers	19,392	25,998	(20,372)	(25,791)	(773)
FX Revaluation	-	-	13,191	-	13,191
Revaluation	-	-	-	(4,131)	(4,131)
Disposals	(174)	-	(25,398)	(5,003)	(30,575)
Disposals - accumulated depreciation	-	-	24,288	3,511	27,799
Transfer to finance lease	-	-	-	(172,144)	(172,144)
Depreciation transfers	-	(11)	(1,863)	1,874	-
Depreciation expense	-	(2,157)	(128,516)	(228,753)	(359,426)
Balance at 31 December 2019	200,342	230,867	1,448,370	7,637,549	9,517,128

As at 31 December 2019, $295,155,000 (2018: $437,615,000) of capital work in progress was included in the Distribution & Pipelines category carrying value and $102,489,000 (2018: $52,966,000) was included in the Plant and equipment category.

On 15 February 2019, the Tanami pipeline was commissioned for operation. The capital work in progress relating to this project was transferred to a finance lease receivable. Refer to note 12 for further information on finance lease receivable.

Note 15. Property, plant and equipment (continued)

(a) Property, plant and equipment accounting policies

Property, plant and equipment are stated as cost less accumulated depreciation and impairment (if any).

(i) Cost
The purchase method of accounting is used for all acquisition of assets. Cost is determined as the fair value of the assets given up, or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

Construction work in progress is stated at cost plus attributable overheads. Cost includes all costs directly related to specific projects including materials, labour and an allocation of overhead expenses.

Additions through business combinations are valued at fair value.

(ii) Depreciation
Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land and gas stock on hand. The value of land not depreciated is $200,342,000 (2018: $180,004,000).

The contents of the pipeline (linepack) are recorded at the value of the normal operating level for linepack, at the lower of cost and net realisable value. Linepack is recorded as part of Distribution / Generation / Pipeline. The balance is not depreciated over the life of the pipeline, as the directors believe the recoverable value of linepack will exceed the historical cost at the time the pipeline is closed down.

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount of each asset over its useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. The following estimated useful lives are used in the calculation of depreciation in current and prior periods.

Freehold buildings	15 - 68 years
Plant and equipment	3 - 30 years
Distribution / Pipeline system	3 - 120 years

(iii) Impairment
Other assets, including property, plant and equipment, are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the assets fair value less costs of disposal and its value in use. No impairment of other assets including property, plant and equipment has been recognised during the period.

(iv) Asset sales
The net proceeds on disposal of assets are brought to account at the date when control passes to the purchaser, usually when an unconditional contract of sale is signed.

(b) Critical accounting judgements, estimates and assumptions

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 16. Intangibles

	Consolidated 2019 $'000	Consolidated 2018 $'000
Non-current assets		
Goodwill - at cost	5,671,903	5,632,183
Intellectual property - at cost	-	1,415
Less: Accumulated amortisation	-	(1,409)
	-	6
Software - at cost	175,595	152,110
Less: Accumulated amortisation	(80,532)	(51,929)
	95,063	100,181
Customer Contracts	516,330	479,202
Less: Accumulated amortisation	(102,036)	(64,348)
	414,294	414,854
	6,181,260	6,147,224

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Intellectual property $'000	Software $'000	Customer Contracts $'000	Total $'000
Balance at 1 January 2018	5,630,228	937	98,772	454,306	6,184,243
Additions	-	6	32,636	-	32,642
Disposals	-	-	(3,041)	-	(3,041)
FX revaluations	1,956	-	-	12,777	14,733
Disposals - accumulated amortisation	-	-	2,919	-	2,919
Amortisation expense	-	(937)	(31,105)	(52,230)	(84,272)
Balance at 31 December 2018	5,632,184	6	100,181	414,853	6,147,224
Additions	-	-	25,987	-	25,987
Additions through business combinations (note 33)	38,025	-	-	52,203	90,228
Disposals	-	-	-	(20,609)	(20,609)
FX revaluations	1,694	-	-	5,534	7,228
Acquisition cost transfers	-	-	773	-	773
Amortisation expense	-	(6)	(31,878)	(37,687)	(69,571)
Balance at 31 December 2019	5,671,903	-	95,063	414,294	6,181,260

Note 16. Intangibles (continued)

(a) Intangible assets accounting policies

(i) Goodwill
Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Software
The value of software assets are recorded at cost. Software assets are amortised on a straight line basis over the life of the asset.

(iii) Intellectual property
Intellectual property represents distribution network assets and systems. The values of these assets are recorded at cost, based on a fair value determined by reference to independent valuations. Intellectual property is amortised on a straight line basis over the period during which the benefits are expected to arise, which is currently a maximum of twenty years. The unamortised balance of the intellectual property is reviewed each balance date and charged to the income statement to the extent that the future benefits are no longer probable.

(iv) Customer Contracts
Customer contracts acquired as part of a business combination are recognised separately from goodwill. Customer contracts are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Customer contracts are amortised on a straight line basis over the life of the asset.

(v) Amortisation methods and useful lives
Amortisation is provided on intellectual property and software. Amortisation is amortised on a straight line basis so as to write off the net cost over the periods benefits are expected to arise. The amortisation periods are as follows:

Intellectual property	5 - 20 years
Customer contract	1 - 20 years
Software	1 - 10 years

(b) Critical accounting judgements, estimates and assumptions

Determining cash generating units
A cash generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows independently of the cashflows from other assets or groups of assets.

The following CGUs have been identified for impairment testing:

- Dampier Bunbury Natural Gas Pipeline Trust and its controlled entities & DBP Development Group Nominees Pty Limited and its controlled entities (DBP & DDG)
- Energy Developments Pty Limited and its controlled entities (EDL)
- United Energy Distribution Holdings Limited and its controlled entities (UE)
- Multinet Group Holdings Limited and its controlled entities (MG)

Goodwill has been allocated across the four CGUs as follows:

	2019 $'000	2018 $'000
DBP & DDG	2,479,244	2,479,244
EDL	1,393,181	1,353,462
UE	1,267,514	1,267,514
MG	531,964	531,964
	5,671,903	5,632,184

Goodwill includes amounts denominated in currencies other than AUD and is therefore subject to revaluation resulting in the above change.

Note 16. Intangibles (continued)

Critical estimates
The basis on which these cash-generating units' recoverable amounts have been determined is their fair value less costs of disposal. A discounted cash flow analysis has been used to determine fair value less costs of disposal. The key assumptions on which management have based their assessment of future cash-flows and the approach to determining values for each were:

Cash Generating Unit	Terminal value 2019	Terminal value 2018	Discount rate 2019 %	Discount rate 2018 %	2019 Headroom ($'million)	2018 Headroom ($'million)
UE	RAB 1.40 x - 1.60 x	RAB 1.40 x - 1.60 x	3.03%	4.05%	418	76
MG	RAB 1.40 x - 1.60 x	RAB 1.40 x - 1.60 x	3.14%	4.11%	456	117
DBP & DDG	EBITDA 17 x	EBITDA 18 x	3.14%	4.11%	647	564
EDL	Perpetual growth 2.2%	Perpetual growth 2.2%	6.50%	6.50%	814	253

Management monitors risks on an ongoing basis including recent market transactions for changes in RAB multiples or other changes in assumptions that may impact future cash flows or discount rates.

Cash flows are based on the CGUs business plans and range from 5 to 27 years. Regulated revenues and expenditures for the regulated businesses are primarily based on the Australian Energy Regulator's approved regulatory determinations plus a forecast on the current business plan for subsequent years. Non-regulated revenue and expenditure were based on management's best estimates with reference to historic performance.

The perpetual growth is estimated based on the long-term inflationary target of each region of operation and weighted based on net present value.

Reasonably possible changes in key assumptions

Discount rate

The discount rate has been identified as a key assumption for all CGU's. A reasonably possible increase in the discount rate of the regulated businesses of between 0.8% to 2.50% when applying the upper end of the RAB multiple range would result in breakeven points on the impairment assessments. For EDL, an increase in the discount rate of 0.9% would result in breakeven on the impairment assessment.

Terminal value assumption

The RAB multiple used in the terminal value calculation has been identified as a key assumption for the UED and MNG CGU's. This assumption is based on an assessment of recent transaction multiples. If there were a change in the market that resulted in a decrease in the observable transaction multiples, UED would be impaired at 1.4x and MNG at 1.25x.

The discounted cash flow models of DBP & DDG and EDL are not particularly sensitive to movements in the terminal values such that a reasonably possible movement in the assumption would not result in impairment.

Note 17. Retirement benefit assets

Defined benefit superannuation plans
UE & Multinet Pty Ltd (entity within the consolidated entity) operates a defined benefit superannuation plan for qualifying employees within the UE and MG businesses. Under the plan, the employees are entitled to retirement benefits based on their final salary at the time of retirement or resignation. No other post-retirement benefits are provided to these employees.

The defined benefit superannuation plan is a funded plan. The Equipsuper Contribution and Funding Policy provides for a review of the financial position of the Plan each six months, as at 30 June and 31 December, with the employer contribution rate comprising a long term contribution rate and an adjustment to meet the financing objective of a Funding Ratio of 105%.

The Funding Ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits. Where the Funding Ratio is greater than 100% the primary financing objective is to achieve 105% over five years. Where the Funding Ratio is less than 100% the primary financing objective is to achieve 100% over three years and 105% over five years.

The defined benefit superannuation plans are funded plans. The Equipsuper Contribution and Funding Policy provides for a review of the financial position of the Plans each six months, as at 30 June and 31 December, with the company contribution rate comprising a long term contribution rate and an adjustment to meet the financing objective of a funding ratio of 105%.

The funding ratio is the ratio of assets to accrued liabilities, being the greater of vested benefits and the present value of past membership benefits. Where the funding ratio is greater than 100% the primary financing objective is to achieve 105% over five years. Where the funding ratio is less than 100% the primary financing objective is to achieve 100% over three years and 105% over five years.

In the most recent review of the financial position as at 31 December 2019 the actuary recommended the employing entities contribute at a nil rate of defined benefit members' salaries. The next review of the financial position and employer contribution rate is due as at 30 June 2020, to be completed by 30 September 2020.

The Superannuation Industry (Supervision) (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years or every year if the plan pays defined benefit pensions.

The Plan's Trustee is responsible for the governance of the Plan. The Trustee has a legal obligation to act solely in the best interests of Plan beneficiaries. The Trustee has the following roles:

- Administration of the plan and payment to the beneficiaries from plan assets when required in accordance with the plan rules;
- Management and investment of the plan assets; and
- Compliance with superannuation law and other applicable regulations.

The prudential regulator, the Australian Prudential Regulation Authority (APRA), licences and supervises regulated superannuation plans.

The expected return on plan assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class and allowing for correlations of the investment returns between asset classes. The expected long-term returns for each asset class are determined by investment specialists based on their long term forecasts for each asset class. The returns used for each asset class are net of investment tax and investment fees. An allowance for administration expenses has been deducted from the expected return.

Statement of financial position amounts
The amounts recognised in the statement of financial position are determined as follows:

	Consolidated	
	2019 $'000	2018 $'000
Non-current assets		
Present value of the defined benefit obligation	(39,123)	(31,001)
Fair value of defined benefit plan assets	41,058	36,380
Net asset in the statement of financial position	1,935	5,379

Fair value of Plan assets

Note 17. Retirement benefit assets (continued)

	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
Consolidated entity				
Asset category				
Investment funds	41,058	-	41,058	-

Categories of plan assets
The major categories of plan assets are as follows:

	Consolidated 2019 %	Consolidated 2018 %
Cash and cash equivalents	12.0%	17.0%
Equity instruments	33.0%	33.0%
Debt instruments	19.0%	21.0%
Property	7.0%	8.0%
Other assets	29.0%	21.0%

Reconciliations

	Consolidated 2019 $'000	Consolidated 2018 $'000
Reconciliation of the present value of the defined benefit obligation, which is fully funded:		
Balance at the beginning of the year	31,001	31,217
Current service cost	841	982
Interest cost	1,159	1,090
Actuarial losses / (gains) arising from changes in financial assumptions	4,877	(219)
Actuarial losses arising from experience	107	147
Transfers in	1,117	-
Benefits paid	(142)	(2,362)
Other	(175)	(204)
Contribution by plan participants	338	350
Balance at the end of the year	39,123	31,001
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	36,380	36,821
Actuarial return on plan assets less interest income	2,039	31
Contributions by entities in the consolidated entity	159	480
Benefits paid	(142)	(2,362)
Interest income	1,342	1,264
Contributions from plan participants	338	350
Transfers in	1,117	-
Other	(175)	(204)
Balance at the end of the year	41,058	36,380

Note 17. Retirement benefit assets (continued)

Amounts recognised in the statement of profit or loss and other comprehensive income
The amounts recognised in the statement of profit or loss and other comprehensive income are as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current service cost	841	982
Interest cost	(183)	(174)
Total amount recognised in profit or loss	658	808

Significant actuarial assumptions
The significant actuarial assumptions used (expressed as weighted averages) were as follows:

	Consolidated 2019 %	Consolidated 2018 %
Discount rate	2.4%	3.9%
Future salary increases	3.2%	3.2%
Expected rate of pension increase	2.5%	2.5%

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	Change in assumption (%)		Impact on defined benefit obligation: Increase in assumption ($'000)		Impact on defined benefit obligation: Decrease in assumption ($'000)	
	2019	2018	2019	2018	2019	2018
Discount rate	0.5%	0.5%	(1,731)	(1,282)	1,847	1,364
Salary rate	0.5%	0.5%	1,394	1,181	(1,334)	(1,130)

The defined benefit obligation has been recalculated by changing the assumptions as outlined above, whilst retaining all other assumptions.

Risk exposure
There are a number of risks to which the Plan exposes the consolidated entity. The more significant risks relating to the defined benefits are:

- Investment risk - the risk that investment returns will be lower than the assumed and the consolidated entity will need to increase contributions to offset this shortfall.
- Salary growth risk - the risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.
- Legislative risk - the risk is that legislative changes could be made which increase the cost of providing the defined benefits.
- Pension risks - the risk is firstly that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period. Secondly, that a greater proportion of eligible members will elect to take a pension benefit, which is generally more valuable than the corresponding lump sum benefit.
- Inflation risk - the risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions.

Defined benefit superannuation accounting policies

For defined benefit superannuation plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses are recognised in full, directly in other comprehensive income, in the period in which they occur.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

Note 17. Retirement benefit assets (continued)

The defined benefit asset recognised in the Statements of Financial Position represents the present value of the defined benefit obligation adjusted for unrecognised past service cost, net of the fair value of plan assets.

Any asset resulting from this calculation is limited to the past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

The plan assets are invested by the trustee in a pool of assets with plans providing defined benefits for other employers. The assets have a benchmark weighting to equities of 50% and therefore the plan has a significant concentration of equity market risk. However within the equity investments, the allocation both globally and across the sectors is diversified.

Critical accounting estimates and judgements

(i) Discount Rate applied to Defined Benefits

As discussed above, defined benefit plan obligations are discounted to present value. The discount rate is determined by reference to the market yield on high quality corporate bonds from observable yield curves.

(ii) Assumptions used in actuarial valuation

The consolidated entity relies on valuations performed by suitably qualified actuaries in recognising the defined benefit superannuation plan accounting. Disclosures regarding the outcomes of such valuations and the key assumptions used have been outlined above.

Note 18. Right-of-use assets

	Consolidated	
	2019 $'000	**2018 $'000**
Current assets		
Land and buildings - right-of-use	1,098	-
Less: Accumulated depreciation	(1,098)	-
	-	-
Non-current assets		
Land and buildings - right-of-use	59,137	-
Plant and equipment - right-of-use	1,819	-
	60,956	-
	60,956	-

On transition date of 1 January 2019, the right-of use (ROU) assets recognised was $42,168,000. Additions to the right-of-use (ROU) assets during the 2019 financial year were $1,390,000 and acquired through business combinations during the 2019 financial year were $25,633,000.

Refer to note 21 for accounting policies for leases.

Note 19. Trade and other payables

	Consolidated		Parent	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current liabilities				
Trade payables	226,977	222,768	307	305
Accrued interest - other	75,557	67,321	-	-
Accrued interest - related parties	21,992	28,724	-	-
Pipeline imbalance	5,347	10,923	-	-
Payable to related parties	8,444	10,764	159	150
Deferred transmission fees	-	9,865	-	-
GST payable	14,453	9,541	-	-
	352,770	359,906	466	455
Non-current liabilities				
Trade payables	7,693	10,307	-	-
	360,463	370,213	466	455

Refer to note 32 for further information on financial instruments.

The carrying amounts of current trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

Trade and other payables accounting policies

(i) Trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(ii) Accrued interest
Accrued interest is the amount of interest that has accumulated on a borrowing since the last interest payment date which is still unpaid at the end of the reporting period.

Note 20. Contract liabilities

	Consolidated	
	2019	2018
	$'000	$'000
Current liabilities		
Contract liabilities	18,870	31,762
Non-current liabilities		
Contract liabilities	43,358	44,932
	62,228	76,694

Contract liabilities accounting policies

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 21. Lease liabilities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current liabilities		
Lease liabilities - IFRS 16	9,354	-
Burrup extension pipeline	1,090	1,049
	10,444	1,049
Non-current liabilities		
Lease liabilities - IFRS 16	54,791	-
Burrup extension pipeline	13,599	14,689
	68,390	14,689
	78,834	15,738

	Consolidated 2019 $'000	Consolidated 2018 $'000
Amounts recognised in the statement of profit or loss		
Depreciation charge on ROU - Buildings	6,890	-
Depreciation charge on ROU - Other	1,030	-
	7,920	-
Interest expense on lease liabilities	1,814	-
Expense relating to short-term leases	732	-
Expenses relating to low-value assets	-	-
Expenses relating to variable lease payments	515	-

The total cash outflow for leases in 2019 was $10,297,000.

(a) Changes in accounting policies
The consolidated entity leases various offices in Australia and overseas, vehicles, buildings and land. Rental contracts are typically made for fixed periods and may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The consolidated entity has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of IFRS 16, the consolidated entity recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.85%.

(b) Accounting policies for leases
A lease liability is recognised at the commencement date of a lease and measured at amortised cost using the effective interest method. The lease liability is initially measured as the net present value of:

- fixed payments less any lease incentives receivable;
- variable lease payments that depend on an index or a rate; and
- amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

Note 21. Lease liabilities (continued)

The lease payments are discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate.

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises:

- the initial amount of the lease liability;
- any lease payments made at or before the commencement date net of any lease incentives received;
- any initial direct costs incurred; and
- an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful life of the asset.

The carrying amounts are remeasured if there is a change in the following:

- future lease payments arising from a change in an index or a rate used;
- residual guarantee;
- *lease term;*
- certainty of a purchase option and termination penalties.

When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Burrup extension pipeline

The consolidated entity entered into a lease agreement with EPIC Energy (Pilbara Pipeline) Pty Ltd to lease a portion of the Burrup Extension Pipeline (BEP). The lease agreement specifies an *initial base rent of $1.7 million per annum (calculated as at 1 January 2008* and escalated by CPI annually on 1 January) over an initial lease term of 20 years. The fair value of the lease at the start of the lease term (18 December 2010) was determined at $22.8 million and equates to an implicit interest rate of 6.8% pa.

(c) Practical expedients applied
In applying IFRS 16 for the first time, the consolidated entity has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were *no onerous contracts as at 1 January 2019;*
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The consolidated entity has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the consolidated entity relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(d) Measurement of lease liabilities

	2019 **$'000**
Operating lease commitments disclosed as at 31 December 2018	54,023
Discounted using the lessee's incremental borrowing rate at the date of initial application	(7,745)
(Less): short-term leases not recognised as a liability	(328)
Add: contracts reassessed as lease contracts	2,315
Add: adjustments as a result of a different treatment of extension and termination options	923
(Less): non-lease components	(2,771)
(Less) : adjustments relating to changes in the index or rate affecting variable payments	(1,746)
Lease liability recognised as at 1 January 2019	44,671
Of which are:	
Current lease liabilities	8,037
Non-current lease liabilities	36,634

Note 21. Lease liabilities (continued)

(e) Critical accounting judgements, estimates and assumptions

Incremental borrowing rate
The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the consolidated entity, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the consolidated entity:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the consolidated entity, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, currency and security.

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 22. Borrowings

	Consolidated		Parent	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current liabilities				
Bank loans - secured	553,759	201,091	-	-
Fixed rate debt - secured	100,886	304,485	-	-
Medium term notes - secured	25,000	-	-	-
Loans from related parties	-	4,821	-	-
Bank loans - unsecured	12,511	405,087	-	-
Fixed rate debt - unsecured	211,594	-	-	-
Medium term notes - unsecured	20,015	-	-	-
	923,765	915,484	-	-
Non-current liabilities				
Bank loans - secured	2,161,423	2,065,367	-	-
Fixed rate debt - secured	378,386	461,883	-	-
Medium term notes - secured	124,958	149,947	-	-
Redeemable preference shares	201,180	201,180	-	-
Loans from related parties	4,027,257	4,000,000	27,257	-
Bank loans - unsecured	750,328	950,302	-	-
US Senior notes	853,876	411,349	-	-
Fixed rate debt - unsecured	1,585,678	1,355,849	-	-
Medium term notes - unsecured	149,933	170,049	-	-
Government loans	1,480	1,136	-	-
	10,234,499	9,767,062	27,257	-
	11,158,264	10,682,546	27,257	-

Refer to note 32 for further information on financial instruments.

Note 22. Borrowings (continued)

Details of borrowing in current financial year, are set out below:

Operating Entity / Currency	Principal Value $'000	Maturity	Interest rate / basis	Fair value adjustment $'000	Unamortised costs & discounts $'000	Book value $'000	Debt instrument	
United Energy / AUD	280,000	11/08/2022	BBSY + 1.05%	-	(743)	279,257	Bank loans unsecured	-
Multinet / AUD	25,000	17/06/2021	BBSY + 0.70%	277	(59)	25,218	Bank loans unsecured	-
Multinet / AUD	300,000	02/12/2023	BBSY + 1.30%	-	(505)	299,495	Bank loans unsecured	-
Multinet / AUD	49,000	16/06/2021	BBSY + 1.25%	-	(58)	48,942	Bank loans unsecured	-
Multinet / AUD	49,000	08/07/2024	BBSY + 0.95%	-	(548)	48,452	Bank loans unsecured	-
Multinet / AUD	49,000	09/05/2022	BBSY + 0.75%	-	(53)	48,947	Bank loans unsecured	-
Multinet / AUD	12,500	07/05/2021	BBSY + 0.70%	-	(7)	12,493	Bank loans unsecured	-
EDL / AUD	225,000	21/12/2020	BBSY + 1.15%	-	(1,790)	223,210	Bank loans secured	-
EDL / AUD	125,000	30/09/2024	BBSY + 1.15%	-	-	125,000	Bank loans secured	-
EDL / AUD	15,000	21/12/2022	BBSY + 1.40%	-	-	15,000	Bank loans secured	-
EDL / GDP	75,543	01/01/2015	Libor + 1.40%	-	(241)	75,302	Bank loans secured	-
EDL / USD	79,745	21/12/2022	Libor + 1.15 %	-	(795)	78,950	Bank loans secured	-
EDL / USD	79,745	21/12/2020	Libor + 1.40%	-	-	79,745	Bank loans secured	-
EDL / USD	79,745	30/09/2024	Libor + 1.15 %	-	-	79,745	Bank loans secured	-
EDL / USD	176,888	17/10/2020	Libor + 0.50 %	-	-	176,888	Bank loans secured	-
DBP / AUD	295,000	28/09/2022	BBSW + 1.30%	1,060	(509)	295,551	Bank loans secured	-
DBP / AUD	300,000	26/01/2024	BBSW + 1.40%	3,767	(580)	303,187	Bank loans secured	-
DBP / AUD	50,000	25/01/2024	BBSW + 1.20%	628	-	50,628	Bank loans secured	-
DBP / AUD	-	17/11/2026	BBSW + 2.50%	3,963	-	3,963	Bank loans secured	-
DBP / AUD	150,000	05/10/2022	BBSW + 1.00%	-	(75)	149,925	Bank loans secured	-
DBP / AUD	75,000	05/10/2020	BBSW + 0.90%	-	(288)	74,712	Bank loans secured	-
DBP / AUD	100,000	06/06/2023	BBSW + 1.00%	-	(328)	99,672	Bank loans secured	-
DBP / AUD	50,000	06/06/2025	BBSW + 1.20%	-	(264)	49,736	Bank loans secured	-
DBP / AUD	35,000	06/06/2025	BBSW + 1.40%	-	(820)	34,180	Bank loans secured	-
DBP / AUD	110,000	19/06/2023	BBSW + 0.90%	-	(408)	109,592	Bank loans secured	-
DBP / AUD	100,000	24/05/2024	BBSW + 1.20%	-	(2,522)	97,478	Bank loans secured	-
DBP / AUD	200,000	24/05/2026	BBSW + 1.40%	-	-	200,000	Bank loans secured	-
DBP / AUD	150,000	03/12/2021	BBSW + 0.50%	-	-	150,000	Bank loans secured	-
DBP / AUD	7,000	28/06/2021	RBA Cash rate + 0.70%	-	-	7,000	Bank loans secured	-

Note 22. Borrowings (continued)

Operating Entity / Currency	Principal Value $'000	Maturity	Interest rate / basis	Fair value adjustment $'000	Unamortised costs & discounts $'000	Book value $'000	Debt instrument
DBP / AUD	100,000	06/06/2023	BBSW + 1.20%	-	(370)	99,630	Bank loans - secured
DDG / AUD	28,500	30/04/2021	BBSW + 1.20%	-	(93)	28,407	Bank loans - secured
DDG / AUD	108,000	30/04/2021	BBSW + 1.20%	-	(319)	107,681	Bank loans - secured
United Energy / AUD	-	27/02/2020	BBSY + 1.20%	18	-	18	Bank loans - unsecured
United Energy / AUD	-	28/10/2021	BBSY + 1.35%	17	-	17	Bank loans - unsecured
	236,500			35	(782)	235,753	

Operating Entity / Currency	Principal Value $'000	Maturity	Interest rate / basis	Fair value adjustment $'000	Unamortised costs & discounts $'000	Book value $'000	Debt instrument
United Energy / AUD	350,000	12/09/2023	3.50% fixed	16,250	-	366,250	Fixed rate debt - unsecured
United Energy / AUD	42,000	13/10/2025	4.79% fixed	4,508	-	46,508	Fixed rate debt - unsecured
United Energy / AUD	170,000	23/10/2024	3.85% fixed	11,994	(356)	181,638	Fixed rate debt - unsecured
United Energy / AUD	250,000	23/10/2024	3.85% fixed	19,086	(816)	268,270	Fixed rate debt - unsecured
United Energy / AUD	100,000	25/09/2029	2.37% fixed	(2,269)	(390)	97,341	Fixed rate debt - unsecured
United Energy / AUD	300,000	29/10/2026	2.20% fixed	(3,644)	(1,003)	295,353	Fixed rate debt - unsecured
Multinet / AUD	210,000	15/06/2020	4.25% fixed	1,688	(95)	211,593	Fixed rate debt - unsecured
Multinet / AUD	47,500	25/02/2022	5.04% fixed	1,471	-	48,971	Fixed rate debt - unsecured
Multinet / AUD	265,000	11/12/2024	3.64% fixed	16,470	(122)	281,348	Fixed rate debt - unsecured
DBP / AUD	100,000	01/10/2020	5.00% fixed	886	-	100,886	Fixed rate debt - secured
DBP / AUD	350,000	28/05/2025	4.23% fixed	29,014	(628)	378,386	Fixed rate debt - secured
	2,184,500			95,454	(3,410)	2,276,544	

Note 22. Borrowings (continued)

Operating Entity / Currency	Principal Value $'000	Maturity	Interest rate / basis	Fair value adjustment $'000	Unamortised costs & discounts $'000	Book value $'000	Debt instrument
United Energy / AUD	7,000	07/02/2023	BBSY + 0.97%	150,000	(67)	149,933	Medium term notes - unsecured
Multinet / AUD	20,000	15/06/2020	BBSW + 1.65%	15	-	20,015	Medium term notes - unsecured
DBP / AUD	25,000	25/10/2020	BBSW + 1.60%	-	-	25,000	Medium term notes - secured
DBP / AUD	125,000	28/09/2023	BBSW + 2.00%	(42)	-	124,958	Medium term notes - secured
	177,000			149,973	(67)	319,906	

Operating Entity / Currency	Principal Value $'000	Maturity	Interest rate / basis	Fair value adjustment $'000	Unamortised costs & discounts $'000	Book value $'000	Debt instrument
CKUK / USD	10,907	21/10/2029	4.50% fixed	-	-	10,907	Loans from related parties[1]
CKUK / USD	10,907	21/10/2029	4.50% fixed	-	-	10,907	Loans from related parties[2]
CKUK / USD	5,443	21/10/2029	4.50% fixed	-	-	5,443	Loans from related parties[3]
CKHC / AUD	533,000	09/05/2022	BBSY + 2.75%	-	-	533,000	Loans from related parties[2]
CKHC / AUD	533,000	09/05/2024	BBSY + 3.00%	-	-	533,000	Loans from related parties[2]
CKHC / AUD	534,000	09/05/2026	BBSY + 3.25%	-	-	534,000	Loans from related parties[2]
CKHC / AUD	533,000	09/05/2022	BBSY + 2.75%	-	-	533,000	Loans from related parties[4]
CKHC / AUD	533,000	09/05/2024	BBSY + 3.00%	-	-	533,000	Loans from related parties[4]
CKHC / AUD	534,000	09/05/2026	BBSY + 3.25%	-	-	534,000	Loans from related parties[4]
CKHC / AUD	266,000	09/05/2022	BBSY + 2.75%	-	-	266,000	Loans from related parties[3]
CKHC / AUD	267,000	09/05/2024	BBSY + 3.00%	-	-	267,000	Loans from related parties[3]
CKHC / AUD	267,000	09/05/2026	BBSY + 3.25%	-	-	267,000	Loans from related parties[3]
	4,027,257			-	-	4,027,257	

[1] CKA Holdings UK Limited is the lender of the loan.
[2] CKI Gas Infrastructure Limited is the lender of the loan.
[3] PAH Gas Infrastructure Limited is the lender of the loan.
[4] CK William Topco Limited is the lender of the loan.

Note 22. Borrowings (continued)

Operating Entity / Currency	Principal $'000	Maturity	Interest rate / basis	Fair value adjustment $'000	Unamortised costs & discounts $'000	Book value $'000	Debt instrument
United Energy / AUD	120,396	24/07/2023	13.50% fixed	-	-	120,396	Redeemable preference shares
United Energy / AUD	52,173	29/01/2029	11.75% fixed	-	-	52,173	Redeemable preference shares
United Energy / AUD	28,611	11/03/2031	11.75% fixed	-	-	28,611	Redeemable preference shares
	201,180			-	-	201,180	

Operating Entity / Currency	Principal $'000	Maturity	interest rate / basis	Fair value adjustment $'000	Unamortised costs & discounts $'000	Book value $'000	Debt instrument
United Energy / USD	135,428	13/10/2022	3.28% fixed	9,706	-	145,134	US Senior notes
United Energy / USD	100,216	13/10/2025	3.59% fixed	10,761	-	110,977	US Senior notes
United Energy / USD	398,872	22/02/2029	4.09% fixed	50,659	(1,714)	447,817	US Senior notes
Multinet / USD	142,199	25/02/2022	3.39% fixed	7,995	(246)	149,948	US Senior notes
	776,715			79,121	(1,960)	853,876	

(i) Secured liabilities and assets pledged as security
Assets pledged for security for current and non-current borrowings include all current and non-current assets of DBP and the majority of the current and non-current assets of EDL.

Total assets pledged as security, based on historical cost in DBP and EDL is $5,366 million.

(ii) Compliance with loan covenants
CK William Australia Holdings Pty Ltd and its subsidiary entities have complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting periods.

(iii) Risk exposures
Details of the consolidated entity's exposure to risks arising from current and non-current borrowings are set out in note 32.

(iv) Borrowings accounting policies
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Where the facility is denominated in currencies other than AUD, these have been translated to AUD equivalent.

Note 23. Provisions

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current liabilities		
Employee benefits	36,247	31,104
Unfavourable contracts	31,037	30,256
Site rehabilitation	4,180	-
Environmental	455	850
Onerous Lease	2,569	3,790
Unaccounted for Gas	1,998	9,084
Other	101,038	102,164
	177,524	177,248
Non-current liabilities		
Employee benefits	8,073	5,873
Unfavourable contracts	582,362	613,400
Site rehabilitation	190,749	156,356
Environmental	5,230	5,230
Unaccounted for Gas	1,000	6,917
Other	900	-
	788,314	787,776
	965,838	965,024

Note 23. Provisions (continued)

Movements in provisions
Movements in each class of provision during the current financial year, are set out below:

Consolidated - 2019	Employee benefits $'000	Unfavourable contracts $'000	Site rehabilitation $'000	Environmental $'000	Onerous lease $'000	Unaccounted gas $'000	Other $'000	Total $'000
Carrying amount at the start of the year	36,977	643,656	156,356	6,080	3,790	16,001	102,164	965,024
Additions through business combinations (note 33)	-	-	10,191	-	-	-	-	10,191
Additional provisions recognised	29,850	-	19,504	-	-	330	900	57,407
Reductions - payments/ other sacrifices of future economic benefit	(23,444)	(30,257)	(623)	-	-	(9,833)	(1,126)	(65,283)
Reductions - re-measurement or settlement without cost	937	-	1,823	(395)	(1,221)	(3,500)	-	(2,356)
Foreign exchange revaluation	-	-	855	-	-	-	-	855
Unwinding of discount	-	-	6,823	-	-	-	-	-
Carrying amount at the end of the year	44,320	613,399	194,929	5,685	2,569	2,998	101,938	965,838
Payable in less than one year	36,247	31,037	4,180	455	2,569	1,998	101,038	177,524
Payable in more than one year	8,073	582,362	190,749	5,230	-	1,000	900	788,314

(a) Information about individual provisions and significant estimates

Employee benefits
The provision for employee benefits relates to the consolidated entity's liability for long service leave and annual leave. Provision has been calculated by discounting obligations to present value. The timing of the utilisation of the provision is uncertain and will occur in periods beyond balance date.

Environment provision
Provisions for future environmental remediation are recognised where sites subject to the Environment Protection Act 1970 of Victoria, are known to be contaminated and it is probable that an outflow of economic benefits will be required to remediate the site. The estimated future outflows are the best estimate of the expenditure required to remediate the sites using third party costing estimates discounted. Future remediation costs are reviewed annually and any changes in estimates are reflected the income statement.

The timing of the utilisation of the provision is expected to occur primarily after one year from balance date.

Unfavourable Contracts
Unfavourable contracts have been recognised as an acquisition adjustment of the DUET Group. These contracts have been determined based on discounted cash flows and the forecast revenue, discounted over the contract period. One contract relates to provision of pipeline capacity. The actual reservation charge per the contract is lower than forecast regulated tariffs. The provision will be utilised over the contract period of 40 years.

Unaccounted for Gas
The provision relates to the cost that is incurred to reimburse gas retailers for the loss of gas between the point that the gas enters the network and the consumption read at the meter, in excess of the allowed benchmark. The provision will be utilised over the next two years.

Note 23. Provisions (continued)

Site rehabilitation
The consolidated entity has provisions for removal and remediation costs that include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas for the power generating facilities. Although the ultimate cost to be incurred is uncertain, the consolidated entity's businesses estimate their costs using current restoration standards and techniques. Removal and remediation costs are provided for based on the net present value of the estimated future costs of removal and remediation to be incurred in the accounting period when the obligation arises, which usually corresponds to the period when the consolidated entity will commence remediation operations at a particular site. The costs are estimated on the basis of an estimated site exit date, and are reviewed at each reporting period during the life of the operation to reflect known developments.

Rehabilitation of power generating facilities comprises 100 sites with final remediation expected in 2071. Other remediation activities relating to pipeline infrastructure are expected to occur by 2085.

Other
The consolidated entity is in discussion with the Australian Taxation Office (ATO) on various matters including the previous tax groups within the DUET Group (DUET) prior to the acquisition of DUET in May 2017. An amount of $100 million has been recognised to reflect these uncertain tax matters.

(b) Accounting policies for provisions

Provisions are recognised when the consolidated entity has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision 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 obligation. 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.

(c) Critical accounting judgements, estimates and assumptions

Discount Rate applied to Employee Entitlements and Defined Benefits
Long term employee benefits balances and defined benefit plan obligations are discounted to present value. The discount rate is determined by reference to the market yield on high quality corporate bonds from observable yield curves.

Environment provision
The consolidated entity relies on valuations performed by Environmental Specialists to estimate the clean-up cost of EPA notices.

Site rehabilitation
Site rehabilitation liabilities are discounted to present value. The key assumptions in the estimation process are the expected exit date of the site, the cost estimate and the discount rate. Discount rates for pipeline infrastructure reduced from 2.8% to 1.9% based on 30 year Australian government bond rates resulting in an increased present value of rehabilitation costs. Discount rates for electricity infrastructure vary by location between 3.4% to 5.1%. These assumptions may change in response to changes in generation, operating licences or other economic conditions.

Note 24. Other liabilities

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Current liabilities		
Security deposits payable	347	347
Deferred revenue	33,403	19,973
Other current liabilities	-	139
	33,750	20,459
Non-current liabilities		
Deferred revenue	-	152
Subsidies and grants received in advance	1,596	1,789
	1,596	1,941
	35,346	22,400

Note 25. Deferred tax

(i) Taxable and deductible temporary differences

2019	Opening balance $'000	Acquisition of subsidiaries $'000	Charged to income $'000	Consolidated Charged to other comprehensive income $'000	Directly to equity $'000	Foreign exchange $'000	Closing balance $'000
Property, plant and equipment	(720,262)	12,073	(117,489)	-	-	(309)	(825,987)
Intangible assets	(78,640)	(9,308)	24,222	-	-	(485)	(64,210)
Provisions	261,189	7,501	1,704	2	-	166	270,562
Doubtful debts and impairment losses	799	-	(156)	-	-	-	643
Deferred income	(3,287)	-	538	-	-	-	(2,749)
Defined benefit superannuation liability	(1,614)	-	140	884	-	-	(590)
Derivative Financial instruments	(1,158)	-	(14,845)	40,134	-	7	24,138
Other	9,745	18	(2,059)	-	(139)	(3)	7,562
Tax losses	152,983	-	22,297	-	-	182	175,462
	(380,245)	10,284	(85,648)	41,020	(139)	(442)	(415,169)

2018	Opening balance $'000	Acquisition of subsidiaries $'000	Consolidated Charged to income $'000	Charged to other comprehensive income $'000	Closing balance $'000
Property, plant and equipment	(689,821)	-	(30,441)	-	(720,262)
Intangible assets	(88,772)	-	10,132	-	(78,640)
Provisions	264,349	-	(3,160)	-	261,189
Accrued revenue	1,713	-	(1,713)	-	-
Doubtful debts and impairment losses	1,435	-	(636)	-	799
Deferred income	4,544	-	(7,831)	-	(3,287)
Defined benefit superannuation liability	(1,681)	-	98	(31)	(1,614)
Cash flow hedges	(10,157)	-	(16,360)	25,359	(1,158)
Other	(6,717)	-	16,462	-	9,745
Tax losses	185,135	-	(32,152)	-	152,983
	(339,972)	-	(65,601)	25,328	(380,245)

Tax losses above include recognition of tax losses in the year by controlled foreign entities of $89,387,000 (2018: $10,704,000). The increase in tax losses in 2019 is largely attributable to 100% tax depreciation rate applicable in the United States for eligible capital expenditure. The recognition of this deferred tax asset is supported by taxable temporary differences and, where applicable, forecast modelling of taxable profits.

Unrecognised tax losses

The consolidated entity has unrecognised tax losses on overseas operations of $24,569,000 not included in the above tax losses.

Note 25. Deferred tax (continued)

(ii) Deferred tax assets and liabilities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax assets comprise:		
Tax losses - revenue	175,462	152,983
Temporary differences	302,905	271,737
	478,367	424,720
Deferred tax (liabilities) comprise:		
Temporary differences	(893,536)	(804,961)
Net deferred tax liability	(415,169)	(380,241)

Note 26. Issued capital

	Consolidated 2019 Shares	Consolidated 2018 Shares	Consolidated 2019 $'000	Consolidated 2018 $'000
Ordinary shares - fully paid	3,415,000,001	3,415,000,001	3,415,000	3,415,000

	Parent 2019 Shares	Parent 2018 Shares	Parent 2019 $'000	Parent 2018 $'000
Ordinary shares - fully paid	3,415,000,001	3,415,000,001	3,415,000	3,415,000

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

Note 27. Reserves

The following table shows a breakdown of the Statement of Financial Position line item 'reserves'. A description of the nature and purpose of each reserve is provided below the table.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Foreign currency reserve	11,438	4,848
Hedging reserve - cash flow hedges	(111,694)	(34,558)
	(100,256)	(29,710)

Note 27. Reserves (continued)

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollar. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Hedging reserve
The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Hedging reserve - cash flow hedges $'000	Foreign currency reserve $'000	Total $'000
Balance at 1 January 2018	16,888	(1,994)	14,894
Foreign currency translation	-	6,842	6,842
AUD interest rate swaps	(81,839)	-	(81,839)
Interest rate swaps transferred to Profit or Loss	17,907	-	17,907
Movement in CFD	(2,411)	-	(2,411)
CFD transferred to P&L	(17,170)	-	(17,170)
Cross currency interest rate swaps	(475)	-	(475)
Income tax relating to these items	25,359	-	25,359
Non-controlling interest	7,183	-	7,183
Balance at 31 December 2018	(34,558)	4,848	(29,710)
Foreign currency translation	-	6,590	6,590
AUD interest rate swaps	(179,181)	-	(179,181)
Interest rate swaps transferred to Profit or Loss	41,474	-	41,474
Movement in CFD	5,333	-	5,333
CFD transferred to P&L	586	-	586
Cross currency interest rate swaps	(3,722)	-	(3,722)
Income tax relating to these items	39,804	-	39,804
Non-controlling interest	18,570	-	18,570
Balance at 31 December 2019	(111,694)	11,438	(100,256)

Note 28. Retained profits

	Consolidated 2019 $'000	Consolidated 2018 $'000	Parent 2019 $'000	Parent 2018 $'000
Retained profits/(accumulated losses) at the beginning of the financial year	64,871	(35,052)	2,049	(106)
Adjustment for reclassification	229	-	-	-
Adjustment – common control transaction	4,753	-	-	-
Adjustment for accounting standard transition	-	(30,879)	-	-
Retained profits/(accumulated losses) at the beginning of the financial year - restated	69,853	(65,931)	2,049	(106)
Profit after income tax expense for the year	201,131	180,942	14,605	52,355
Dividends paid (note 30)	-	(50,200)	-	(50,200)
Actuarial gain on defined benefit plans, net of tax	(1,712)	60	-	-
Retained profits at the end of the financial year	269,272	64,871	16,654	2,049

Note 29. Non-controlling interest

	Consolidated 2019 $'000	Consolidated 2018 $'000
Reserves	(24,240)	(5,320)
Accumulated losses	(41,592)	(32,175)
	(65,832)	(37,495)

Note 30. Dividends

Dividends paid during the financial year were as follows:

	2019 $'000	2018 $'000
Dividend declared and paid for the year ended 31 December 2019 is nil (2018: 0.0147 cents per share)	-	50,200

This excludes dividends payable to non-controlling interests in relation to the subsidiaries of the group.

Accounting policy for dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Note 31. Derivative financial instruments

	Consolidated 2019 $'000	Consolidated 2018 $'000
Current assets		
Interest rate swap contracts - cash flow hedges	-	396
Interest Rate Swaps – fair value hedges	1,607	-
Interest Rate Swaps – fair value through profit and loss	1,888	-
Electricity Contracts for difference – cash flow hedges	2,804	1,269
	6,299	1,665
Non-current assets		
Interest rate swap contracts - cash flow hedges	10,784	5,080
Interest Rate Swaps – fair value hedges	91,046	30,987
Interest Rate Swaps – fair value through profit and loss	-	2,556
Electricity Contracts for difference – cash flow hedges	937	230
Cross currency swaps – fair value hedges	86,570	44,681
Cross currency swaps – cash flow hedges	493	-
	189,830	83,534
Current liabilities		
Forward foreign exchange contracts - fair value through profit or loss	(62)	-
Interest rate swap contracts - cash flow hedges	(70,795)	(196)
Electricity Contracts for difference – cash flow hedges	(615)	(9,417)
Interest Rate Swaps – fair value through profit and loss	(1)	-
	(71,473)	(9,613)
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	(198,990)	(170,156)
Interest Rate Swaps – fair value hedges	(5,683)	(6,220)
Interest Rate Swaps – fair value through profit and loss	-	(32)
Electricity Contracts for difference – cash flow hedges	-	(1,035)
Cross currency swaps – cash flow hedges	-	(2,525)
	(204,673)	(179,968)
	(80,017)	(104,382)

Refer to note 32 for further information on financial instruments.

(i) Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to mature within 12 months after the end of the reporting period.

For hedged forecast transactions that result in the recognition of a non-financial asset, the consolidated entity has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

(ii) Accounting for load following swaps

Electricity CFDs are accounted for as cash flow hedges. The hedged item for electricity CFDs are highly probable forecast transactions.

Note 32. Financial instruments

(a) Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign exchange, and interest rate), credit risk, liquidity risk and commodity price risk. Our major exposure to interest rate risk and foreign currency risk arises from our long-term borrowings. We have also translation foreign currency risk associated with transactional foreign currency exposures, such as purchases made in foreign currencies.

The consolidated entity's overall risk management strategy focuses on monitoring and managing these financial risks such that potential adverse effects on the consolidated entity's financial performance are minimised. Financial risk management is carried out by the four operating groups' Treasury functions under policies approved by the board of directors. Written policies exist covering specific areas such as foreign exchange risk, interest rate risk, credit risk, liquidity risk, use of derivative and non-derivative financial instruments and the investment of excess liquidity.

The consolidated entity uses the following type of derivative financial instruments to hedge these risk exposures:

- Interest rate swap contracts: the consolidated entity agrees to exchange the difference between fixed and floating interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates on the fair value of fixed rate debt held and the cash flow exposures of floating rate debt held.
- Cross-currency swap contracts: the consolidated entity agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the consolidated entity to mitigate the risk of adverse movements in foreign exchange rates.
- Foreign currency forward contracts: the consolidated entity undertakes certain transactions denominated in foreign currencies, primarily USD, from which exposure to exchange rate fluctuations arise. Such contracts enable the consolidated entity to lock in the exchange rate at the future date for the payment or receipt.
- Fixed price electricity contracts: the consolidated entity earns income from electricity markets from which exposure to commodity pricing risk arise. Such contracts enable the consolidated entity to reduce the variability of income from certain electricity generation sites.

Hedge accounting is a technique that enables the matching of the gains and losses on designated hedging instruments and hedged items in the same accounting period to minimise volatility in Profit or Loss. To the extent permitted by IFRS 9, we formally designate and document these financial instruments as fair value and cash flow hedges for accounting purposes. In order to qualify for hedge accounting, IFRS 9 requires that prospective hedge effectiveness testing meets all of the following criteria:

- an economic relationship exists between the hedged item and hedging instrument;
- the effect of credit risk does not dominate the value changes resulting from the economic relationship; and
- the hedge ratio is the same as that resulting from amounts of hedged items and hedging instruments for risk management.

Note 32. Financial instruments (continued)

(b) Derivatives

The consolidated entity uses derivative financial instruments for two types of hedges:

	Fair value hedges	Cash flow hedges
Objective	To convert fixed interest rate borrowings to floating interest rate borrowings.	To hedge the exposure arising from variability in future interest and foreign currency cash flows arising from borrowings that bear interest at variable rates, or are denominated in foreign currency. Cash flow hedging is also used to mitigate the foreign currency exposure arising from anticipated future transactions
Recognition date	At the date the instrument is entered into.	At the date the instrument is entered into.
Measurement	Measured at fair value.	Measured at fair value.
Changes in fair value	Changes in the fair value of the hedging instrument and changes in the fair value of the hedged item that is attributable to the hedged risk (fair value hedge adjustment) are recognised in Profit or Loss. Ineffectiveness reflects the extent to which the fair value movements do not offset and is primarily driven by movements in credit of the hedging instrument.	Ineffectiveness is recognised in the Profit or Loss if the change in the fair value of the hedging instrument exceeds the change in fair value of the underlying hedged item for the hedged risk. The portion of fair value movement qualifying as effective movement is recognised in the cash flow hedge reserve in equity. All cash flow hedges are in effective hedge relationships on the basis that the critical terms of the hedging instrument and hedged item are aligned (including face values, cash flows and currency). During the year, there has been no material ineffectiveness attributable to the cash flow hedges.

Fair value hedges have an economic relationship on the basis that the critical terms of the hedging instrument and hedged item (including face value, cash flows and maturity date) are aligned. The relationship between the hedged risk and the corresponding value of the hedging derivatives results in a hedge ratio of one.

The cumulative amount of fair value hedge adjustments which are included in the carrying amount of our borrowings in the Statement of Financial Position is shown below:

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Fixed rate instruments		
Face value as at 31 December	2,861,216	2,062,344
Unamortised discounts/premiums	7,542	3,148
Amortised cost	2,868,758	2,065,492
Cumulative fair value hedge adjustments	167,979	61,294
Carrying amount	3,036,737	2,126,786

	2019	2018
	$'000	**$'000**
Change in value of hedged item during year	909,951	946,590

For fixed rate instruments, face value represents the face value in the underlying currency converted at the spot exchange rate as at reporting date. Revaluation impacts since inception of the borrowings due to foreign exchange movements are reflected in the amortised cost balance.

Note 32. Financial instruments (continued)

(i) Fair value measurements

The consolidated entity measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets and financial liabilities at fair value through profit or loss (FVTPL); and
- Derivative financial instruments.

Foreign currency forward contracts are measured using the discounted cash flow method. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties. These are classified as level 2 instruments.

Interest rate swaps are measured using the discounted cash flow method. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period), discounted at a rate that reflects the credit risk of various counterparties. These are classified as level 2 instruments.

Cross-currency interest rate swaps are measured using the discounted cash flow method. Future cash flows are estimated based on forward currency rates (from observable yield curves at the end of the reporting period) and contract currency rates, discounted at a rate that reflects the credit risk of various counterparties. These are classified as level 2 instruments.

Electricity contracts for difference are measured using the discounted cash flow method. Future cash flows are estimated based on forward market prices and contract prices, discounted at a rate that reflects the credit risk of various counterparties. These are classified as level 2 instruments.

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) and applied within a valuation technique.
- Level 3 fair value measurements are those derived from inputs that are not based on observable market data (unobservable inputs) and applied within a valuation technique.

Note 32. Financial instruments (continued)

Consolidated Entity - at 31 December 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Interest rate swap contracts - cash flow hedges	-	10,784	-	10,784
Cross currency swaps - fair value hedges	-	86,570	-	86,570
Interest rate swaps contracts – fair value hedges	-	92,653	-	92,653
Electricity Contracts for difference – cash flow hedges	-	3,741	-	3,741
Interest rate swap contracts - fair value through profit and loss	-	1,888	-	1,888
Cross currency swaps - cash flow hedges	-	493	-	493
Total financial assets	-	196,129	-	196,129

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Interest rate swap contracts – cash flow hedges	-	(269,785)	-	(269,785)
Interest rate swap contracts – fair value hedges	-	(5,683)	-	(5,683)
Interest rate swap contracts – fair value through profit and loss	-	(1)	-	(1)
Electricity Contracts for difference – cash flow hedges	-	(615)	-	(615)
Forward foreign exchange contracts – fair value through profit and loss	-	(62)	-	(62)
Total financial liabilities	-	(276,146)	-	(276,146)

Consolidated Entity - at 31 December 2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Interest rate swap contracts – cash flow hedges	-	5,476	-	5,476
Cross currency swaps – fair value hedges	-	44,681	-	44,681
Interest rate swap contracts – fair value hedges	-	30,987	-	30,987
Electricity Contracts for difference – cash flow hedges	-	1,499	-	1,499
Interest rate swap contracts – fair value through profit and loss	-	2,556	-	2,556
Total financial assets	-	85,199	-	85,199

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities				
Cross currency swaps – cash flow hedges	-	(2,525)	-	(2,525)
Interest rate swap contracts – cash flow hedges	-	(170,352)	-	(170,352)
Interest rate swap contracts – fair value hedges	-	(6,220)	-	(6,220)
Interest rate swap contracts – fair value through profit and loss	-	(32)	-	(32)
Electricity Contracts for difference – cash flow hedges	-	(10,452)	-	(10,452)
Total financial liabilities	-	(189,581)	-	(189,581)

There were no transfers between Level 1 and 2 during the year. There were no transfers into or out of Level 3 during the year.

Note 32. Financial instruments (continued)

(ii) Fair value of financial instruments

Except as detailed in the following table, the directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values. These instruments are valued using the same methodology as the level 2 instruments described in this note.

	Consolidated	
	Carrying value $'000	Fair value $'000
2019		
Medium term notes	319,906	323,528
Redeemable preference shares	201,180	323,374
US Senior notes	853,876	856,610
Fixed rate note	2,276,544	2,315,631
Bank loans	3,478,021	3,494,922
	7,129,527	7,314,065
2018		
Medium term notes	319,996	323,064
Redeemable preference shares	201,180	320,243
US Senior notes	411,349	392,818
Fixed rate note	2,122,217	2,145,546
Bank loans	3,621,847	3,635,680
	6,676,589	6,817,351

(iii) Amounts recognised in profit or loss

During the year, the following amounts were recognised in profit or loss in relation to foreign currency transactions and interest rate swaps:

	Consolidated	
	2019 $'000	2018 $'000
Amount reclassified from cash flow hedge reserve to profit or loss – amount recognised in revenue	(586)	17,170
Amount reclassified from cash flow hedge reserve to profit or loss – amount recognised in finance expenses	(41,474)	(17,907)

Note 32. Financial instruments (continued)

(c) Hedging

Consolidated entity 2019	Notional $'000	Weighted average effective interest rate %	Carrying amount - Asset $'000	Carrying amount - Liability $'000	Changes in the value of hedging instrument recognised in other comprehensive income $'000	Changes in fair value used for calculating hedge ineffectiveness $'000	Weighted average Maturity date
Foreign currency risk							
Cross-currency interest rate swaps - cash flow hedges	398,872	4.09%	493	-	3,722	3,018	08/12/2027
Cross-currency interest rate swaps - fair value hedges	758,783	3.76%	86,570	-	-	41,889	14/10/2025
Interest rate risk							
Interest rate swap contracts - cash flow hedges	7,098,681	2.86%	10,784	269,785	137,707	(94,125)	10/07/2023
Interest rate swap contracts - fair value hedges	2,084,500	3.61%	92,653	5,683	-	62,203	14/10/2024
Commodity price risk							
Electricity CFD	-	-	3,741	615	(5,919)	12,079	22/01/2021

Consolidated entity 2018	Notional $'000	Weighted average effective interest rate %	Carrying amount Asset $'000	Carrying amount Liability $'000	Changes in the value of hedging instrument recognised in other comprehensive income $'000	Changes in fair value used for calculating hedge ineffectiveness $'000	Weighted average Maturity date
Foreign currency risk							
Cross-currency interest rate swaps - cash flow hedges	398,872	4.09%	-	2,525	475	(2,525)	08/12/2027
Forward foreign exchange contracts - net investment hedges	-	-	-	-	-	316	31/01/2018
Cross-currency interest rate swaps - fair value hedges	758,783	3.76%	44,681	-	-	54,376	14/10/2025
Interest rate risk							
Interest rate swap contracts - cash flow hedges	6,107,201	3.16%	5,476	170,352	63,932	(16,395)	25/06/2022
Interest rate swap contracts - fair value hedges	1,684,500	3.93%	30,987	6,220	-	36,312	17/02/2024
Commodity price risk							
Electricity CFD	-	-	1,499	10,452	19,581	27,638	07/01/2019

Note 32. Financial instruments (continued)

(d) Market risk

(i) Foreign exchange risk
The consolidated entity's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The consolidated entity measures the market risk exposures using sensitivity analysis and cash flow forecasting. There has been no change from the prior year to the types of market risks the consolidated entity is exposed to or manner in which the risks are managed and measured.

Foreign exchange risk arises from recognised assets and liabilities that are denominated in a currency that is not the entity's functional currency. The consolidated entity undertakes certain transactions denominated in foreign currencies, primarily US Dollars (USD), from which exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters.

The consolidated entity's exposure to foreign currency risk (prior to hedging contracts and excluding balances of overseas entities that operate with the same functional currency as the exposure) at the reporting period, expressed in the foreign currency, was as follows:

	USD	
	2019	**2018**
	$'000	**$'000**
Cash and cash equivalents	917	846
Borrowings	562,000	279,000
Trade and other payables	349	-
Loans from related parties	18,800	-

The following table details the consolidated entity's sensitivity to a 10% increase and decrease in the value of the Australian Dollar (AUD) against the relevant foreign currencies. The sensitivity analysis includes outstanding foreign currency denominated financial assets and liabilities (including derivatives) and adjusts their translation at period end for a 10% change in foreign exchange rates on a total portfolio basis with all other variables held constant.

	Impact on post-tax profit*		Impact on other components of equity		Total impact on equity	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
AUD/USD exchange rate - increase 10%	-	-	(2,053)	(1,999)	(2,053)	(1,999)
AUD/USD exchange rate - decrease 10%	-	-	2,484	2,593	2,484	2,593

*Changes in market rates under this scenario are assumed to have a nil impact on derivative hedge ineffectiveness as the consolidated entity has highly effective hedges in place.

Note 32. Financial instruments (continued)

(ii) Interest Rate Risk

The consolidated entity is exposed to interest rate risk as it invests and borrows funds at both fixed and floating interest rates. The risks are managed by maintaining an appropriate mix between fixed and floating rate borrowings and through the use of interest rate swap contracts and forward interest rate contracts. Hedging activities are evaluated regularly to confirm alignment with the debt and liquidity management policy and ensure that the consolidated entity is not exposed to excess risk from interest rate volatility.

	Average fixed interest rate		Notional principal amount		Fair value	
	2019	2018	2019	2018	2019	2018
Receive floating / pay fixed	%	%	$'000	$'000	$'000	$'000
Consolidated						
Less than 1 year	3.84%	2.13%	2,584,745	232,500	(70,795)	(61)
1 to 2 years	2.76%	2.21%	776,600	2,770,040	(16,605)	(83,895)
2 to 5 years	2.70%	3.50%	1,252,633	1,652,458	(61,285)	(45,267)
5 years+	1.96%	2.66%	2,492,199	1,459,700	(110,316)	(35,685)
			7,106,177	6,114,698	(259,001)	(164,908)

	Average fixed interest rate		Notional principal amount		Fair value	
	2019	2018	2019	2018	2019	2018
Receive fixed / pay floating	%	%	$'000	$'000	$'000	$'000
Consolidated						
Less than 1 year	3.98%	-	310,000	-	3,495	-
1 to 2 years	-	3.98%	-	310,000	-	4,528
2 to 5 years	3.74%	3.68%	1,082,500	397,500	57,859	(4,332)
5 years+	3.25%	3.96%	792,000	1,077,000	27,505	27,127
			2,184,500	1,784,500	88,859	27,323

Note 32. Financial instruments (continued)

The sensitivity analysis contained in the table below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date with the stipulated change taking place at the start of the financial year and held constant for the reporting period. A sensitivity of 1% (100 basis points) has been selected as this is considered reasonable given the current level of both short and long term interest rates.

	Net profit*		Cash flow hedge reserve		Total impact on equity	
	2019	2018	2019	2018	2019	2018
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000
Impact of movement in interest rates (AUD)						
1% increase in interest rates - increase/(decrease)	(24,195)	(31,278)	147,690	133,701	123,495	102,423
1% decrease in interest rates - (decrease)/increase	22,754	31,310	(161,342)	(144,232)	(138,588)	(112,922)
Impact of movement in interest rates (USD)						
1% increase in interest rates - increase/(decrease)	(6,687)	-	6,936	245	249	245
1% decrease in interest rates - (decrease)/increase	6,687	-	(6,899)	(854)	(212)	(854)

*Changes in market rates under this scenario are assumed to have a nil impact on derivative hedge ineffectiveness as the consolidated entity has highly effective hedges in place.

Profit would have been affected mainly as a result of the ineffective portion of cash flow and fair value hedge transactions and floating rate financial assets and liabilities that are not in a cash flow hedge relationship. Equity, through the cash flow hedge reserve, would have been affected mainly as a result of an increase/decrease in the fair value of interest rate swaps which qualify for cash flow hedge accounting.

(iii) Commodity Price Risk

Green Credits
As at 31 December 2019, the consolidated entity held $38.4 million green credits for sale (2018: $110.9 million). The consolidated entity has a policy of entering into forward sales contracts for a proportion of green credits to manage its exposure to price risk on its green credit holdings.

Electricity Prices
The consolidated entity entered into fixed price electricity contracts to reduce the volatility attributable to price fluctuations of electricity. These contracts are for 100% of the electricity generated at certain sites for periods ranging from 1 to 3 years. Hedging the price volatility of electricity is in accordance with the operating entities risk management strategy.

As at 31 December 2019, the fair value of these full effective hedges amounted to a net asset of $3.1 million (2018: $9.0 million liability). The change in fair value was recognised in other comprehensive income.

Sensitivity

	Net profit		Cash flow hedge reserve		Total impact to equity	
	2019	2018	2019	2018	2019	2018
Consolidated	$'000	$'000	$'000	$'000	$'000	$'000
Impact of movement in electricity prices						
+10% appreciation electricity prices	-	-	4,341	8,816	4,341	8,816
-10% depreciation electricity prices	-	-	(4,341)	(8,816)	(4,341)	(8,816)

(e) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss. The consolidated entity 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. The consolidated entity's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions contracted is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Note 32. Financial instruments (continued)

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 12 months.

Trade receivables consist of a large number of customers with ongoing credit evaluation performed on their financial condition. Where appropriate, additional collateral credit support is obtained to mitigate the risk of loss.

The consolidated entity does not have significant credit risk exposure to any single counterparty. 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.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the consolidated entity's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Impaired trade receivables

The consolidated entity applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The consolidated entity therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles over a period of 24 month before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Note 32. Financial instruments (continued)

On that basis, the loss allowance as at 31 December 2019 and 1 January 2019 (on adoption of IFRS 9) was determined as follows for both trade receivables and contract assets:

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
31 December 2019					
Expected loss rate	0.4%	10.4%	21.4%	44.9%	1.2%
Gross carrying amount – trade receivables	45,443	1,841	2,348	1,814	51,446
Gross carrying amount - contract assets	129,500	-	-	-	129,500
Loss allowance	664	192	501	815	2,172

	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
31 December 2018					
Expected loss rate	0.3%	2.2%	6.3%	38.2%	1.4%
Gross carrying amount - trade receivables	47,382	3,608	1,168	4,904	57,063
Gross carrying amount - contract assets	137,874	-	-	-	137,874
Loss allowance	635	80	74	1,874	2,663

Allowance for expected credit losses
The expected credit loss allowance represent expected loss rate on trade receivables and contract assets where no incurred credit losses has eventuated. Set out below is the movement in the expected credit losses allowance of trade receivables and contract assets:

	Consolidated	
	2019 $'000	2018 $'000
Opening balance	2,663	4,838
Increase in loss allowance recognised in profit or loss during the year	1,010	741
Receivables written off during the year as uncollectable	(918)	(2,916)
Unused amounts reversed	(583)	-
Closing balance	2,172	2,663

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 90 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Note 32. Financial instruments (continued)

(f) Liquidity risk

The board of directors is ultimately responsible for liquidity risk and has adopted an appropriate liquidity risk management framework to manage the consolidated entity's funding and liquidity requirements. The consolidated entity manages liquidity risk at an operating entity by:

- maintaining adequate reserves, banking and reserve borrowing facilities;
- continuously monitoring forecast and actual cash flows; and
- matching the maturity profiles of financial assets and liabilities.

Liquidity and interest rate tables

The following table details the consolidated entity's remaining contractual maturity for its derivative and non-derivative financial liabilities. The table is drawn up based upon the future undiscounted principal and interest cash flows.

Consolidated 2019	Weighted average effective interest rate %	0 to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Financial liabilities (derivative and non derivative)							
Interest rate swaps	3.1%	130,798	52,377	89,454	48,440	321,069	275,469
Medium term notes	2.6%	52,118	6,419	285,653	-	344,190	319,906
Bank loans	2.3%	628,756	438,835	2,361,104	294,337	3,723,032	3,478,021
US Senior notes	3.9%	30,021	30,021	358,293	586,752	1,005,087	853,876
Fixed rate notes	3.6%	384,061	66,235	1,261,604	825,058	2,536,958	2,276,544
Redeemable preference shares	12.4%	25,746	25,746	174,255	126,440	352,187	201,180
Government loan	-	-	-	-	88,067	88,067	1,480
Finance lease	-	2,221	2,265	7,070	15,162	26,718	14,689
Forward contracts	-	149	-	-	-	149	62
Electricity CFD	-	616	-	-	-	616	615
Trade and other payables	-	252,151	2,478	-	-	254,629	254,629
Loans from related parties	4.2%	156,088	156,963	3,010,970	1,463,750	4,787,771	4,027,258
Finance lease - IFRS 16	-	7,951	6,810	13,755	54,840	83,356	56,707
Total financial liabilities		1,670,676	788,149	7,562,158	3,502,846	13,523,829	11,760,436

Consolidated 2018	Weighted average effective interest rate %	0 to 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Financial liabilities (derivative and non derivative)							
Interest rate swaps	3.3%	73,617	76,447	51,566	11,598	213,228	176,604
Medium term notes	3.6%	10,930	55,365	300,824	-	367,119	319,996
Bank loans	3.4%	849,253	774,830	1,922,263	630,600	4,176,946	3,621,847
US Senior notes	3.4%	15,585	15,604	345,401	112,583	489,173	411,349
Fixed rate notes	4.1%	381,796	376,357	564,840	1,135,891	2,458,884	2,122,217
Redeemable preference shares	13.6%	25,746	25,816	190,598	137,660	379,820	201,180
Government loan	-	-	-	-	88,067	88,067	1,136
Finance lease	-	2,182	2,225	6,946	17,556	28,909	15,738
Electricity CFD	-	10,546	650	(663)	-	10,533	10,452
Trade and other payables	-	332,098	3,597	6,710	-	342,405	342,405
Loans from related parties	5.3%	199,370	194,961	1,853,092	2,906,001	5,153,423	4,004,821
Total financial liabilities		1,901,123	1,525,852	5,241,577	5,039,956	13,708,507	11,227,745

Note 32. Financial instruments (continued)

(g) Offsetting financial assets and financial liabilities
The consolidated entity does not have financial instruments that meet the presentation offset requirements of IAS 32 Financial Instruments: Presentation and as such each individual financial instrument is presented gross in the Financial Statements. However, the consolidated entity has for credit management purposes, Master Netting arrangements where offset is permitted as a result of certain credit events. Application of these credit arrangements for the consolidated entity at the financial reporting date would result in the following offsets as detailed below:

Financial assets and financial liabilities are offset and the net amount is reported below where the consolidated entity currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The net amount shows the impact on the consolidated entity's statement of financial position if all set off rights were exercised.

Consolidated - 2019	**Gross amount $'000**	**Net amount presented $'000**	**Financial instruments not set off $'000**	**Net amount $'000**
Assets				
Assets	196,129	196,129	(99,996)	96,133
Total assets	196,129	196,129	(99,996)	96,133
Liabilities				
Liabilities	(276,146)	(276,146)	99,996	(176,150)
Total liabilities	(276,146)	(276,146)	99,996	(176,150)

Consolidated - 2018	**Gross amount $'000**	**Net amount presented $'000**	**Financial instruments not set off $'000**	**Net amount $'000**
Assets				
Assets	85,199	85,199	(34,593)	50,606
Total assets	85,199	85,199	(34,593)	50,606
Liabilities				
Liabilities	(189,581)	(189,581)	34,593	(154,988)
Total liabilities	(189,581)	(189,581)	34,593	(154,988)

Note 33. Business combinations

On 21 October 2019, the consolidated entity via EDL acquired 65MW of landfill gas assets through an acquisition of Broadrock entities. The consolidated entity owns 100% of Broadrock entities after acquisition. The Broadrock business is highly contracted, with strong counterparties, and long-term contracts. The transaction increases the scale of the consolidated entity's North American operations from 28 to 30 sites.

Details of the acquisition are as follows:

	Fair value $'000
Trade receivables	7,581
Plant and equipment	264,177
Right-of-use assets	25,633
Customer contracts	52,203
Deferred tax asset	10,284
Trade payables	(12,254)
Provision for rehabilitation	(10,191)
Lease liability	(25,633)
Net assets acquired	311,800
Goodwill	38,025
Acquisition-date fair value of the total consideration transferred	349,825
Representing:	
Cash paid, net of cash acquired	336,001
Working capital adjustments	5,288
Transaction costs	8,536
	349,825

The initial accounting for the business combination is provisional subject to finalisation of fair values for plant and equipment, intangibles and provision for rehabilitation. Therefore, the fair value of plant and equipment, intangibles and deferred tax assets are to be confirmed.

The accounting goodwill recognised is non-deductible for tax.

Revenue and profit contribution
Total revenue and profit after tax for Broadrock post acquisition is $16,912 thousand and $2,073 thousand.

Accounting policy for business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Note 33. Business combinations (continued)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

(a) Critical accounting judgements, estimates and assumptions

As noted above, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed (if any) are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Expert valuers are engaged to assist with the valuation of Plant and Equipment and Customer contracts and the values reflect the most current determination of the value of these assets.

Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 34. Commitments

From 1 January 2019, the consolidated entity has recognised right-of-use assets for operating leases, except for short-term and low-value leases. *Other lease commitments for the current period have not been disclosed. See notes 18 and note 21 for further information.*

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Capital expenditure commitments		
Property, plant and equipment payable:		
Within one year	130,853	95,869
One to five years	134,745	76,045
	265,598	171,914
Expenditure commitments		
Expenditure contracted for at the reporting date but not recognised as liabilities		
Within one year	70,092	58,478
One to five years	139,341	65,843
More than five years	21,096	4,242
	230,529	128,563
Operating lease commitments		
Commitments for minimum lease payments in relation to non-cancellable operating leases		
Within one year	365	9,067
One to five years	1,557	28,103
More than five years	904	16,853
	2,826	54,023

Pipeline licence obligations

DBP has been granted a pipeline licence to operate and maintain the Dampier to Bunbury Natural Gas Pipeline (DBNGP), and an access licence granting rights of access to the DBP corridor. Both licences have been granted by the Government of Western Australia. As the charges are determined annually, no accurate determination of these licence commitments is possible.

Note 35. Related party transactions

(a) Shareholders
The immediate parent entities of CK William UK Holdings Limited are CK William Midco Limited (40%), CK William Midco 2 Limited (40%) and CK William Midco 3 Limited (20%).

The ultimate parent entities of the consolidated entity are CK Infrastructure Holdings Limited (40%), CK Asset Holdings Limited (40%) and Power Assets Holdings Limited (20%). There is no ultimate controlling party.

(b) Parent entity
The parent entity of the consolidated entity is CK William UK Holdings Limited.

(c) Directors' loans
There were no loans in existence at balance date made, guaranteed or secured to directors of the company, director related entities, their spouses, relatives, or relatives of spouses.

(d) Subsidiaries
Interests in subsidiaries are set out in note 37 of the financial statements.

(e) Directors' equity holdings
There were no director equity holdings in existence at the balance date.

(f) Other transactions with Directors or entities related to them
No director-related entity has declared an interest in a contract, or proposed contract, during the year ended 31 December 2019 with the company or any entities in the consolidated entity, except in instances where terms are no more favourable than those expected under normal commercial arrangements, as is the case with the normal supply of electricity.

(g) Key management personnel
The company has no employees and did not incur any directors fees for 2019. Services provided to the company are charged via a management fee from CHED Services Pty Ltd to CK William (Australia) Holdings Pty Ltd.

(h) Transactions with other related parties

The following table summarises trading transactions with related parties which are considered to be at arm's length that are not members of the consolidated entity:

	Consolidated		Parent	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Payment for goods and services:				
CHED Services Pty Ltd	5,111	5,539	-	-
Australian Gas Networks Limited	2,472	2,350	-	-
Dividends paid to SGSP (Australia) Assets Pty Ltd	45,869	25,424	-	-
RPS interest paid to SGSP (Australia) Assets Pty Ltd	25,745	25,745	-	-
Service costs - ZNX(2) Pty Ltd & Zinfra Pty Ltd	139,488	111,792	-	-

SGSP (Australia) Assets Pty Ltd holds a minority interest and redeemable preference shares in UE. Refer to note 22 for further information on redeemable preference shares.

Payments to CHED Services Pty Ltd and Australian Gas Networks Limited are made under service level agreements prepared on an arm's length basis, to provide corporate services to members of the group.

Note 35. Related party transactions (continued)

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Amounts owed by related parties (excluding GST):				
CKA Holdings UK Limited	-	960	-	960
CKI Gas Infrastructure Limited	-	960	-	960
PAH Gas Infrastructure Limited	-	480	-	480
Amounts owed to related parties (excluding GST):				
CKA Holdings UK Limited	10,907	-	10,907	-
CKI Gas Infrastructure Limited	1,610,907	1,600,000	10,907	-
PAH Gas Infrastructure Limited	805,443	800,000	5,443	-
CK William Topco Limited	1,600,000	1,600,000	-	-
SGSP (Australia) Assets Pty Ltd	8,285	-	-	-
ZNX(2) Pty Ltd & Zinfra Pty Ltd	2,340	-	-	-
Northern Gas Networks Holdings Limited	9	-	9	-
CK William Midco Limited	50	50	50	50
CK William Midco 2 Limited	50	50	50	50
CK William Midco 3 Limited	50	50	50	50
BEAL loan	-	4,821	-	-
BEAL accrued interest	-	1,266	-	-
CHED Services Pty Ltd	83	83	-	-
Australian Gas Networks Limited	3,672	2,350	-	-

No provisions for doubtful debts have been raised against related party balances.

Note 36. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of the parent entity and its network firms:

	Consolidated		Parent	
	2019	2018	2019	2018
	$	$	$	$
Audit services -				
Audit and review of financial reports	1,638,866	1,757,233	338,486	445,183
Audit of regulatory returns	304,420	377,476	-	-
Other assurance engagements	179,141	244,145	-	-
Other services -				
Tax advisory and compliance services	1,405,094	1,439,425	-	-
Advisory services	309,948	60,000	-	-
Total remuneration	3,837,469	3,878,279	338,486	445,183

The auditor of the consolidated entity is Deloitte LLP.

Note 37. Interests in subsidiaries

Details of the consolidated entity's subsidiaries at 31 December 2019 are set out below

Name of entity	Registered address	Principal activities	Ownership interest held by the group in ordinary share capital 2019 %
CK William Australia Holdings Pty Ltd	Level 9, 40 Market Street, Melbourne, Australia	Holding company	100
CK William Australia Bidco Pty Ltd	Level 9, 40 Market Street, Melbourne, Australia	Holding company	100
DUET Company Pty Limited	Level 9, 40 Market Street, Melbourne, Australia	Holding company	100
DUET Finance Pty Limited	Level 9, 40 Market Street, Melbourne, Australia	Holding company	100
DUET Finance Trust	Level 9, 40 Market Street, Melbourne, Australia	Holding company	100
DUET Investment Holdings Pty Limited	Level 9, 40 Market Street, Melbourne, Australia	Holding company	100
DUET1 Trust	Level 9, 40 Market Street, Melbourne, Australia	Holding company	100
DUET EDL Pty Ltd	Level 6, Waterfront Place, 1 Eagle St, Brisbane, QLD, Australia 4000	Holding company	100
Diversified Utility and Energy Trust No 3	Level 9, 40 Market Street, Melbourne, Australia	Trust	100
DUET 2008 Funding Sub Trust	Level 9, 40 Market Street, Melbourne, Australia	Trust	100
Dampier Bunbury Investment Company Pty Ltd	Level 14, 20 Martin Place, Sydney, Australia	Dormant	100
DMC1 Limited	Level 9, 40 Market Street, Melbourne, Australia	Trustee	100
DUET Dampier Bunbury Pty Limited	Level 14, 20 Martin Place, Sydney, Australia	Holding company	100
Multinet Group Holdings Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Gas Distribution	100
Australian Energy Finance Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Dormant	100
Utilicorp Southern Cross Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Dormant	100
Utilicorp Australia (Gas) Holdings Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Dormant	100
Utilicorp Australia (Gas) Finance Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Dormant	100
Energy Partnership (Holdings) Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Dormant	100
Energy Partnership Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Dormant	100
Energy Partnership (Gas) Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Provider of finance	100
Multinet Gas (DB No. 1) Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Gas Distribution	100
Multinet Gas (DB No. 2) Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Gas Distribution	100
Multinet Gas Distribution Partnership	Level 6, 400 King William Street, Adelaide, Australia	Gas Distribution	100
Multinet Gas (IE) Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Dormant	100
Amistel Pty Ltd	Level 6, 400 King William Street, Adelaide, Australia	Dormant	100
Australian Energy Fund No.2	Level 6, 400 King William Street, Adelaide, Australia	Dormant	100
DBP Development Group Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Gas Pipeline	100
DBP Development Group Trust	Level 6, 12-14 The Esplanade, Perth, Australia	Gas Pipeline	100
DBP Development Group Nominees Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Gas transportation	100
DBP Development Group Operations Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Gas transportation	100
DBP Development Group FR Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Gas transportation	100
DBP Development Group Ashburton Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Gas transportation	100
DDG Tubridgi Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Gas transportation	100
DBNGP Trust	Level 6, 12-14 The Esplanade, Perth, Australia	Trustee	100
DBNGP Holdings Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Holding company	100
DBNGP Finance Company Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Finance	100
DBNGP (WA) Nominees Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Holding company	100
DBNGP (WA) Transmission Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Gas transmission	100
DBNGP Compressor Co. Pty Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Gas transportation	100
DBNGP (WA) Finance Company Ltd	Level 6, 12-14 The Esplanade, Perth, Australia	Finance	100
AGI Tanami Pty Limited	Level 6, 12-14 The Esplanade, Perth, Australia	Gas transportation	100

CK William UK Holdings Limited
Notes to the financial statements
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Note 37. Interests in subsidiaries (continued)

Name of entity	Registered address	Principal activities	Ownership interest held by the group in ordinary share capital 2019 %
Bio Energy (Ohio II), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Bio Energy (Ohio), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Bio Energy (Tennessee), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Dormant	100
Bio Energy (Texas), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Bio Energy (US), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Finance	100
EDL Holdings (US), Inc.	608 S. Washington Avenue Lansing Michigan 48933 United States	Holding company	100
Energy Developments Inc.	608 S. Washington Avenue Lansing Michigan 48933 United States	Maintenance services	100
Bio Energy (Georgia II), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Bio Energy (Ohio III), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Bio Energy (UK) Limited	Chancery House, 199 Silbury Boulevard, Milton Keynes, London, United Kingdom	Finance	100
EDL (UK) LFG Generation Limited	Chancery House, 199 Silbury Boulevard, Milton Keynes, London, United Kingdom	Generation	100
EDL Franklin UK Limited	Chancery House, 199 Silbury Boulevard, Milton Keynes, London, United Kingdom	Holding company	100
EDL Holdings (UK) Limited	Chancery House, 199 Silbury Boulevard, Milton Keynes, London, United Kingdom	Holding company	100
Energy Developments (UK) Limited	Chancery House, 199 Silbury Boulevard, Milton Keynes, London, United Kingdom	Maintenance services	100
BioGas Energy Ano Liosia SA	24 Xenias Street, P.C 11528, Athens, Greece	Generation	50
EBAL Joint Venture	24 Xenias Street, P.C 11528, Athens, Greece	Dormant	10
EDL Hellas Monoprossopi EPE	24 Xenias Street, P.C 11528, Athens, Greece	Holding company	100
Tomi EDL Operations EPE	24 Xenias Street, P.C 11528, Athens, Greece	Dormant	50
Energy Developments (Canada) Inc	4500 Bankers Hall East, 855 - 2nd street S.W, Calgary, Canada	Holding company	100
Lidya Energy Inc.	4500 Bankers Hall East, 855 - 2nd street S.W, Calgary, Canada	Dormant	100
Lidya Energy LP	4500 Bankers Hall East, 855 - 2nd street S.W, Calgary, Canada	Generation	100
EDL Holdings (Gem), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Holding company	100
Energy Developments Honey Brook, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Morgantown, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Decatur, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Lansing, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Hancock County, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Byron Center, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Grand Blanc, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100

Note 37. Interests in subsidiaries (continued)

Name of entity	Registered address	Principal activities	Ownership interest held by the group in ordinary share capital 2019 %
LFG Production of Morgantown, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Zook Generation, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	99
Energy Developments South Jordan, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Lake County, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Pinconning, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Indy, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Michigan, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
LFG Production of Coopersville, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments (Gem Midco), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments (Gem BD Projects), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Coopersville, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Energy Developments Watervliet, LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Generation	100
Blackwater Solar Farm Pty Ltd	Level 6, Waterfront Place, 1 Eagle St, Brisbane, QLD, Australia 4000	Generation	100
Weipa Solar Farm Pty Ltd	Level 6, Waterfront Place, 1 Eagle St, Brisbane, QLD, Australia 4000	Generation	100
Bio Energy (Tennessee II), LLC	608 S. Washington Avenue Lansing Michigan 48933 United States	Dormant	100
EDL DOUBLET (CP-AU) PTY LTD & EDL TRIPLET (CP-UK) PTY LTD	Level 6, Waterfront Place, 1 Eagle St, Brisbane, QLD, Australia 4000	Generation	100
Broadrock Biopower I, LLC	40 Shun Pike, Johnston RI 02919	Generation	100
Broadrock Management LLC	40 Shun Pike, Johnston RI 02919	Generation	100
Brea Parent 2007, LLC	40 Shun Pike, Johnston RI 02919	Generation	100
Rhode Island LFG Genco, LLC	40 Shun Pike, Johnston RI 02919	Generation	100
Brea Generation LLC	1935 Valencia Avenue, Brea CA 92823	Generation	100
Brea Power II, LLC	1935 Valencia Avenue, Brea CA 92823	Generation	100
Providence Power LLC	40 Shun Pike, Johnston RI 02919	Dormant	100
Rhode Island Engine Genco, LLC	40 Shun Pike, Johnston RI 02919	Generation	100
Broadrock Gas Services, LLC	40 Shun Pike, Johnston RI 02919	Generation	100

Significant restrictions
There are no significant restrictions applied to members of the consolidated entity.

Subsidiaries accounting policies

Subsidiaries are all entities (including structured entities) over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are deconsolidated from the date that control ceases.

Note 37. Interests in subsidiaries (continued)

The acquisition method of accounting is used to account for business combinations by the consolidated entity
Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

Interests in associates and joint ventures

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. For consolidation purposes the results of the associates are immaterial and are therefore not disclosed separately.

Note 38. Changes in liabilities arising from financing activities

Consolidated	Loans from related $'000	US notes $'000	Other borrowings $'000	Redeemable shares $'000	Finance lease $'000	Total $'000
Balance at 1 January 2018	4,004,630	406,802	6,074,878	201,180	16,746	10,704,236
Net cash used in financing activities	-	(58)	(102,441)	-	(1,008)	(103,507)
Reclassification	-	(47,613)	47,613	-	-	-
Exchange differences	191	-	21,900	-	-	22,091
Changes in fair values	-	52,218	21,369	-	-	73,587
Other changes	-	-	1,877	-	-	1,877
Balance at 31 December 2018	4,004,821	411,349	6,065,196	201,180	15,738	10,698,284
Net cash used in/(from) financing activities	22,528	396,985	(56,492)	-	(8,286)	354,735
Leases on adoption of IFRS 16 (note 21)	-	-	-	-	44,671	44,671
Changes through business combinations (note 33)	-	-	-	-	25,633	25,633
Exchange differences	(92)	-	12,598	-	(133)	12,373
Changes in fair values	-	45,578	50,635	-	-	96,213
Other changes	-	(36)	4,014	-	1,211	5,189
Balance at 31 December 2019	4,027,257	853,876	6,075,951	201,180	78,834	11,237,098

Consolidated	2019 $'000	2018 $'000
Net cash used in/(from) financing activities per statement of cash flows	308,867	(179,132)
Less dividends paid	-	50,200
Less dividends paid to non-controlling interests in subsidiaries	45,868	25,425
	354,735	(103,507)

Note 39. Significant accounting policies

The principal activities of the Company and its subsidiaries (the consolidated entity) and the nature of the consolidated entity's operations are set out in the strategic report on page 1.

New or amended Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

IFRS 16 Leases
The consolidated entity has adopted IFRS 16 from 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

IFRIC 23 Uncertainty over Income Tax Treatments
The consolidated entity has adopted IFRIC 23 Uncertainty over Income Tax Treatments from 1 January 2019 which explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method best predicts the resolution of the uncertainty, and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

Basis of preparation
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The separate financial statements of the company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework'.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payment, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and certain related party transactions.

Where required, equivalent disclosures are given in the consolidated financial statements.

Historical cost convention
The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CK William UK Holdings Limited ('Company' or 'parent entity') as at 31 December 2019 and the results of all subsidiaries for the year then ended. CK William UK Holdings Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 39. Significant accounting policies (continued)

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Interests in subsidiaries are accounted for at cost, less any impairment, in the parent entity. Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Foreign currency translation
The financial statements are presented in Australian Dollar, which is CK William UK Holdings Limited's functional and presentation currency.

Foreign currency transactions
Foreign currency transactions are translated into Australian Dollar using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian Dollar using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian Dollar using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification
Assets and liabilities are presented in the Statement of Financial Position based on current and non-current classification.

An asset is classified as current when:

- it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is expected to be realised within 12 months after the reporting period; or
- the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

A liability is classified as current when:

- it is either expected to be settled in the consolidated entity's normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

Deferred tax assets and liabilities are always classified as non-current.

Note 39. Significant accounting policies (continued)

Associates
Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Joint ventures
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for using the equity method. Under the equity method, the share of the profits or losses of the joint venture is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in joint ventures are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Income earned from joint venture entities reduce the carrying amount of the investment.

Investments and other financial assets
Investments and other financial assets, other than interests in subsidiaries or associates, are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Investments
Investments includes non-derivative financial assets with fixed or determinable payments and fixed maturities where the consolidated entity has the positive intention and ability to hold the financial asset to maturity. This category excludes financial assets that are held for an undefined period. Investments are carried at amortised cost using the effective interest rate method adjusted for any principal repayments. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Foreign currency transactions
All foreign currency transactions during the financial period are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated using the exchange rate at that date.
Exchange rate differences are brought to account in the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise except that:

(i) exchange differences which related to assets under construction for future productive use are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings; and

(ii) exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer note 38).

Note 39. Significant accounting policies (continued)

Value-Added Tax ('VAT') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated VAT, unless the VAT incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of VAT receivable or payable. The net amount of VAT recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The VAT components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of VAT recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Accounting Standards that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 December 2019. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Going Concern
The group's business activities, performance and position, together with its principal risks and uncertainties likely to affect its future development and performance are set out in the strategic report and above. As at 31 December 2019, the group's current liabilities exceed its current assets by $967,964,000 (2018: $1,019,066,000). The directors have made enquiries and reviewed the forecasts, including sensitivity analysis, and in light of the facilities available to the group, have a reasonable expectation that the company and group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and accounts.

Notwithstanding the working capital deficiency, the directors believe that the going concern assumption is appropriate and that the consolidated entity will be able to pay its debts as and when they fall due given:

- The consolidated entity has access to $281 million in unused finance facilities as at 31 December 2019 with maturities over 12 months;
- The consolidated entity has forecasted to generate operating cash flows and profits in 2020;
- The consolidated entity refinanced $832 million of maturing debt subsequent to year end with $857 million of new debt including $230 million of maturing Medium Term Notes in January 2020 with floating rate debt, $100 million of maturing fixed rate debt and $25 million of maturing Medium Term Notes in February 2020 with a 2 year bridge facility, $122 million of USD ($177 million in AUD at 31 December 2019) bridging bank debt extended by one year in April 2020, $75 million of maturing bank loans in May 2020 with $100 million of new bank loans and $225 million of maturing bank debt with $225 million of new bank debt in July 2020.
- The operating entities of the consolidated entity have a history of refinancing expiring debt facilities.

Note 40. Events after the reporting period

On 21 January 2020 Multinet Gas refinanced $230 million of maturing Medium Term Notes with a Westpac two year bridge facility.

On 25 February 2020 Dampier Bunbury Pipeline refinanced $100 million of maturing fixed rate debt and $25 million of maturing Medium Term Notes with a Mizuho 2 years bridge facility.

On 30 April 2020 EDL extended the $122 million USD facility by a further 12 months.

On 4 May 2020 Dampier Bunbury Pipeline refinanced $75 million of maturing bank loans with a one and a half year bilateral facility.

On 31 July EDL refinanced $225 million of maturing bank debt with a $225 million revolving bank debt facility.

Post year end there is an outbreak of the Novel Coronavirus (COVID-19) which has resulted in a deterioration of the political, socio-economic and financial situation globally. The businesses have remained operational as the provider of essential services. Given the uncertainties as to the development of the COVID-19 outbreak, it is difficult to predict how long these conditions will exist. From a financial perspective, the businesses have continued to deliver strong financial results as revenues have not been materially impacted by the pandemic.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.