

20 November 2008

TO: ASX Limited
Singapore Exchange Securities Trading Limited

SP AusNet 2008/09 Half-Year Results

Please find attached the following:

1. Appendix 4D – Half-Year Report for Period Ended 30 September 2008; and
2. SP Australia Networks (Distribution) Limited General Purpose Interim Financial Report for the financial period ended 30 September 2008.

Susan Taylor
Company Secretary

For further information contact:

Investor Relations

Lucinda Kerr
Manager, Investor Relations
+61 3 9695 6633 or +61 421 387 687

Media Relations

Louisa Graham
Manager, Corporate Communications
+61 3 9695 6401 or + 61 418 358 327

SP AusNet

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

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

SP Australia Networks (Finance) Trust
ARSN 116 783 914

SP Australia Networks (RE) Ltd
ABN 46 109 977 371
AFS Licence No. 294117 as responsible entity
for SP Australia Networks (Finance) Trust

Level 31
2 Southbank Boulevard Southbank
Victoria 3006 Australia

Locked Bag 14051
Melbourne City Mail Centre
Victoria 8001 Australia

Tel: +61 3 9695 6000
Fax: +61 3 9695 6666



SP Australia Networks (Distribution) Ltd trading as SP AusNet
ACN: 108 788 245

Appendix 4D

Half year report
Half Year Ended 30 September 2008

1. The current reporting period is the half year ended 30 September 2008. The previous corresponding period is the half year ended 30 September 2007.
2. Results for announcement to the market:

	30 September 2008 \$M	30 September 2007 \$M	% change	Up / down
2.1 Revenue from continuing operations	635.5	583.3	8.9	up
2.2 Profit from ordinary activities after tax attributable to stapled securityholders	92.2 (i)	119.6	22.9	down
2.3 Net profit for the year attributable to stapled securityholders	92.2 (i)	119.6	22.9	down

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

2.4 Distributions approved for the half year ended 30 September 2008:

	Cents per security
Interim 2009 distribution:	
Fully franked dividend	1.911
Assessable interest income	1.839
Return of capital	<u>2.177</u>
Total interim distribution	5.927
Previous corresponding period interim 2008 distribution:	
Fully franked dividend	0.870
Assessable interest income	1.618
Return of capital	<u>3.288</u>
Total final distribution	5.776

2.5 The record date for determining entitlement to the distributions:

Record date	Payment date
2 December 2008	18 December 2008

2.6 Brief explanation of revenues, profits after income tax and distributions:

Refer to the Directors' Report within the attached Interim Financial Report.

3. Net tangible assets per security

	30 September 2008	30 September 2007
Net tangible assets per security	\$1.00	\$1.11

4. Gain or loss of control over entities

SP AusNet did not gain or lose control over any entities during the period.

5. Dividends and Distributions

Distributions paid during the interim period are:

	Cents per security	Total distribution \$M	Date paid
Fully franked dividend	0.736	15.4	23 June 2008
Assessable interest income	1.655	34.6	23 June 2008
Capital distribution	3.397	71.1	23 June 2008
	<hr/>	<hr/>	
	5.788	121.1	

6. Distribution Reinvestment Plan

On 7 October 2008, the SP AusNet Board announced the introduction of a Distribution Reinvestment Plan (DRP). The DRP will be in operation for the 2008/09 interim distribution payable on 18 December 2008 and will be available for participation by securityholders on both the ASX and SGX-ST.

Securityholders participating in the DRP for the 2008/09 interim distribution will be issued SP AusNet stapled securities at a 2.5% discount to the issue price of SP AusNet stapled securities established under the DRP. The issue price is calculated as the average of the volume weighted average price (as defined in the DRP rules) (VWAP) of sales of SP AusNet stapled securities during the 6 trading days immediately after the record date for the distribution. The record date for the 2008/09 interim distribution is 2 December 2008.

The deadline for the receipt of Election Notices for participation in the DRP for the 2008/09 interim distribution is 5.00pm (Australian Eastern Daylight Time) on 2 December 2008.

7. Details of associates/joint ventures

SP AusNet had no associates or joint ventures in operation as at or for the half year ended 30 September 2008.

8. Foreign Entities

Not applicable.

9. Status of audit of accounts

The half year report is based on accounts which have been subject to an independent review. The SP AusNet accounts are not subject to dispute or qualification.

Date 19 November 2008

SP Australia Networks (Distribution) Ltd
ACN 108 788 245

General Purpose Interim Financial Report

For the financial period ended 30 September 2008

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This interim financial report covers the combined entity consisting of SP Australia Networks (Distribution) Ltd and its subsidiaries, SP Australia Networks (Transmission) Ltd and its subsidiaries, and SP Australia Networks (Finance) Trust. The interim financial report is presented in the Australian currency.

SP Australia Networks (Distribution) Ltd is a company limited by shares, incorporated and domiciled in Victoria, Australia. Its registered office and principal place of business is:

Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006
Australia

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2008, and any public announcements made by SP Australia Networks (Distribution) Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The interim financial report was authorised for issue by the Directors on 19 November 2008.

Directors' report

The Directors of SP Australia Networks (Distribution) Ltd ("SP AusNet Distribution") present their report on the general purpose interim financial report of the combined entity for the financial period ended 30 September 2008.

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

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

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

Directors

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

Non-executive Directors

Ng Kee Choe (Chairman)

Jeremy Guy Ashcroft Davis AM

Eric Gwee Teck Hai

Ho Tian Yee (commenced effective 1 September 2008)

Antonino (Tony) Mario Iannello

George Allister Lefroy

Martyn Kenneth Myer AO

Quek Poh Huat (resigned effective 17 July 2008)

Ian Andrew Renard

Executive Director

Nino Ficca (Managing Director)

SP Australia Networks (Distribution) Ltd
Directors' report

Distributions

Distributions paid to securityholders during the financial period were as follows:

	Final 2008 distribution paid 23 June 2008	
	Cents per security	Total distribution \$M
Fully franked dividend paid by SP AusNet Transmission	0.736	15.4
Assessable interest income paid by SP AusNet Finance Trust	1.655	34.6
Return of capital paid by SP AusNet Finance Trust	3.397	71.1
	5.788	121.1

Since 30 September 2008 the Directors have approved an interim distribution for 2009 of \$124.0 million (5.927 cents per stapled security) to be paid on 18 December 2008 comprised as follows:

	Interim 2009 distribution to be paid on 18 December 2008	
	Cents per security	Total distribution \$M
Fully franked dividend paid by SP AusNet Transmission	1.911	40.0
Assessable interest income paid by SP AusNet Finance Trust	1.839	38.4
Return of capital paid by SP AusNet Finance Trust	2.177	45.6
	5.927	124.0

Review of operations

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

30 September 2008	Electricity distribution \$M	Gas distribution \$M	Transmission \$M	Inter-segment eliminations \$M	Combined \$M
Regulated revenue	229.5	119.3	244.2	(5.3)	587.7
Excluded services	7.6	1.5	4.9	(0.1)	13.9
Customer contributions	9.2	1.3	-	-	10.5
Other revenue	11.3	0.6	11.7	(0.2)	23.4
Total segment revenue	257.6	122.7	260.8	(5.6)	635.5
Segment result before interest expense and impairment	94.9	75.9	132.5	-	303.3
Impairment write-down on property, plant and equipment (before tax) (a)	(43.3)	-	-	-	(43.3)
Segment result before interest expense	51.6	75.9	132.5	-	260.0
Segment interest expense	(44.0)	(40.6)	(65.4)	-	(150.0)
Unallocated finance income less unallocated finance expenses					5.1
Profit before income tax					115.1
Income tax expense					(22.9)
Net profit for the period					92.2

(a) Impairment write-down of property, plant and equipment after tax is \$30.3 million (refer Note 2 to the combined interim financial statements for further information).

Discussion and analysis for the period ended 30 September 2008

This discussion and analysis is provided to assist readers in understanding the general purpose interim financial report.

SP AusNet achieved a net profit after tax ("NPAT") of \$92.2 million for the period ended 30 September 2008 (underlying NPAT of \$122.5 million excluding the impairment write-down of \$30.3 million (after tax)).

SP AusNet derives most of its earnings from three regulated energy network businesses, which include Victoria's high voltage electricity transmission network, an electricity distribution network located in eastern Victoria and a gas distribution network in western Victoria. Overall revenue increased by 8.9 per cent to \$635.5 million. The increase in revenue arose from more favourable weather conditions than for the previous corresponding period, an increase in customer connections and from the commencement of the new gas and transmission regulatory periods under which SP AusNet was allowed a significant step-up in revenues reflecting the higher interest rates (refer to the next paragraph). Under the regulatory "building block" approach, interest rates are used to determine the weighted average cost of capital, and consequently the regulated revenue. Revenue for each segment is discussed below.

Total finance expenses increased by 28.3 per cent or \$33.6 million which was mainly due to increased debt levels together with an increase in the cost of debt due to existing interest rate swaps rolling off and being renewed at higher rates. The objective of hedging activities carried out by SP AusNet is to minimise the exposure to changes in interest rates by matching the actual cost of debt with the cost of debt assumed by the regulator when setting the rate of return for the relevant business. However, SP AusNet remains exposed to credit spreads on debt that is refinanced or new debt that is raised during the regulatory period. The increase in finance expenses is reflected in the higher revenues from the Gas and Transmission businesses.

Fully franked dividends have increased as a proportion of total interim distributions from 15 per cent in the previous corresponding period to 32 per cent.

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

Electricity distribution business

SP AusNet's electricity distribution business contributed \$257.6 million in total revenues (excluding interest income) for the period ended 30 September 2008. Revenues were favourably impacted by continued strong housing development in the existing network area in eastern Victoria together with more favourable weather conditions than for the previous corresponding period.

The electricity segment result before interest expense is also affected by the recognition of an impairment write-down of \$43.3 million before tax (\$30.3 million after tax) on the meters to be replaced under the roll-out of smart electricity meters (refer to discussion below).

In the period to 30 September 2008 approximately 5,500 additional customers, representing an increase of 0.9 per cent, were connected to the network. During the financial period 4,141 GWh was distributed through the distribution network, representing an increase of 6.1 per cent over the previous corresponding period. Total capital expenditure for the year was \$114.9 million, of which \$43.6 million was customer-initiated.

Gas distribution business

SP AusNet's gas distribution business contributed \$122.7 million in total revenues (excluding interest income) for the period ended 30 September 2008. Revenues were favourably impacted by increased customer connections arising from the Natural Gas Extension program as well as from the more favourable weather conditions compared to the previous corresponding period and the Gas Access Arrangement Review Further Final Decision.

In the period to 30 September 2008 approximately 9,000 additional customers, representing an increase of 1.7 per cent, were connected to the network. Strong demand in Victoria's growth corridors continues to generate high customer connections to the network. Total gas delivered through the network was 46.6 PJ, an increase of 8.7 per cent over the previous corresponding period. Capital expenditure for the period was \$32.3 million of which \$22.0 million was customer-initiated.

Transmission business

SP AusNet's electricity transmission business contributed \$260.8 million in total revenues (excluding interest income) for the period ended 30 September 2008. Total electricity transmitted through the network was 26,904 GWh which is an increase of 1.7 per cent over the previous corresponding period. The increase in transmission revenue is predominantly due to the Transmission Regulatory Reset revenue adjustment from 1 April 2008 which took into account the higher cost of financing in light of market conditions. Segment interest expense has increased due to interest rate swaps rolling off at the end of the last regulatory reset and being replaced with swaps at higher rates. Total capital expenditure on the transmission network was \$53.4 million for the period, including \$26.9 million customer-initiated and \$26.5 million company-initiated projects.

Directors' report

Discussion and analysis for the period ended 30 September 2008 (continued)

Balance sheets

Securityholders' equity was \$2,455.1 million as at 30 September 2008. Total securityholders' equity includes 100 per cent of the ownership interests in SP AusNet Transmission and SP AusNet Finance Trust, which have been disclosed as minority interests, as they are owned by securityholders directly.

The Directors have reviewed the assets held in the form of interest rate swaps, cross currency swaps and other derivative contracts, and have also reviewed related counterparty credit exposures. The Directors are satisfied that these assets are not overstated. Included in borrowings is a USD 975 million facility. As this USD facility is accounted for as being in a fair value hedge relationship, the increase in the facility arising from exchange rate movements is offset by a reduction in the fair value of the derivatives that are hedging the exchange rate movement.

At balance date, SP AusNet's current liabilities exceed its current assets by \$333.2 million. In total, SP AusNet had access to undrawn but committed bank debt facilities of \$648 million at 30 September 2008 of which \$400 million was available under a non-current bank debt facility. In June 2008 SP AusNet successfully completed a £250 million 10 year Sterling bond issue to raise approximately \$535 million. The proceeds will be used to refinance the Medium Term Notes facility of \$320.0 million which matures in November 2008 with the remaining amount to be used to fund growth capital expenditure and working capital requirements.

In August 2008, SP AusNet renewed \$305 million short term debt facilities for a further 12 months. These facilities comprise \$135 million of commercial paper standby facilities and \$170 million of working capital facilities. These facilities replaced the \$170 million commercial paper standby facilities and \$100 million working capital facilities that were due to mature in September 2008. The commercial paper standby facilities and working capital facilities will mature in August 2009.

At the date of this report, other than the commercial paper standby facilities and working capital facilities which will mature in August 2009, SP AusNet will have no refinancing obligations until September 2010.

SP AusNet is dependent on the debt and capital markets to substantially fund the forecast capital expenditure of \$2.7 billion over the next five years. At the date of this report, SP AusNet has not been materially affected by the deterioration in economic conditions. Given SP AusNet's investment grade credit rating and the strong interest shown by a number of banks to SP AusNet's recent refinancing, the Directors are confident of being able to refinance debt as it matures in the future.

Cash flow statements

Net operating cash inflows for the period ended 30 September 2008 were \$174.2 million, a decrease of \$25.1 million on the comparative period predominantly due to the increase in interest and other finance costs paid.

Net outflows from investing activities of \$219.7 million resulted primarily from payments for property, plant and equipment.

The net inflows from financing activities of \$45.1 million resulted primarily from the proceeds from borrowings offset by distributions paid during the period of \$121.1 million.

Storms

The Essential Services Commission ("ESC") has issued a draft decision on the exemption applications from Victorian Electricity Distribution Businesses for the impact of the storms that occurred on 2 April 2008. The draft decision only exempts the impacts on 2 April 2008. The draft decision is being disputed by the Victorian Electricity Distribution Businesses. SP AusNet expects that the final decision will not have a material financial impact on the full year financial results.

Discussion and analysis for the period ended 30 September 2008 (continued)

Climate change

The *National Greenhouse and Energy Reporting Act 2007* was passed in September 2007 to establish a mandatory corporate system for the reporting of greenhouse gas, energy production and consumption. Corporations that meet thresholds as determined by the legislation are required to report. The reporting period commenced on 1 July 2008, and covers the Australian financial year. Corporations meeting or exceeding the thresholds are required to register by 31 August 2009 and lodge their first full report by 31 October 2009. SP AusNet meets the current thresholds under the National Greenhouse and Energy Reporting ("NGER") framework and has been participating in the Department of Climate Change's NGER corporate pilot scheme. SP AusNet will comply with its NGER requirements.

The Australian Government released its Green Paper for the *National Carbon Pollution Reduction Scheme* in July 2008 as a consultation and discussion paper. The White Paper is expected to be released later in this calendar year with legislation to be passed in 2009 and the scheme commencing in 2010. SP AusNet is closely monitoring the development of the regulatory framework for this emissions trading scheme. Under the current Green Paper proposal, SP AusNet is expected to have liabilities under the *National Carbon Pollution Reduction Scheme* for unaccounted for gas losses from the gas distribution network. At this stage, it is too early to quantify the impacts and opportunities arising from the *National Carbon Pollution Reduction Scheme*.

Advanced Metering Infrastructure roll-out Program

In September 2008, the Victorian Government issued a revised timetable for the roll-out of smart electricity meters. Under the revised timetable, the roll-out is required to be completed by the end of 2013. The Department of Primary Industries has prepared a revised order in council to implement changes to the timing of the roll-out and the form of the cost recovery model for the advanced metering infrastructure roll-out. In recognition of the removal of the uncertainty regarding the roll-out timetable and the cost recovery model, the Directors have concluded, at the date of this report, that an impairment write-down of \$43.3 million (before tax) be recognised on the existing meters to be replaced under the roll-out program. SP AusNet has also accelerated the depreciation on these meters so that they will be fully written off in the financial year ending 31 March 2014. This has resulted in additional depreciation of \$3.5 million being recognised in the period ended 30 September 2008.

Long-term operational agreements and Management Services Agreement

On 17 July 2008 securityholders approved amendments to the Management Services Agreement with SPI Management Services Pty Ltd ("SPIMS"). The most financially significant change was to the basis of the calculation of the management services charge which was amended to be based on the actual cost of the remuneration of the employees of SPIMS involved in the management of SP AusNet. The new management services charge took effect from 1 April 2008 and was \$15.0 million (before tax) for the six months ended 30 September 2008 compared to \$11.4 million (before tax) for the previous corresponding period. The increase is predominantly due to the pass through of actuarial losses in the defined benefit plan for SPIMS employees from 1 April 2008. SP AusNet has adopted the policy of recognising defined benefit plan actuarial gains/losses for its employees through retained earnings. However, as the defined benefit plan actuarial gains/losses for SPIMS employees are passed through via the management services charge, they are effectively recognised by SP AusNet through the Income Statement.

On 30 September 2008, SP AusNet announced it had reached agreement with the Singapore Power Group ("SP Group") on a number of operational arrangements which will deliver value for SP AusNet. Under the arrangements, SP AusNet will provide end to end metering services, technical services and vegetation management services to the electricity and gas networks owned and managed by the Jemena group of companies ("Jemena") (formerly a part of the Alinta group and now a member of the SP Group). SP AusNet will also assume responsibility to deliver contestable metering services to Jemena's existing customers. Jemena has been appointed to SP AusNet's preferred supplier panel.

Agreement has also been reached with a wholly owned subsidiary of SPIMS, the management company of SP AusNet, for it to be the exclusive provider to SP AusNet and to Jemena of Information Technology ("IT") services.

SPIMS has agreed to reduce the performance fees payable under the Management Services Agreement, from 1 October 2008 and for the duration of the IT service agreement. This involves the waiving of the base incentive fee, being 0.1 per cent of market capitalisation, and the reduction of the performance fee cap from 0.75 per cent to 0.50 per cent of market capitalisation.

It is not expected that the amendments to the Management Services Agreement, the agreement on the operational agreements or the related implementation costs will have a material impact on underlying 2008/09 earnings.

Directors' report

Significant changes in the state of affairs

Other than referred to above, in the opinion of the Directors, there were no significant changes in the state of affairs of SP AusNet that occurred during the period under review.

Matters subsequent to the end of the financial period

Distributions

Since the end of the financial period, the Directors have approved an interim distribution for 2009 of \$124.0 million (5.927 cents per security) to be paid on 18 December 2008.

Distribution Reinvestment Plan

On 7 October 2008, SP AusNet announced the introduction of a Distribution Reinvestment Plan ("DRP"). Funds raised from the DRP will be used for capital management purposes and to fund capital expenditure for growth. Since listing on the ASX and SGX-ST, demand for energy infrastructure has exceeded expectations and as a result SP AusNet has expanded its capital expenditure to around \$2.7 billion over the next five years. The DRP will be in operation for the 2008/09 interim distribution payable on 18 December 2008 and will be available for participation by securityholders on both the ASX and SGX-ST. The allocation of the distributions reinvested between entities within the Stapled Group will be in accordance with the Distribution Reinvestment Plan rules. SP AusNet's majority securityholder, Singapore Power International Pte Ltd ("SPI"), currently intends to participate in the DRP to the extent required to maintain its 51 per cent stapled security holding.

With the exception of the matters outlined above, the Directors are not aware of any circumstances that have arisen since 30 September 2008 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of SP AusNet in financial periods subsequent to 30 September 2008.

Rounding off

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

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 9 and forms part of the Directors' report for the period ended 30 September 2008.

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



Ng Kee Choe
Chairman



Nino Ficca
Managing Director

Melbourne
19 November 2008



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

To the directors of SP Australia Networks (Distribution) Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 30 September 2008 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- No contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature of the KPMG firm, written in black ink. The letters are stylized and cursive, with the 'K' and 'P' being particularly large and bold.

KPMG

A handwritten signature in black ink, appearing to read 'Alison Kitchen'. The signature is written in a cursive, flowing style.

Alison Kitchen
Partner

Melbourne
19 November 2008

Combined interim income statements

For the period ended 30 September 2008

	Notes	30 September 2008 \$M	30 September 2007 \$M
Revenue		635.5	583.3
Expenses, excluding finance costs	2	(375.5)	(316.8)
Profit/(loss) from operating activities		260.0	266.5
Finance income		7.3	7.2
Finance expenses		(152.2)	(118.6)
Net finance costs		(144.9)	(111.4)
Profit/(loss) before income tax		115.1	155.1
Income tax benefit/(expense)	4	(22.9)	(35.5)
Profit/(loss) for the period		92.2	119.6
Profit attributable to SP AusNet Transmission and SP AusNet Finance Trust (minority interest)		75.7	58.7
Profit/(loss) attributable to SP AusNet Distribution		16.5	60.9
Total profit/(loss) for the period		92.2	119.6

Earnings per share for profit attributable to the ordinary equityholders of SP AusNet Distribution

Basic and diluted earnings per share (cents per share)	6	0.79	2.91
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The above combined interim income statements should be read in conjunction with the accompanying notes.

Combined interim statements of recognised income and expense

For the period ended 30 September 2008

		30 September 2008	30 September 2007
	Notes	\$M	\$M
Movement in defined benefit fund		(17.4)	-
Movement in hedge reserve	8, 10	(109.1)	13.1
Net income recognised directly in equity		(126.5)	13.1
Profit/(loss) for the period		92.2	119.6
Total recognised income and expense for the period		(34.3)	132.7
Total recognised income and expense for the period is attributable to:			
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	8	68.2	56.0
SP AusNet Distribution	8	(102.5)	76.7
Total recognised income and expense for the period		(34.3)	132.7

The above combined interim statements of recognised income and expense should be read in conjunction with the accompanying notes.

SP Australia Networks (Distribution) Ltd
Combined interim balance sheets
As at 30 September 2008

	30 September 2008	31 March 2008
Notes	\$M	\$M
ASSETS		
Current assets		
Cash and cash equivalents	11.6	12.0
Receivables	182.3	134.5
Inventories	12.7	11.6
Derivative financial instruments	89.1	216.2
Other current assets	4.5	4.6
Total current assets	300.2	378.9
Non-current assets		
Inventories	15.7	14.4
Property, plant and equipment	6,557.9	6,504.6
Intangible assets	354.5	354.5
Derivative financial instruments	80.8	151.6
Other non-current assets	1.0	15.6
Total non-current assets	7,009.9	7,040.7
Total assets	7,310.1	7,419.6
LIABILITIES		
Current liabilities		
Payables and other liabilities	158.8	198.3
Borrowings	7 377.0	331.1
Derivative financial instruments	43.6	43.9
Current tax payable	8.1	6.3
Provisions	45.9	47.4
Total current liabilities	633.4	627.0
Non-current liabilities		
Borrowings	7 3,637.6	3,340.1
Derivative financial instruments	230.2	447.2
Other financial liabilities	5.4	5.9
Deferred tax liabilities	323.1	370.5
Provisions	25.3	18.4
Total non-current liabilities	4,221.6	4,182.1
Total liabilities	4,855.0	4,809.1
Net assets	2,455.1	2,610.5
EQUITY		
Equityholders of SP AusNet Distribution		
Contributed equity	8 0.5	0.5
Reserves	8 (38.9)	68.1
Retained profits	8 621.8	617.3
	583.4	685.9
Equityholders of SP AusNet Transmission and SP AusNet Finance Trust (minority interest)	8 1,871.7	1,924.6
Total equity	2,455.1	2,610.5

The above combined interim balance sheets should be read in conjunction with the accompanying notes.

SP Australia Networks (Distribution) Ltd
Combined interim cash flow statements
For the period ended 30 September 2008

	30 September 2008	30 September 2007
Notes	\$M	\$M
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	649.1	617.8
Payments to suppliers and employees (inclusive of goods and services tax)	(308.0)	(283.1)
Income tax paid	(14.2)	(26.7)
Interest received	0.5	0.2
Interest and other costs of finance paid	(153.2)	(108.9)
Net cash inflow/(outflow) from operating activities	174.2	199.3
Cash flows from investing activities		
Payments for property, plant and equipment	(220.0)	(173.9)
Proceeds from sale of property, plant and equipment	0.3	0.4
Net cash inflow/(outflow) from investing activities	(219.7)	(173.5)
Cash flows from financing activities		
Distributions paid	5 (121.1)	(117.9)
Proceeds from borrowings	740.2	970.9
Repayment of borrowings	(574.0)	(878.9)
Net cash inflow/(outflow) from financing activities	45.1	(25.9)
Net increase/(decrease) in cash held	(0.4)	(0.1)
Cash and cash equivalents at the beginning of the financial period	12.0	9.1
Cash and cash equivalents at the end of the financial period	11.6	9.0

The above combined interim cash flow statements should be read in conjunction with the accompanying notes.

Condensed notes to the combined interim financial statements

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Condensed notes to the combined interim financial statements

Note 1 Summary of significant accounting policies

The combined interim financial report includes financial statements for the Stapled Group, consisting of SP AusNet Distribution and its subsidiaries, SP AusNet Transmission and its subsidiaries and SP AusNet Finance Trust. The Stapled Group is also referred to as SP AusNet.

(a) Basis of preparation

The general purpose interim financial report for the period ended 30 September 2008 has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2008 and any public announcements made by SP AusNet during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This general purpose interim financial report is presented in Australian dollars.

The financial statements were approved by the Board of Directors on 19 November 2008.

The Stapled Group's current liabilities exceed its current assets due primarily to the maturity of certain debt securities within 12 months of balance date. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations, as SP AusNet is trading profitably and has the capacity to refinance short-term debts. In June 2008 SP AusNet successfully completed a £250 million 10 year Sterling bond issue to raise approximately \$535 million. The proceeds will be used to refinance the Medium Term Notes facility which matures in November 2008, with the remaining amount to be used to fund growth capital expenditure and working capital requirements.

In August 2008, SP AusNet renewed \$305 million short term debt facilities for a further 12 months. These facilities comprise \$135 million of commercial paper standby facilities and \$170 million of working capital facilities. These facilities replaced the \$170 million commercial paper standby facilities and \$100 million working capital facilities that were due to mature in September 2008. The commercial paper standby facilities and working capital facilities will mature in August 2009. In total, SP AusNet had access to undrawn but committed bank debt facilities of \$648 million at 30 September 2008 of which \$400 million was available under a non-current bank debt facility.

(b) Significant accounting policies

Except as described below, the accounting policies applied by the Stapled Group in this combined interim financial report are the same as those applied by the Stapled Group in its combined financial report as at and for the year ended 31 March 2008.

The Stapled Group has elected, in accordance with Section 334(5) of the *Corporations Act 2001*, to early adopt the following standard for the reporting period beginning 1 April 2008:

- AASB 2008 - 7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*. Under this standard, all dividends from a subsidiary, jointly controlled entity or associate are recognised by the investor as income regardless of whether they are declared out of pre-acquisition profits but the investment is subject to an impairment test. Early adoption of this standard does not impact the results presented in this interim financial report.

(c) Rounding of amounts

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

Condensed notes to the combined interim financial statements**Note 2 Segment information**

The Stapled Group is organised into the following segments by service:

- **Electricity distribution** – The electricity distribution network carries electricity from the high voltage transmission network to end users. The Stapled Group's network covers eastern Victoria including the eastern metropolitan region of Melbourne.

The Stapled Group charges retailers and some large customers regulated rates for the use of the distribution network. The electricity distribution segment does not purchase or sell electricity.

- **Gas distribution** – The gas distribution network carries natural gas to commercial and residential end users. The Stapled Group charges retailers and some large customers regulated rates for the use of the distribution network. The Stapled Group network covers central and western Victoria. The gas distribution segment does not purchase or sell gas.

- **Transmission** – The Stapled Group owns and manages the majority of the electricity transmission network in Victoria. The Stapled Group's transmission network consists of the transmission lines and towers which carry electricity at high voltages from power stations to electricity distributors around Victoria forming the backbone of the Victorian electricity network. It is centrally located amongst the five eastern states of Australia that form the National Electricity Market, and provides key links between the electricity transmission networks of South Australia, New South Wales and Tasmania.

The electricity transmission segment does not purchase or sell electricity.

	Electricity distribution \$M	Gas distribution \$M	Transmission \$M	Inter-segment eliminations \$M	Combined \$M
30 September 2008					
Regulated revenue	229.5	119.3	244.2	(5.3)	587.7
Excluded services	7.6	1.5	4.9	(0.1)	13.9
Customer contributions	9.2	1.3	-	-	10.5
Other revenue	11.3	0.6	11.7	(0.2)	23.4
Total segment revenue	257.6	122.7	260.8	(5.6)	635.5
Segment result before interest expense and impairment	94.9	75.9	132.5	-	303.3
Impairment write-down on property, plant and equipment (before tax) (a)	(43.3)	-	-	-	(43.3)
Segment result before interest expense	51.6	75.9	132.5	-	260.0
Segment interest expense	(44.0)	(40.6)	(65.4)	-	(150.0)
Unallocated finance income less unallocated finance expenses					5.1
Profit before income tax					115.1
Income tax expense					(22.9)
Net profit for the period					92.2

(a) In September 2008, the Victorian Government issued a revised timetable for the roll-out of smart electricity meters. Under the revised timetable, the roll-out is required to be completed by the end of 2013. The Department of Primary Industries has prepared a revised order in council to implement changes to the timing of the roll-out and the form of the cost recovery model for the advanced metering infrastructure roll-out. In recognition of the removal of the uncertainty regarding the roll-out timetable and the cost recovery model, the Directors have concluded, at the date of this report, that an impairment write-down of \$43.3 million before tax (\$30.3 million after tax) be recognised on the existing meters to be replaced under the roll-out program. This impairment write-down is calculated based on the meters' value in use, discounted at the pre-tax discount rate of 10.74 per cent. SP AusNet has also accelerated the depreciation on these meters so that they will be fully written off in the financial year ending 31 March 2014. This has resulted in additional depreciation of \$3.5 million being recognised in the period ended 30 September 2008.

Condensed notes to the combined interim financial statements**Note 2 Segment information (continued)**

	Electricity distribution	Gas distribution	Transmission	Inter-segment eliminations	Combined
	\$M	\$M	\$M	\$M	\$M
30 September 2007					
Regulated revenue	215.3	103.8	211.7	(4.7)	526.1
Excluded services	7.4	8.2	17.6	(0.6)	32.6
Customer contributions	8.1	4.7	-	-	12.8
Other revenue	6.9	-	4.9	-	11.8
Total segment revenue	237.7	116.7	234.2	(5.3)	583.3
Segment result before interest expense	95.3	71.1	100.1	-	266.5
Segment interest expense	(39.3)	(29.7)	(49.9)	-	(118.9)
Unallocated finance income less unallocated finance expenses					7.5
Profit before income tax					155.1
Income tax expense					(35.5)
Net profit for the period					119.6

As meter and related services for electricity distribution are regulated under a price cap, they have been reclassified from excluded services to regulated revenue. The prior year comparatives have been restated in line with the current year's treatment.

The methodology for allocating segment interest expense following the establishment of the 'common' or 'central' funding vehicle in 2007 has been refined during the period. The prior year comparatives have been restated in line with the current year's treatment.

Note 3 Seasonality of operations**(a) Electricity distribution**

Electricity distribution volume displays some seasonal variation with increased volumes in winter due to higher demand for heating and increased volumes in summer as a result of higher demand for air conditioning. However, the impact of seasonal volume variation on electricity distribution revenue is limited due to the tariff structure, which includes a fixed component and a contract demand capacity component. The high proportion of process related consumption of commercial and industrial customers also limits seasonal variation in electricity distribution revenue.

(b) Gas distribution

Gas distribution volume is seasonal with a distinct winter peak due to gas demand for heating. A component of the seasonal revenue variation is mitigated due to the tariff structure, which includes a fixed component and a demand capacity based component.

(c) Electricity transmission

Electricity transmission revenue is not seasonal. Transmission revenue is earned in accordance with the monthly revenue schedule determined by the Australian Energy Regulator.

Note 4 Income tax expense

The Stapled Group's effective tax rate for the period ended 30 September 2008 is approximately 20 per cent. The divergence in the effective rate, from the prima facie rate of 30 per cent, is mainly caused by SP AusNet Finance Trust's interest income not being assessable in the Trust on the basis that all beneficiaries are presently entitled to trust income at the end of the reporting period. However, the corresponding interest expense incurred in SP AusNet Distribution and SP AusNet Transmission is deductible for tax purposes.

Condensed notes to the combined interim financial statements**Note 5 Distributions**

The following distributions were approved and paid by SP AusNet to securityholders during the current and previous interim financial periods:

	Payable by	Final 2008 distribution paid 23 June 2008		Final 2007 distribution paid 28 June 2007	
		Cents per security	Total distribution \$M	Cents per security	Total distribution \$M
Distributions from earnings					
Fully franked dividend	SP AusNet Transmission	0.736	15.4	0.507	10.6
Assessable interest income	SP AusNet Finance Trust	1.655	34.6	1.584	33.1
Total distributions from earnings		2.391	50.0	2.091	43.7
Distributions from capital					
Return of capital	SP AusNet Finance Trust	3.397	71.1	3.544	74.2
Total distributions from capital		3.397	71.1	3.544	74.2
Total distributions		5.788	121.1	5.635	117.9

Note 6 Earnings per share**(a) Basic earnings per share for SP AusNet Distribution**

(i) *As reported in Income Statements*

	30 September 2008	30 September 2007
	\$M	\$M
Profit attributable to the ordinary equityholders of SP AusNet Distribution	16.5	60.9
Weighted average number of shares (million)	2,092.7	2,092.7
Earnings per share from profit	Cents 0.79	Cents 2.91

Condensed notes to the combined interim financial statements**Note 6 Earnings per share (continued)****(a) Basic earnings per share for SP AusNet Distribution (continued)***(ii) Adjusted for individually material items*

Reconciliation of earnings used in the calculation of earnings per share adjusted for individually material items attributable to the ordinary equityholders of SP AusNet Distribution:

	30 September 2008 \$M	30 September 2007 \$M
Profit attributable to the ordinary equityholders of SP AusNet Distribution	16.5	60.9
Adjusted for the after tax impact of the impairment write-down of existing meters to be replaced under the Advanced Metering Infrastructure roll-out program	30.3	-
Profit attributable to the ordinary equityholders of SP AusNet Distribution adjusted for individually material items	46.8	60.9
Weighted average number of shares (million)	2,092.7	2,092.7
Earnings per share from profit	Cents 2.24	Cents 2.91

(b) Diluted earnings per share

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

(c) Earnings per stapled security

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

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

(d) Basic earnings per stapled security*(i) As reported in Income Statements*

	30 September 2008 \$M	30 September 2007 \$M
Profit attributable to the ordinary securityholders of the Stapled Group	92.2	119.6
Weighted average number of securities (million)	2,092.7	2,092.7
Earnings per security from profit (Stapled Group)	Cents 4.41	Cents 5.72

Condensed notes to the combined interim financial statements**Note 6 Earnings per share (continued)****(d) Basic earnings per stapled security (continued)***(ii) Adjusted for individually material items*

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

	30 September 2008	30 September 2007
	\$M	\$M
Profit attributable to the ordinary securityholders of the Stapled Group	92.2	119.6
Adjusted for the after tax impact of the impairment write-down of existing meters to be replaced under the Advanced Metering Infrastructure roll-out program	30.3	-
Profit attributable to the ordinary securityholders of the Stapled Group adjusted for individually material items	122.5	119.6
Weighted average number of securities (million)	2,092.7	2,092.7
Earnings per security from profit (Stapled Group)	Cents 5.85	Cents 5.72

(e) Diluted earnings per stapled security

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

Note 7 Borrowings

On 13 June 2008 SP AusNet successfully completed a £250 million 10 year Sterling bond issue to raise approximately \$535 million. The proceeds will be used to refinance A\$320 million of existing Medium Term Notes which were due to expire in November 2008. The remaining amount is to be used to fund growth capital expenditure and working capital requirements.

In August 2008, SP AusNet renewed \$305 million short term debt facilities for a further 12 months. These facilities comprise \$135 million of commercial paper standby facilities and \$170 million of working capital facilities. These facilities replaced the \$170 million commercial paper standby facilities and \$100 million working capital facilities that were due to mature in September 2008. The commercial paper standby facilities and working capital facilities will mature in August 2009. In total, SP AusNet had access to undrawn but committed bank debt facilities of \$648 million at 30 September 2008 of which \$400 million was available under a non-current bank debt facility.

Condensed notes to the combined interim financial statements

Note 8 Equity

	Contributed equity \$M	Issued units \$M	Hedge reserve (i) \$M	Retained profits (ii) \$M	Fair value adjustment on stapling \$M	Other equity component (iii) \$M	Total equity \$M
30 September 2008							
SP AusNet Distribution							
Balance as at 1 April 2008	0.5	-	68.1	617.3	-	-	685.9
Total recognised income and expense	-	-	(107.0)	4.5	-	-	(102.5)
Balance as at 30 September 2008	0.5	-	(38.9)	621.8	-	-	583.4
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)							
Balance as at 1 April 2008	650.1	1,827.7	0.3	490.2	51.4	(1,095.1)	1,924.6
Distributions paid 23 June 2008	-	(71.1)	-	(50.0)	-	-	(121.1)
Total recognised income and expense	-	-	(2.1)	70.3	-	-	68.2
Balance as at 30 September 2008	650.1	1,756.6	(1.8)	510.5	51.4	(1,095.1)	1,871.7
Total stapled securityholders' equity as at 30 September 2008	650.6	1,756.6	(40.7)	1,132.3	51.4	(1,095.1)	2,455.1

Condensed notes to the combined interim financial statements

Note 8 Equity (continued)

	Contributed equity \$M	Issued units \$M	Hedge reserve (i) \$M	Retained profits (ii) \$M	Fair value adjustment on stapling \$M	Other equity component (iii) \$M	Total equity \$M
30 September 2007							
SP AusNet Distribution							
Balance as at 1 April 2007	0.5	-	12.2	571.9	-	-	584.6
Total recognised income and expense	-	-	15.8	60.9	-	-	76.7
Balance as at 30 September 2007	0.5	-	28.0	632.8	-	-	661.3
SP AusNet Transmission and SP AusNet Finance Trust (minority interest)							
Balance as at 1 April 2007	650.1	1,970.7	5.0	485.8	51.4	(1,095.1)	2,067.9
Distributions paid 28 June 2007	-	(74.2)	-	(43.7)	-	-	(117.9)
Total recognised income and expense	-	-	(2.7)	58.7	-	-	56.0
Balance as at 30 September 2007	650.1	1,896.5	2.3	500.8	51.4	(1,095.1)	2,006.0
Total stapled securityholders' equity as at 30 September 2007	650.6	1,896.5	30.3	1,133.6	51.4	(1,095.1)	2,667.3

(i) The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to highly probable forecast transactions. The future periods in which the cash flows associated with derivatives in the cash flow hedge reserve are expected to impact profit and loss are the same as when the associated cash flows are expected to occur (refer Note 10).

(ii) The retained profits have been restated to include the actuarial gains and losses on the defined benefit obligation and the pension plan assets that were previously recognised in the defined benefit reserve. The prior year comparatives have been restated in line with the current year's treatment.

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

Condensed notes to the combined interim financial statements

Note 9 Contingent liabilities

Details of contingent liabilities of the Stapled Group for which no provisions are included in the financial statements are as follows:

The Essential Services Commission ("ESC") has issued a draft decision on the exemption applications from Victorian Electricity Distribution Businesses for the impact of the storms that occurred on 2 April 2008. The draft decision only exempts the impacts on 2 April 2008. The draft decision is being disputed by the Victorian Electricity Distribution Businesses. SP AusNet expects that the final decision will not have a material financial impact on the full year financial results.

Other than listed above, the contingent liabilities are consistent with those disclosed in the combined financial report as at 31 March 2008.

Note 10 Financial risk management

The use of financial derivatives is governed by the Stapled Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The internal audit department periodically reviews compliance with financial risk management policies and exposure limits.

The Stapled Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Stapled Group's financial risk management objectives and policies are consistent with those disclosed in the combined financial report as at and for the year ended 31 March 2008.

It is the Stapled Group's policy to ensure, whenever possible, that all hedging complies with the hedge accounting requirements of AASB 139 *Financial Instruments: Recognition and Measurement*. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised directly in the hedge reserve. The gain or loss relating to any ineffective portion is recognised immediately in the Income Statement. Amounts accumulated in equity are recycled to the Income Statement in the same periods when the hedged item affects the Income Statement. Derivatives used by the Stapled Group that qualify as cash flow hedges include interest rate swaps entered into for the purpose of fixing interest rate exposures. For the interim period ended 30 September 2008, the movement in the hedge reserve, net of tax, was a loss of \$109.1 million. This resulted primarily from the easing of interest rates from 1 April 2008 to 30 September 2008. This easing of interest rates resulted in an increase in the fair value of derivative liabilities offset by a reduction in the hedge reserve. The objective of hedge activities carried out by SP AusNet is to minimise the exposure to changes in interest rates by matching the actual cost of debt with the cost of debt assumed by the regulator when setting the rate of return for the relevant business.

Note 11 Critical accounting estimates and assumptions

The preparation of financial reports requires management to make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In preparing this combined interim financial report, the significant judgements made by management in applying the Stapled Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the combined financial report as at and for the year ended 31 March 2008.

Condensed notes to the combined interim financial statements**Note 12 Events occurring after the balance sheet date****(a) Distributions**

Since the end of the financial period the Directors have approved the payment of a final distribution for 2008 of \$124.0 million (5.927 cents per security) to be paid on 18 December 2008 comprised as follows:

	Cents per security	Total distribution \$M
Fully franked dividend payable by SP AusNet Transmission	1.911	40.0
Assessable interest income payable by SP AusNet Finance Trust	1.839	38.4
Return of capital payable by SP AusNet Finance Trust	2.177	45.6
	5.927	124.0

(b) Distribution Reinvestment Plan

On 7 October 2008, SP AusNet announced the introduction of a Distribution Reinvestment Plan ("DRP"). Funds raised from the DRP will be used for capital management purposes and to fund capital expenditure for growth. Since listing on the ASX and SGX-ST, demand for energy infrastructure has exceeded expectations and as a result SP AusNet has expanded its capital expenditure to around \$2.7 billion over the next five years. The DRP will be in operation for the 2008/09 interim distribution payable on 18 December 2008 and will be available for participation by securityholders on both the ASX and SGX-ST. The allocation of the distributions reinvested between entities within the Stapled Group will be in accordance with the Distribution Reinvestment Plan rules. SP AusNet's majority securityholder, Singapore Power International Pte Ltd ("SPI"), currently intends to participate in the DRP to the extent required to maintain its 51 per cent stapled security holding.

(c) Other Matters

Other than outlined above, there has been no matter or circumstance that has arisen since 30 September 2008 up to the date of issue of this financial report that has significantly affected or may significantly affect:

- (a) the operations in financial periods subsequent to 30 September 2008, of the Stapled Group; or
- (b) the results of those operations; or
- (c) the state of affairs, in financial periods subsequent to 30 September 2008, of the Stapled Group.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 24, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and the other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of SP AusNet's financial position as at 30 September 2008 and its performance, as represented by the results of its operations and its cash flows, for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that SP AusNet will be able to pay its debts as and when they become due and payable.

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



Ng Kee Choe
Chairman



Nino Ficca
Managing Director

Melbourne
19 November 2008



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

Report on the financial report

We have reviewed the accompanying interim financial report of SP Australia Networks (Distribution) Ltd (the Company), which comprises the interim balance sheet as at 30 September 2008, interim income statement, statement of recognised income and expense and cash flow statement for the half-year period ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 12 and the directors' declaration set out on pages 10 to 25. The combined interim financial report of SP Australia Networks (Distribution) Ltd comprises the financial statements of SP Australia Networks (Distribution) Ltd and the entities it controlled at the half-year's end or from time to time during the half-year period, SP Australia Networks (Transmission) Ltd and the entities it controlled at the half-year's end or from time to time during the half year period and SP Australia Networks (Finance) Trust (the Combined Entity).

Directors' responsibility for the financial report

The directors of the Company, SP Australia Networks (Transmission) Ltd, and the directors of the Responsible Entity of SP Australia Networks (Finance) Trust, SP Australia Networks (RE) Pty Ltd, are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Combined Entity's financial position as at 30 September 2008 and its performance for the half-year period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of the Company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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


Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of SP Australia Networks (Distribution) Ltd is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Combined Entity's financial position as at 30 September 2008 and of its performance for the half-year period ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



KPMG



Alison Kitchen
Partner

Place: Melbourne

Date: 19 November 2008