



SGSP (Australia) Assets Pty Ltd

ABN 60 126 327 624

Financial Report

For the year ended 31 December 2019

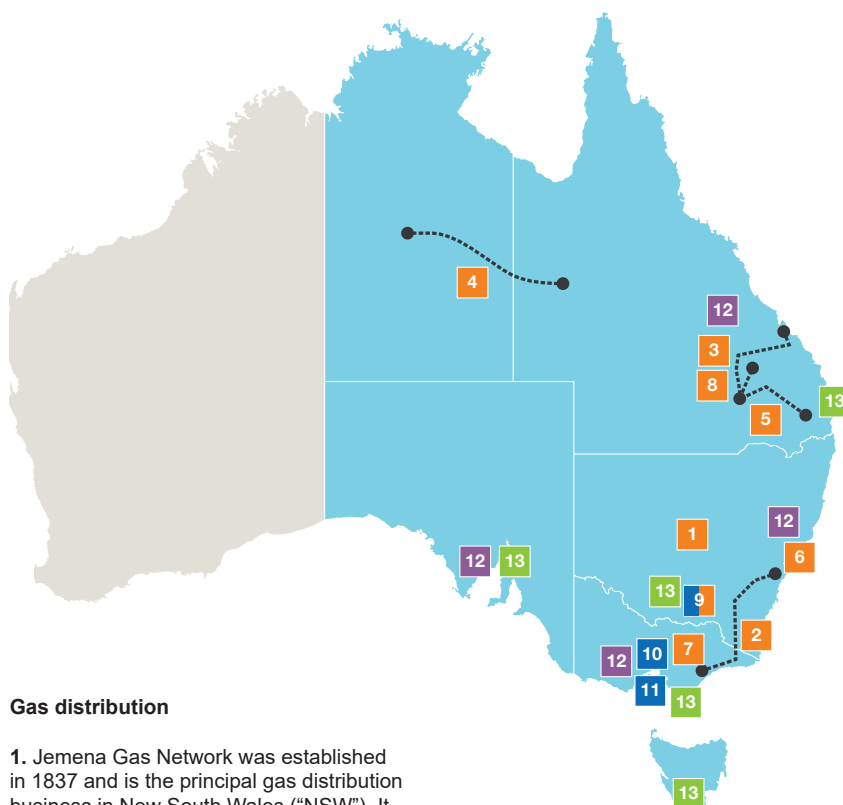
SGSP AUSTRALIA
ASSETS

Principal activities

For the year ended 31 December 2019

SGSP (Australia) Assets Pty Ltd

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Gas distribution

1. Jemena Gas Network was established in 1837 and is the principal gas distribution business in New South Wales ("NSW"). It typically delivers 90-95 petajoules of natural gas each year to more than 1.3 million homes and businesses throughout NSW.

High pressure gas transmission

2. Eastern Gas Pipeline. Delivers natural gas from the Gippsland Basin to customers in Sydney and regional NSW.

Statistics: 18 inch diameter, 797 kilometres in length, approximate capacity of 350 terajoules ("TJ") per day.

3. Queensland Gas Pipeline. Delivers natural gas from the Surat Basin, Denison Trough and Bowen Basin to large industrial users in Gladstone and Rockhampton.

Statistics: 12 inch diameter, 627 kilometres in length, approximate capacity of 140 TJ per day.

4. Northern Gas Pipeline. Delivers natural gas from Tennant Creek to Mt Isa. Construction was completed and first gas flowed in January 2019.

Statistics: 12 inch diameter, 623 kilometres in length, approximate capacity of 90 TJ per day.

5. Darling Downs Pipeline Network consists of three integrated pipelines connecting the Darling Downs Power Station, via Wallumbilla, to Spring Gully. Collectively, it is 292 kilometres in length and provides capacity ranging from 145 TJ per day to 440 TJ per day. The construction of an additional gas processing plant and 60km pipeline was completed and first gas flowed in November 2019.

6. Colongra Gas Pipeline. Stores and delivers natural gas across 9 kilometres to the Colongra peaking power station at Munmorah.

7. VicHub is a pipeline interconnect facility situated at Longford. The facility enables gas to flow between the EGP, the Tasmanian gas pipeline and the Victorian gas transmission system. The facility has a nominal daily injection capacity of 150 TJ per day and a withdrawal capacity of 135 TJ per day.

8. Roma North Pipeline. Processes and delivers natural gas from the Surat Basin into the GLNG Comet Ridge to Wallumbilla Pipeline.

Statistics: 8 inch diameter, 5 kilometres in length, approximate capacity of 16 TJ per day.

9. The Group holds a 50% interest in the ActewAGL Distribution Partnership ("ADP"), primarily operating as 'Evoenergy'. The remaining 50% is ultimately held by the Australian Capital Territory ("ACT") government. ADP owns and operates the gas networks in the ACT, Queanbeyan-Palerang and Nowra.

Electricity distribution

9. ADP owns and operates the electricity distribution network in the ACT.

10. Jemena Electricity Network delivers electricity to over 350,000 homes and businesses through approximately 6,300 kilometres of distribution network covering

Gas

- 1 Jemena Gas Network
- 2 Eastern Gas Pipeline
- 3 Queensland Gas Pipeline
- 4 Northern Gas Pipeline
- 5 Darling Downs Pipelines
- 6 Colongra Gas Transmission and Storage Pipeline
- 7 VicHub
- 8 Roma North Pipeline
- 9 ActewAGL Distribution Partnership (50%)

Electricity

- 9 ActewAGL Distribution Partnership (50%)
- 10 Jemena Electricity Network
- 11 United Energy Distribution (34%)

Other businesses

- 12 Ovida

Service business

- 13 Zinfra

approximately 950 square kilometres of northwest greater Melbourne.

11. The Group holds a 34% interest in United Energy Distribution Holdings Pty Ltd ("UEDH"). UEDH group delivers electricity to over 690,000 homes and businesses through a distribution network covering approximately 1,472 square kilometres of southeast Melbourne and the Mornington Peninsula.

Other businesses

12. Ovida was established in 2017 to deliver services including distributed energy resources and dedicated connection assets to Australian energy consumers and renewable energy generators. Serving the east coast markets, Ovida provides its customers with more choice and easier access to benefits by removing the complexities of asset ownership, operations and management.

Services business

13. Zinfra provides engineering and design, project management, construction, civil, maintenance and asset operations services to the Australian utility infrastructure sectors and adjacent markets.

SGSP AUSTRALIA ASSETS

Financial report

For the year ended 31 December 2019

SGSP (Australia) Assets Pty Ltd

ABN 60 126 327 624

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Directors' report

SGSP (Australia) Assets Pty Ltd

ABN 60 126 327 624

For the year ended 31 December 2019

The board of directors of SGSP (Australia) Assets Pty Ltd (the "Company") presents its report together with the consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019 and the auditor's report thereon.

Directors

The directors of the Company for the year ended 31 December 2019 and up to the date of this report (unless otherwise stated) are listed below:

Mr Jiang Longhua (appointed as Chairman 22 March 2019)

Mr Ruan Qiantu (resigned as Chairman 21 March 2019)

Mr Frank Anton Tudor (Managing Director)

Mr Peng Sun

Ms Jeanne Gueh Poh Tay

Mr Stanley Huang Tian Guan

Mr Albert Yeuk Kuk Tse

Mr Nicholas Greiner

Ms Lena Yue Joo Chia

Principal activities

The Group primarily consists of two operating businesses, an assets business and a services business. The assets business has ownership interests in a number of regulated and unregulated assets in the Australian energy sector. The services business provides services to the Australian utility infrastructure sectors and adjacent markets. Refer to the inside of the cover page for detailed description of the Group's principal activities.

Review of operations

	Consolidated	
	2019	2018
	\$'000	\$'000
Net profit after tax	190,058	225,090

Dividends

	2019	2018
	\$'000	\$'000
Dividends paid by the Company to its shareholders	181,200	155,400

Significant changes in the state of affairs

On 12 September 2019, Jemena Gas Pipelines Holdings Pty Ltd acquired 100% of the shares in Senex Pipeline & Processing Pty Ltd (SPP), now renamed to Jemena Roma North Pipeline Pty Ltd. The \$50 million acquisition has seen Jemena own and operate the Roma North processing facility and pipeline to transport gas to the GLNG project. The pipeline is capable of transporting up to 16 terajoules per day.

As part of the Group's Northern Growth Strategy, which seeks to build an interconnected supply chain of energy delivery assets in northern Australia, The Atlas Gas Pipeline was constructed in 2019. Atlas is a 60 kilometre long gas pipeline which transports gas from the Atlas Gas Field in the Surat Basin, located near Wandoan in south-west Queensland, to the domestic east coast gas market via Jemena's Darling Downs Pipeline. Commercial operations on the \$140M pipeline commenced in late November 2019.

On 14 March 2019, the Group commenced a formal sale process seeking to divest the Group's interest in the Rosehill cash-generating unit. The divestment was finalised in September 2019, with the sale of the Group's interest in subsidiaries Aquanet Sydney Pty Ltd and SGSP Rosehill Network Pty Ltd to WUA Sydney Holdings Pty Ltd.

In the opinion of the directors there were no other significant changes in the state of affairs of the Group during the year.

Matters subsequent to balance date

On 17 February 2020, the Company successfully completed a Bond issuance of A\$99 million at a coupon of 2.68% with a maturity date of 27 February 2035. The transaction delivers good value as well as supports the Group's funding strategy achieving further diversification of maturity and funding sources with new investors.

Directors' report

SGSP (Australia) Assets Pty Ltd
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For the year ended 31 December 2019

Matters subsequent to balance date (continued)

The Coronavirus/Covid-19 outbreak, which has become a global pandemic subsequent to the 31 December reporting date, presents strategic, operational and commercial uncertainties for the Company. The situation is changing rapidly and there are increased uncertainties around the duration, scale and impact of the Coronavirus/Covid-19 outbreak. The Company is taking various measures to mitigate the impact of Covid-19 on its operations including employees, partners and customers. The Board and management team continue to assess the potential impacts on the business, however given the continued uncertainties the financial impact cannot be determined.

No other matters or circumstances have arisen since balance date that significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Likely developments and expected results of operations

The Australian energy sector, while evolving, continues to enable the Group's strong and reliable returns as well as offer new opportunities. The Group aims to be a world leader in energy infrastructure ownership and management and will continue to operate and pursue portfolio growth accordingly. Further information on likely developments in the operations of the Group and the expected results of operations has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental regulation and performance

The Group is subject to environmental regulations under both Commonwealth and State legislation relating to assets in which the Group has an ownership interest and end services provided by the Group to third parties. The directors are not aware of any significant breaches during the year ended 31 December 2019 or to the date of signing this report.

Insurance of directors and officers

The directors and officers of the Group are covered by a directors and officers insurance policy for liabilities and expenses arising as a result of their work, to the extent permitted by law. The nature of the liabilities insured against and the cost of the insurance premiums are confidential in accordance with the terms of the insurance contracts and normal commercial practice.

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under *section 307C of the Corporations Act 2001*, is set out on page 3 and forms part of the Director's report for the year ended 31 December 2019.

Rounding of amounts

The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts in the financial statements have been rounded off in accordance with that instrument, as indicated.

Signed in accordance with a resolution of the board of directors:

Director: 

Name: Frank Tudor

Director: 

Name: Jiang Longhua

Date: 26 March 2020



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of SGSP (Australia) Assets Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of SGSP (Australia) Assets Pty Ltd for the financial year ended 31 December 2019 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Gordon Sangster

Partner

Melbourne

26 March 2020

Income statement

For the year ended 31 December 2019

SGSP (Australia) Assets Pty Ltd
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	Notes	2019 \$'000	2018 \$'000
Revenue and other income	B2	1,847,875	1,764,885
Share of net profits of associate and joint venture	C3,C4	90,828	82,662
Employee benefits expense	B6	(548,146)	(469,986)
Depreciation and amortisation expense	C1,C2	(312,546)	(270,113)
Materials and services expense	B3	(482,132)	(497,787)
Operating profit		595,879	609,661
Finance income	D2	3,577	2,505
Finance costs	D2	(306,815)	(289,550)
Unwind of economic hedging instruments	D2	-	(488)
Net finance costs		(303,238)	(287,533)
Profit before income tax		292,641	322,128
Income tax expense	B4	(102,583)	(97,038)
Profit for the year		190,058	225,090
Attributable to:			
Owners of the Company		190,058	225,090

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

Refer to note B1 for operating segment information.

Statement of comprehensive income

For the year ended 31 December 2019

SGSP (Australia) Assets Pty Ltd
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	Notes	2019 \$'000	2018 \$'000
Profit for the year		190,058	225,090
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Defined benefit superannuation plan actuarial gain/(loss) before tax	B6	(6,151)	1,098
Tax on defined benefit superannuation plan actuarial gain/(loss)		1,845	(329)
Defined benefit superannuation plan actuarial gain/(loss) after tax		(4,306)	769
Items that are or may be reclassified to profit or loss			
Movement in hedging reserve before tax		(207,713)	(40,514)
Share of other comprehensive income from associate		(17,283)	(5,844)
Tax on movement in hedging reserve		67,499	13,907
Movement in hedging reserve after tax	D3	(157,497)	(32,451)
Other comprehensive income for the year		(161,803)	(31,682)
Total comprehensive income for the year		28,255	193,408
Attributable to:			
Owners of the Company		28,255	193,408

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

Balance sheet

As at 31 December 2019

SGSP (Australia) Assets Pty Ltd
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	Notes	2019 \$'000	2018 \$'000
Current assets			
Cash at bank and in hand		39,473	26,936
Receivables	B7	290,077	321,981
Inventories		48,038	47,976
Derivative financial instruments	D3	-	452
Prepayments and deposits		18,380	14,285
Total current assets		395,968	411,630
Non-current assets			
Property, plant and equipment	C1	7,571,965	7,441,434
Intangible assets	C2	1,762,952	1,778,564
Investments in associate and joint venture	C3,C4	1,249,627	1,254,861
Right of use assets	D7	107,965	-
Lease receivable		62,660	8,663
Derivative financial instruments	D3	551,123	452,408
Defined benefit superannuation plans	B6	28,127	33,228
Total non-current assets		11,334,419	10,969,158
TOTAL ASSETS		11,730,387	11,380,788
Current liabilities			
Payables	B8	179,998	243,971
Provisions	B8	178,116	181,871
Interest bearing liabilities	D1	149,565	1,209
Contract liabilities	B2	43,256	49,757
Derivative financial instruments	D3	1,459	187
Lease liabilities		28,085	3,207
Total current liabilities		580,479	480,202
Non-current liabilities			
Interest bearing liabilities	D1	6,511,032	6,328,185
Provisions	B8	83,129	98,183
Deferred tax	B4	641,085	650,191
Lease liabilities		113,832	34,485
Derivative financial instruments	D3	260,350	101,055
Total non-current liabilities		7,609,428	7,212,099
TOTAL LIABILITIES		8,189,907	7,692,301
Net assets		3,540,480	3,688,487
Share capital	D5	3,200,000	3,200,000
Hedging reserve	D3	(216,748)	(59,251)
Retained earnings		557,228	547,738
TOTAL EQUITY		3,540,480	3,688,487

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 31 December 2019

SGSP (Australia) Assets Pty Ltd
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Notes	Share capital \$'000	Hedging reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2019, as previously reported	3,200,000	(59,251)	547,738	3,688,487
Adjustment on initial application of AASB 16, net of tax	-	-	4,938	4,938
Adjusted balance at 1 January 2019	3,200,000	(59,251)	552,676	3,693,425
Profit for the year	-	-	190,058	190,058
Other comprehensive income				
Hedging reserve movement, net of tax D3	-	(157,497)	-	(157,497)
Defined benefit superannuation plan actuarial gain, net of tax	-	-	(4,306)	(4,306)
Total other comprehensive income	-	(157,497)	(4,306)	(161,803)
Total comprehensive income for the year	-	(157,497)	185,752	28,255
Transactions with the owners of the Company recognised directly in equity				
Dividends paid to shareholders: \$0.05 per share	-	-	(181,200)	(181,200)
	-	-	(181,200)	(181,200)
Balance at 31 December 2019	3,200,000	(216,748)	557,228	3,540,480

Notes	Share capital \$'000	Hedging reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2018	3,200,000	(26,800)	477,279	3,650,479
Profit for the year	-	-	225,090	225,090
Other comprehensive income				
Hedging reserve movement, net of tax D3	-	(32,451)	-	(32,451)
Defined benefit superannuation plan actuarial gain, net of tax	-	-	769	769
Total other comprehensive income	-	(32,451)	769	(31,682)
Total comprehensive income for the year	-	(32,451)	225,859	193,408
Transactions with the owners of the Company recognised directly in equity				
Dividends paid to shareholders: \$0.05 per share	-	-	(155,400)	(155,400)
	-	-	(155,400)	(155,400)
Balance at 31 December 2018	3,200,000	(59,251)	547,738	3,688,487

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

Cash flow statement

For the year ended 31 December 2019

SGSP (Australia) Assets Pty Ltd
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	Notes	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		2,111,486	1,928,143
Payments to suppliers and employees		(1,394,090)	(1,150,487)
Income taxes paid		(50,513)	(34,937)
Interest received		383	363
Net cash inflow from operating activities	B5	667,266	743,082
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangibles		(490,827)	(621,082)
Proceeds from sale of property, plant and equipment and intangibles		11,236	3,643
Proceeds from sale of subsidiary		70,400	-
Acquisition of subsidiary, net of cash acquired		(50,000)	-
Dividends and distributions received from investments		81,109	58,451
Net cash outflow from investing activities		(378,082)	(558,988)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	D6	1,011,335	1,741,004
Repayment of borrowings	D6	(775,000)	(1,492,507)
Payment of lease liabilities		(30,254)	-
Interest paid		(301,203)	(278,176)
Dividends paid		(181,200)	(155,400)
Debt issuance costs		(325)	(3,788)
Net cash outflow from financing activities		(276,647)	(188,867)
Net increase/(decrease) in cash and cash equivalents		12,537	(4,773)
Cash and cash equivalents at the beginning of the year		26,936	31,709
Cash and cash equivalents at the end of the year		39,473	26,936

The above cash flow statement should be read in conjunction with the accompanying notes.

Cash and cash equivalents comprise cash deposits at call.

Notes to the financial statements

For the year ended 31 December 2019

SGSP (Australia) Assets Pty Ltd
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Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
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For the year ended 31 December 2019

SECTION A ABOUT THIS REPORT

A1 Basis of preparation

SGSP (Australia) Assets Pty Ltd ("the Company") is a for-profit company domiciled in Australia. The address of the Company's registered office and principal place of business is Level 16, 567 Collins Street, Melbourne VIC 3000. These consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (collectively "the Group"). The comparative figures are for the year ended 31 December 2018.

The Group primarily consists of two operating businesses, an assets business and a services business. The assets business has ownership interests in a number of regulated and unregulated assets in the Australian energy sector. The services business provides services to the Australian utility infrastructure sectors and adjacent markets. Refer to the inside of the cover page for detailed description of the Group's principal activities.

(a) Going concern basis of accounting

These financial statements have been prepared on a going concern basis, which contemplates the Group continuing in operation for the foreseeable future.

The Group's current liabilities exceed its current assets by \$184.5 million. The Group continues on its growth trajectory with working capital, investing and financing requirements being actively managed through operating cashflows and utilisation of committed facilities. The Group has access to unused committed facilities of \$612.4 million (refer to note D4 (d)), all of which are available for more than 12 months from the date of authorisation of these financial statements.

The Group has historically generated positive operating cash flows and traded profitably. The directors expect this to continue in the foreseeable future.

Based on the above, the directors believe that the going concern basis of preparation is appropriate.

(b) Statement of compliance

These financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board and the *Corporations Act 2001*. These financial statements also comply with International Financial Reporting Standards adopted by the International Accounting Standards Board.

These financial statements were authorised for issue by the board of directors on 26 March 2020.

(c) Basis of measurement

These financial statements have been prepared under the historical cost convention, with the exception of defined benefit superannuation plans, customer contributions of assets, derivative financial instruments and borrowings in fair value hedge relationships, which are measured at fair value.

(d) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's and Group entities' functional currency. The Company is of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. Amounts in these financial statements have been rounded off in accordance with that instrument to the nearest thousand dollars, unless otherwise stated.

(e) Accounting policies

Except for the changes below, accounting policies adopted in the preparation of these financial statements are consistent between the periods.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2019:

- (i) AASB 16 *Leases*
- (ii) IFRIC 23 *Uncertainty over Income Tax Treatments*

The nature and effects of the changes are as follows:

Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
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For the year ended 31 December 2019

SECTION A ABOUT THIS REPORT

(i) AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The standard sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under AASB 16 is substantially unchanged from AASB 117. Lessors will continue to classify leases as either operating or finance leases using similar principles as in AASB 117. Therefore, AASB 16 does not have a material impact for leases where the Group is the lessor.

The Group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contain a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying AASB 117 and Interpretation 4 at the date of initial application.

Impact on transition

On transition to AASB 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	1 January 2019 \$'000
Increase in right-of-use assets	131,680
Increase in lease liabilities	(124,626)
Increase in deferred tax liabilities	(2,116)
Increase in retained earnings	(4,938)

When measuring lease liabilities that were classified as operating leases, the Group discounted lease payments applying a weighted average incremental borrowing rate at 1 January 2019 of 4.2%.

The difference between the operating lease commitments disclosed at 31 December 2018 under AASB 117 *Leases* of \$201.2 million, discounted using incremental borrowing rates as 1 January 2019 and the initial recognition of lease liabilities under the new standard of \$124.6 million, is predominantly due to finance lease liabilities of \$48.7 million recognised as at 31 December 2018.

(ii) IFRIC 23 *Uncertainty over Income Tax Treatments*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 12 *Income Taxes*. It requires an entity to consider whether it is probable that a taxation authority will accept an uncertain tax treatment.

The Interpretation does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Upon adoption of the Interpretation as at 1 January 2019, the Group considered whether it had any uncertain tax positions. The Interpretation did not have any financial impact for the Group as at 1 January 2019.

Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
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SECTION A ABOUT THIS REPORT

A2 Significant accounting policies

Significant accounting policies adopted in the preparation of these financial statements are disclosed throughout the report and below are policies not listed elsewhere:

(a) Comparative figures

Where applicable, comparative figures have been adjusted to conform to changes in presentation for the current year.

(b) New accounting standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however the Group has not early adopted the new or amended standards in preparing these financial statements. These changes are not expected to result in any material changes to the Company's financial performance or financial position.

A3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make estimates and judgements that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and judgements are based on past experience and various other factors that are believed to be reasonable judgements under the circumstances. Actual results may differ. The estimates and judgements are reviewed on an ongoing basis. Changes to accounting estimates are recognised prospectively.

The estimates and judgements that are significant to these financial statements are disclosed within each note.

Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
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For the year ended 31 December 2019

SECTION B OPERATIONS AND PERFORMANCE

B1 Operating segments

(a) Accounting policy

Segment results reflect those that are reported to the Board for the purpose of making decisions about resources to be allocated to the segments and assessing performance. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment results include transactions between segments primarily from the services business servicing the assets business. Such transactions, including any unrealised gains, are eliminated on consolidation.

(b) Operating segments

The Group operates in one geographical segment, which is Australia. The Group comprises the following operating segments:

(i) Electricity distribution

The electricity distribution network delivers electricity from the high voltage transmission network to end users. The 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 in the ordinary course of business. This segment includes the Group's investment in the associate and interest in the joint venture (as proportionate to electricity distribution activities).

(ii) Gas distribution

The gas distribution network delivers natural gas to commercial and residential end users. The Group charges retailers and some large customers regulated rates for the use of the distribution network. The gas distribution segment does not sell gas in the ordinary course of business. This segment includes the Group's investment in the joint venture (as proportionate to gas distribution activities).

Revenue from one major customer of the Group's gas distribution segment represents \$225.7 million (year ended 31 December 2018: \$244.6 million) of the Group's total revenue for the year.

(iii) Gas transmission and water distribution

The gas transmission and water distribution segment transports gas and water and earns revenue from these services at contracted rates negotiated on arm's length terms.

The water distribution business was divested in September 2019 (refer to note E4).

(iv) Services business - Zinfra

Zinfra provides engineering and design, project management, construction, civil, maintenance and asset operations services to the Australian utility infrastructure sectors and adjacent markets, including to other operating segments within the Group.

(v) All other segments

All other segments include contracts for asset management services to Australian utility infrastructure customers (by group entities other than Zinfra), Ovida (SGSPAA's renewable and private energy infrastructure business) and corporate costs not allocated to identified segments.

Notes to the financial statements

For the year ended 31 December 2019

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(c) Segment performance

	Notes	Electricity distribution		Gas distribution		Gas transmission and water distribution		Services business - Zinfra		All other segments		Inter-segment eliminations		Total	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Operating profit		252,281	221,983	285,288	295,890	132,682	109,615	(11,376)	10,268	(53,729)	(15,891)	(9,267)	(12,204)	595,879	609,661
Revenue and other income	B2	445,101	423,383	566,430	575,936	332,230	252,781	732,285	638,530	29,219	39,140	(257,390)	(164,885)	1,847,875	1,764,885
Gas and electricity distribution revenue		351,785	350,770	518,202	525,347	-	-	-	-	-	-	-	-	869,987	876,117
Gas transmission and water distribution revenue		-	-	-	-	303,830	252,179	-	-	-	-	-	-	303,830	252,179
Infrastructure services revenue		67,570	46,894	47,959	50,149			732,285	638,530	29,091	38,409	(257,390)	(164,885)	619,515	609,097
Other income		25,746	25,719	269	440	28,400	602	-	-	128	731	-	-	54,543	27,492
Share of net profits of associate and joint venture	C3 C4	70,771	69,974	20,057	12,688	-	-	-	-	-	-	-	-	90,828	82,662
Depreciation and amortisation expense	C1 C2	(80,953)	(83,782)	(108,756)	(108,902)	(87,040)	(67,694)	(34,698)	(9,191)	(2,348)	(1,673)	1,249	1,129	(312,546)	(270,113)
Interest income	D2	67	-	27	-	1,099	-	657	354	1,727	2,151	-	-	3,577	2,505
Finance costs and unwind of economic hedge instruments	D2	(102,050)	(86,327)	(123,280)	(114,010)	(77,520)	(89,695)	(1,128)	(6)	(2,837)	-	-	-	(306,815)	(290,038)
Acquisition of property, plant and equipment and intangibles	C1 C2	158,233	162,797	174,483	204,994	150,857	255,064	5,604	7,096	8,409	28,467	(5,606)	(10,178)	491,980	648,240

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B2 Revenue and other income

(a) Accounting policy

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue at a point in time or over time, when or as it satisfies performance obligations by transferring control over a promised product or service to a customer.

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations. Similarly, if the Group satisfies a performance obligation before it receives consideration, the Group recognises either a contract asset or a receivable on its balance sheet, depending on whether something other than the passage of time is required before the consideration becomes unconditional.

Revenue is recognised for customer contracts as follows:

(i) Gas and electricity distribution revenue

Revenue is earned from the distribution of gas and electricity and related services. Revenue is recognised as the services are rendered i.e. on delivery, and incorporate usage estimation where necessary. Credit terms are as stated in note B7(d).

A significant proportion of the Group's distribution services revenue is subject to economic regulation that seeks to determine either prices or revenue outcomes. In these financial statements regulated revenue is recognised as volumes multiplied by the agreed tariffs for the relevant period. Any differences to the regulated outcome are reflected in subsequent reporting periods via actual tariff changes.

(ii) Gas transmission and water distribution revenue

Revenue is earned from the actual and contracted transmission of gas and the distribution of recycled water. Revenue is recognised as the services are rendered i.e. on actual/contracted delivery and incorporate usage estimation where necessary. Credit terms are as stated in note B7(d).

(iii) Infrastructure services revenue

Revenue is earned through provision of engineering and design, project management, construction, civil, maintenance and asset operations services. Credit terms are as stated in note B7(d).

For contracts with variable consideration, variable consideration is determined using the expected value or most likely outcome - whichever method is a better prediction of the final outcome. The estimation of the variable consideration amount is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Where the performance obligation is satisfied over time, the input method (i.e. costs incurred) is used to measure progress towards the satisfaction of performance obligations. The costs incurred on contracts are assessed to ensure that they are proportionate to the progress in satisfying the performance obligation. Given the type of contracts executed in the Group, the input method is deemed the most appropriate method as it measures the costs expended to satisfy the obligation.

Revenue is recognised when, or as the performance obligation is satisfied. Revenue is recognised either over time (where the customer receives and consumes all of the benefits provided as work is being performed) using the stage of completion method, or at a point in time (where control is passed on to the customer at a certain point in time).

Revenue received in advance of providing the service is treated as unearned and presented as a contract liability.

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Revenue from other income is described as follows:

(i) Dividends and distributions

Dividends and distributions are recognised as revenue when the right to receive payment is established.

Dividends received from associates and distributions received from joint ventures are accounted for in accordance with the equity method of accounting (refer note C3 (a)).

(ii) Other income

Other income includes interest from redeemable preference shares recognised using the effective interest method and profit on sale of subsidiaries.

(b) Critical accounting estimates and judgements

(i) Energy delivery

Estimates are made where required to account for the period between the meter reading date and the end of the accounting period. The estimates are made based on factors including historical consumption patterns, base usage and weather conditions.

(ii) Infrastructure services

Reliably measuring the outcome and the stage of completion of contracts involves a level of estimation of a range of factors that are subject to risk and uncertainty. The estimates and judgements relate to forecast revenue and costs to complete, stage of project completion, and the recoverability of unapproved variations, claims and disputes.

The carrying amount of contract assets is set out in note B7.

(c) Disaggregation of revenue and other income

Refer to operating segment note B1(c).

(d) Timing of revenue recognition

	2019 \$'000	2018 \$'000
Goods/services transferred at a point in time	1,263,932	1,224,209
Goods/services transferred over time	529,400	513,184
Revenue	1,793,332	1,737,393

(e) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	31-Dec-19 \$'000	31-Dec-18 \$'000
Receivables, which are included in 'Total invoiced trade receivables'	86,061	93,364
Contract assets	178,358	214,486
Contract liabilities	(43,256)	(49,757)

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised when the performance obligation is satisfied. The amount of \$49,757 thousand recognised in contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2019. The amount of revenue recognised in the year ended 31 December 2019 from performance obligations satisfied (or partially satisfied) in previous years is nil.

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(f) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	2020 \$'000	2021 \$'000	2022 \$'000	Total \$'000
Infrastructure services revenue	16,927	4,944	-	21,871
Infrastructure services to related parties	47,338	2,383	477	50,198

The Group applies the practical expedient in paragraph 121 of AASB 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less. The revenue expected to be recognised in the future disclosed above relates only to fixed price contracts where the transaction price has been determined and revenue recognised in line with paragraphs 121 and B16 of AASB 15 i.e. a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company's performance completed to date.

B3 Materials and services expense

(a) Significant items disclosure

	2019 \$'000	2018 \$'000
Materials and services includes:		
Net loss on disposal of property, plant and equipment and intangible assets	(7,437)	(8,554)
Acquisition of subsidiary related costs	(2,826)	-
Operational efficiency program costs	(66,573)	(18,600)

B4 Taxation

(a) Accounting policy

(i) Tax consolidation

The Company is the head entity in the SGSP (Australia) Assets Pty Ltd tax consolidated group ("tax group") comprising the Company and its wholly owned Australian tax resident subsidiaries. Entities that are not 100% owned and entities that are not residents for Australian tax purposes are generally treated as separate single tax entities.

(ii) Income tax expense or benefit

Income tax expense or benefit comprises current and deferred tax, using tax rates and legislation enacted or substantively enacted as at balance date. Income tax expense or benefit is recognised in the income statement, or in other comprehensive income to the extent that it relates to items recognised there.

(iii) Current tax

Current tax is the expected tax on the taxable income for the year and any adjustment to tax payable or receivable in respect to previous years.

(iv) Deferred tax

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Temporary differences are not provided for the initial recognition of goodwill, or the initial recognition of assets and liabilities that affect neither accounting profit nor taxable income. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities.

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A deferred tax asset is recognised only to the extent that it is probable that future taxable income will be available against which the asset can be utilised. A deferred tax asset is de-recognised to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the tax group intends to settle its tax assets and liabilities on a net basis.

(v) Goods and Services Tax ("GST")

Revenue, expenses and assets are recognised net of the amount of GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included within other receivables or other payables in the balance sheet.

(b) Critical accounting estimates and judgements

The tax expense and deferred tax balances are in reference to income tax legislation, aspects of which are subject to interpretation and judgement. These interpretations and judgements are subject to risk and uncertainty and changes in circumstances may alter possible outcomes in relation to tax matters.

The Australian Taxation Office (ATO) is currently conducting a transfer pricing audit in relation to the Company's convertible instruments. Notwithstanding that the Group continues to believe the tax treatment adopted is robust, applying the requirements of IFRIC 23, the Group has recognised an uncertain tax provision based on the probability-weighted range of possible outcomes and the relevant facts and circumstances as at the reporting date.

(c) Income tax expense

	2019 \$'000	2018 \$'000
Current tax expense		
Current year	(38,275)	(44,841)
Adjustments for prior years	(6,186)	(349)
Deferred tax expense		
Origination and reversal of temporary differences	(64,218)	(51,546)
Adjustments for prior years	6,096	(302)
Total income tax expense	(102,583)	(97,038)

(d) Reconciliation of income tax expense to prima facie tax payable

	2019 \$'000	2018 \$'000
Profit before income tax	292,641	322,128
Prima facie tax expense at the Australian tax rate of 30% (2018 - 30%)	(87,792)	(96,638)
Tax effect of amounts which are not assessable / (deductible) in calculating taxable income:		
Non-assessable income:		
- Other	-	263
Non-deductible expenses:		
- Acquisition of subsidiary related costs	(2,685)	(13)
- Other	(1,716)	-
- Uncertain tax provision	(10,643)	
(Under)/over provision in respect of prior year	253	(650)
Total income tax expense	(102,583)	(97,038)

(e) Franking credit account

The franking credit balance as at 31 December 2019 is \$22.5 million (2018: \$49.7 million).

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(f) Deferred tax liability / (asset)

The balance comprises the tax effect of temporary differences attributable to:

	Opening Balance \$'000	AASB 16 Adjustment \$'000	Charged to Income \$'000	Acquisition of Subsidiary \$'000	Charged to Equity \$'000	Closing Balance \$'000
2019						
Property, plant and equipment	725,577	-	77,420	(13,925)	-	789,072
Financial assets	645	-	591	-	(67,499)	(66,263)
Other items*	(76,031)	2,116	(20,964)	15,000	(1,845)	(81,724)
	650,191	2,116	57,047	1,075	(69,344)	641,085

	Opening Balance \$'000	AASB 9 (2014) Adjustment \$'000	Charged to Income \$'000	Acquisition of Subsidiary \$'000	Charged to Equity \$'000	Closing Balance \$'000
2018						
Property, plant and equipment	668,063	-	57,514	-	-	725,577
Financial assets	21,758	-	(7,206)	-	(13,907)	645
Other items*	(75,230)	(2,670)	1,540	-	329	(76,031)
	614,591	(2,670)	51,848	-	(13,578)	650,191

* Other items mainly includes deferred tax for employee provisions, environmental and restoration provisions, intangible assets and lease liabilities.

Tax effect of unrecognised temporary differences

	2019 \$'000	2018 \$'000
Capital investment in associate	10,705	10,705
Capital losses at balance date	-	4,001

B5 Reconciliation of result for the year to cash flows from operating activities

	2019 \$'000	2018 \$'000
Profit before income tax	292,641	322,128
Non-cash flows in profit:		
Depreciation and amortisation	312,546	270,113
Defined benefit superannuation plans - service costs	4,660	4,999
Non-operating activities:		
Share of profit of associate and joint venture	(90,828)	(82,662)
Interest income	(3,577)	(2,505)
Finance costs including economic hedges	306,815	290,038
Loss on disposal of property, plant and equipment	7,437	8,554
Gain on disposal of subsidiary	(18,955)	-
Exchange differences - unrealised	(347)	95
Changes in assets and liabilities:		
Increase in receivables and other current assets	(43,514)	(21,811)
Increase in inventories	(62)	(6,641)
(Decrease)/increase in payables, provisions, contract liabilities and lease liabilities	(49,420)	(4,652)
Interest received	383	363
Income taxes paid	(50,513)	(34,937)
Net cash inflow from operating activities	667,266	743,082

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B6 Employee costs and defined benefit superannuation plans

(a) Employee benefits expense

	2019 \$'000	2018 \$'000
Defined benefit superannuation plans - service costs	(4,660)	(4,999)
Defined contribution superannuation expenses	(33,056)	(31,135)
Other employee benefit expenses	(510,430)	(433,852)
Total employee benefits expense	(548,146)	(469,986)

(b) Accounting policy

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of balance date are recognised in provisions in respect of employees' services up to balance date and are measured at the undiscounted amounts expected to be paid when the liabilities are settled. Non-vesting sick leave is recognised in the income statement when the leave is taken and measured at the rates paid or payable.

Annual leave that is not expected to be settled within 12 months after the end of the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

The provision for annual leave is classified as a current liability as the Group does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(ii) Long service leave

The liability for long service leave expected to be settled within 12 months of balance date is recognised in the current provision for employee benefits and is measured in accordance with the measurement principles described for annual leave, above. The liability for long service leave expected to be settled more than 12 months from balance date is recognised in the non-current provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to balance date.

(iii) Superannuation plans

Defined benefit superannuation plans:

The Group's net asset/liability in respect of defined benefit superannuation plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior years, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited by the asset ceiling, to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit superannuation plans asset/liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. Net interest income/expense and other expenses related to defined benefit superannuation plans are recognised in the income statement. The Group determines the net interest income/expense by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the net defined benefit superannuation plans asset/liability at the beginning of the year, taking into account any expected contributions and benefit payments.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in the income statement. The Group recognises gains and losses on the settlement of a defined benefit superannuation plan when the settlement occurs.

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Defined contribution superannuation plans:

Obligations for contributions to defined contribution superannuation plans are recognised as an expense in the income statement in the periods during which the services are rendered by the employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(iv) Incentive plans

A liability for employee benefits in the form of bonus plans is recognised in provisions when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit;
- the amounts to be paid are determined before the time of completion of the financial report; or
- past practice gives clear evidence of the amount of the obligation.

(v) Termination benefits

Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out.

(vi) Employee benefit on-costs

Employee benefit on costs, including payroll tax, workers' compensation and superannuation guarantee contribution, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities or costs.

(c) Critical accounting estimates and judgements

(i) Annual leave and long service leave

When assessing expected future payments of annual and long service leave consideration is given to employee wage increases as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on Australian corporate bonds with terms to maturity that match the expected timing of cash outflows.

(ii) Defined benefits

The present value of the defined benefit obligations and the net expense for defined benefit superannuation plans depends on a number of factors that are determined on an actuarial basis using principal assumptions set out in section B6 (j) below, subject to risks set out in section B6 (k) below, with sensitivities to the assumptions set out in section B6 (l) below.

(d) Defined benefit superannuation plans

The Group makes contributions to one Mercer Investment Nominees Limited ("Equisuper") defined benefit superannuation plan and one Russell Investment Group ("Russell") defined benefit superannuation plan. The plans provide defined benefit amounts to employees or their dependents upon retirement, death, disablement or withdrawal. Benefits are mostly in the form of a lump sum payment based on the employee's final average salary although some defined benefit members are also eligible for pension benefits. The terms and conditions of the two plans are consistent. The plans operate under the regulatory framework provided by the Superannuation Industry (Supervision) legislation. The plans' Trustees are responsible for the governance of the plans and have a legal obligation to act solely in the best interests of the beneficiaries. The trustees are responsible for administration of the plans and payments to beneficiaries, management and investment of the plan assets and compliance with superannuation law and other applicable regulations. The defined benefit sections of the plans are closed to new members.

Actuarial valuations of the funds as at 31 December 2019 and 31 December 2018 were performed resulting in the information set out below:

(e) Balance sheet amounts

The amounts included in the balance sheet arising from the Group's obligations in respect of its defined benefit superannuation plans are as follows:

	2019 \$'000	2018 \$'000
Present value of funded defined benefit obligations	(172,975)	(182,011)
Fair value of plan assets	201,102	215,239
Present value of net assets	28,127	33,228

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(f) Categories of plan assets

The analysis of the plan assets by category is as follows:

	2019 %	2018 %
Australian equities	22.2	20.4
International equities	24.4	24.2
Fixed income	13.9	14.0
Property	6.4	5.0
Cash	10.2	18.2
Growth alternatives	9.4	7.6
Defensive alternatives	13.5	10.6
	100.0	100.0

The fair value measurement of plan assets (refer to note F1) uses a level 2 fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair value is measured using valuation techniques with significant observable inputs such as investment fund valuations.

(g) Reconciliations

	2019 \$'000	2018 \$'000
<i>Present value of funded defined benefit obligations</i>		
Opening defined benefit obligation	(182,011)	(184,521)
Service cost	(4,660)	(4,999)
Interest cost	(6,303)	(6,261)
Contributions by plan participants	(1,746)	(2,474)
Actuarial (losses)/gains	(20,207)	4,842
Benefits paid by the plan	38,597	11,402
Past service costs/curtailments	3,355	-
Closing defined benefit obligation	(172,975)	(182,011)
<i>Fair value of plan assets</i>		
Opening fair value of plan assets	215,239	219,199
Interest income	7,283	7,252
Actuarial gains/(losses)	14,056	(3,744)
Contributions from the employer	1,374	1,460
Contributions by plan participants	1,746	2,474
Benefits paid	(38,596)	(11,402)
Closing fair value of plan assets	201,102	215,239

The actual return on plan assets for the year was a gain of \$21.3 million (year ended 31 December 2018: gain of \$3.5 million)

(h) Amounts recognised in the income statement

The amounts recognised in the income statement in respect of these defined benefit superannuation plans are as follows:

	2019 \$'000	2018 \$'000
Service cost	(4,660)	(4,999)
Net interest income	980	991
Past service costs/curtailments	3,355	-
Total expense included in the income statement	(325)	(4,008)

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(i) Amounts recognised in other comprehensive income

The amounts recognised in other comprehensive income are as follows:

	2019 \$'000	2018 \$'000
Actuarial (loss)/gain before tax recognised in other comprehensive income	(6,151)	1,098
Cumulative actuarial losses before tax recognised in retained earnings	(40,583)	(34,432)

(j) Principal actuarial assumptions

The principal actuarial assumptions are set out below:

	Russell		Equipsuper	
	2019 %	2018 %	2019 %	2018 %
Discount rate (active members)	2.2	3.6	2.2	3.7
Discount rate (pensioners)	N/A	N/A	3.7	3.7
Expected long term salary increase rate	3.4	3.4	3.4	3.4
Expected pension increase rate	N/A	N/A	2.0	2.5
Weighted average duration of the defined benefit obligation (in years)	4.9	4.9	8.0	8.0

(k) Risks

There are a number of risks to which the plan exposes the Group. The more significant risks relating to the defined benefits are:

Investment risk - the risk that investment returns will be lower than assumed and the Group 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 obligations and thereby requiring additional employer contributions.

Legislative risk - the risk that legislative changes could be made which increase the cost of providing the defined benefits.

Pension risks - firstly, the risk that pensioner mortality will be lower than expected, resulting in pensions being paid for a longer period. Secondly, that a greater proportion of eligible members elect to take a pension benefit, which is generally more valuable than the corresponding lump sum benefit. Thirdly, the risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions.

(l) Sensitivity analysis

Reasonably possible changes at balance date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase/(decrease) to defined benefit obligation	
	2019 \$'000	2018 \$'000
Defined benefit obligation		
Discount rate (0.5% higher)	(5,134)	(5,149)
Discount rate (0.5% lower)	5,477	5,483
Salary increase rate (0.5% higher)	4,184	4,351
Salary increase rate (0.5% lower)	(3,986)	(4,147)

(m) Employer contributions

Employer contributions to the defined benefit superannuation plans are based on recommendations by the plans' actuaries. The target funding method is used to determine the contribution rates. Under this method, the employer contribution rate is set to meet a 105% funding target.

Per the actuaries' 2019 reports, total minimum employer contributions to be paid by the Group for the year ending 31 December 2019 are nil. However, the Group may continue to contribute to assist in protecting the financial position.

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B7 Receivables

(a) Accounting policy

Receivables are generally non-interest bearing and stated at amortised cost using the effective interest method, following their initial recognition at fair value. The recoverability of receivables is assessed on an periodic basis and at balance date. The Group applies the AASB 9 simplified approach to measuring expected credit losses for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses.

The carrying amount of receivables is reduced through the use of an allowance account for impaired receivables and any expected loss is immediately expensed in the income statement. The amount of any impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. When a receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off, and impairment reversals based on objective evidence, are credited against the income statement.

(b) Critical accounting estimates and judgements

For estimates and judgements relating to contract assets refer to note B2(b).

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the note above.

(c) Summary

	2019 \$'000	2018 \$'000
Trade receivables	73,497	68,935
Trade receivables from related parties	12,564	24,429
Total invoiced trade receivables	86,061	93,364
Allowance for impairment loss	(944)	(1,637)
Contract assets	125,482	164,891
Contract assets due from related parties	52,876	49,595
Total contract assets	178,358	214,486
Allowance for impairment loss	(1,630)	(8,900)
Total trade receivables	261,845	297,313
Reimbursement rights	10	517
Income tax receivables	14,171	8,118
Other receivables from related parties	8,285	10,615
Other receivables	5,766	5,418
Total receivables	290,077	321,981

(d) Terms and conditions

The average credit terms vary depending on the nature of the accounts receivable balance:

- related parties range between 7 to 14 days;
- retailers are 10 days; and
- other external customers range between 20 to 30 days.

(e) Ageing of total invoiced trade receivables

	2019 \$'000	2018 \$'000
Not past due	40,009	68,187
Past due not impaired: 0 - 30 days	28,942	11,613
Past due not impaired: 31 - 60 days	1,546	1,719
Past due not impaired: more than 61 days	14,620	10,208
Past due considered impaired	944	1,637
Total invoiced trade receivables	86,061	93,364

Total invoiced trade receivables past due not considered impaired are \$45.1 million (2018: \$23.5 million). Payment terms on these amounts have not been renegotiated.

Notes to the financial statements

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SECTION B OPERATIONS AND PERFORMANCE

(f) Impairment of receivables

Movements in the provision for impairment of receivables are as follows:

	2019 \$'000	2018 \$'000
Opening balance	10,537	10,306
Additional allowance recognised	-	334
Write-back of allowance	(22)	-
Amounts utilised	(7,941)	(103)
	2,574	10,537

Fair value and credit risk

Due to the short term nature and collectability of the receivables, the carrying amount approximates fair value. The maximum exposure to credit risk is the carrying amount of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to other entities.

Significant changes in credit risk since initial recognition of contract assets generally arise when claims are subject to negotiation or in dispute with customers. Total contract assets subject to negotiation or in dispute as at 31 December 2019 is \$5.7 million (2018: \$14.5 million).

B8 Payables, provisions and contingent liabilities

(a) Payables accounting policy

Payables represent liabilities for goods and services provided to the Group prior to balance date that are unpaid. Payables are stated at amortised cost and are generally non-interest bearing.

Foreign currency transactions

Transactions in foreign currencies are translated into the Group's functional currency using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at balance date. Foreign currency differences arising on translation are recognised in the income statement, except for differences arising on the translation of qualifying cash flow hedges, which are recognised in other comprehensive income.

(b) Payables summary

	2019 \$'000	2018 \$'000
Trade and other payables	54,815	94,832
Payables to related parties	2,767	1,089
Accrued expenses	42,307	71,353
Interest payable	38,772	35,360
Interest payable to related parties	41,337	41,337
Total payables	179,998	243,971

(c) Provisions accounting policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at balance date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance costs.

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SECTION B OPERATIONS AND PERFORMANCE

(d) Provisions related critical accounting estimates and judgements

(i) Environmental provisions

Determining whether a present legal or constructive obligation exists and whether a reliable estimate of costs can be made are often matters of judgement, whereby previous experience and expert opinions are considered.

There are many uncertainties to consider when estimating the future costs of environmental remediation. Significant factors include information available about site conditions, gaining required approvals for proposed remediation method, successful remediation within the expected timeframes, previous experience, expert opinions, current costs and market conditions and new developments such as evolving technologies, laws and standards affecting costs, and interpretation of current environmental laws and regulations.

These provisions have been reviewed through the year to assess the Group's obligations, probability and estimate of outflow of resources. Changes in the assumptions underlying these estimated costs may impact future reported results. Subject to these factors, but taking into consideration experience gained to date regarding environmental matters of a similar nature, the Group believes the provisions to be appropriate based upon currently available information.

(ii) Decommissioning provisions

Estimating future decommissioning costs involves considerable judgement based on the estimated current cost of detailed plans prepared.

(e) Provisions summary

	Current		Non-current	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Employee benefits	101,501	116,840	12,832	15,744
Environmental and restoration	48,303	56,050	16,756	39,212
Decommissioning	-	-	53,541	43,227
Other	28,312	8,981	-	-
Total provisions	178,116	181,871	83,129	98,183

(f) Movements in provisions (excluding employee benefits)

	Decommissioning \$'000	Environmental and restoration \$'000	Other \$'000	Total \$'000
2019				
Current and non-current				
Opening carrying amount	43,227	95,262	8,981	147,470
Acquisition of subsidiaries	3,009	-	-	3,009
Additional provisions recognised	8,063	1,725	19,814	29,602
Disposal of subsidiaries	(832)	(215)	-	(1,047)
Utilised during the year	-	(33,273)	(483)	(33,756)
Discounting of provisions	74	1,560	-	1,634
Closing carrying amount	53,541	65,059	28,312	146,912

Decommissioning

Decommissioning provisions are recognised in respect of certain gas transmission assets owned by the Group. Where there is a change in the expected decommissioning costs, an adjustment is recorded against the carrying amount of the provision and the associated plant and equipment.

Environmental and restoration

Environmental provisions are recognised in respect of obligations to remediate contamination, caused by former gasworks, at certain sites. Restoration provisions are recognised in respect of civil works and leases.

Other

Other provisions include restructuring, onerous contracts, legal, defect and other miscellaneous provisions.

(g) Contingent liabilities

Other than as disclosed in these financial statements, the directors are not aware of any other contingent liabilities that could have a material effect on the financial statements.

Notes to the financial statements

For the year ended 31 December 2019

SGSP (Australia) Assets Pty Ltd
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SECTION C OUR ASSETS

C1 Property, plant, and equipment

(a) Accounting policy

The Group recognises the cost of an item of property, plant and equipment as an asset if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as incurred.

All classes of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment comprises the cost of direct materials, direct labour, an appropriate proportion of direct production overheads, and (where relevant) the estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Items of plant and equipment under construction are recognised as construction in progress. Once the asset construction is complete and the asset is capable of operating in the manner intended by management, the item of plant and equipment is transferred from construction in progress to the relevant asset class and depreciation of the asset commences.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and depreciated separately.

Depreciation is charged to the income statement on a straight line basis over the estimated useful life of each item of property, plant and equipment. Depreciation of assets used to produce new assets is included in the carrying amount of the new asset. Land is not depreciated.

Disposals of items result in their carrying amount being derecognised immediately.

(b) Critical accounting estimates and judgements

Estimates are made regarding useful lives of items of property, plant and equipment based on factors that are subject to risk including the regulatory environment and technological developments.

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SECTION C OUR ASSETS

(c) Property, plant and equipment

	Freehold land \$'000	Freehold buildings \$'000	Easements \$'000	Leasehold improvements \$'000	Infrastructure assets \$'000	Other property, plant and equipment \$'000	Leased plant and equipment \$'000	Construction in progress \$'000	Total \$'000
Useful life (years)	Indefinite	1 - 70	40	1 - 25	1 - 120	1 - 20	1 - 20	n/a	
Year ended 31 December 2019									
Opening carrying amount - 1 January 2019	65,789	89,620	7,259	37,078	6,193,061	21,878	34,590	992,159	7,441,434
Additions	-	974	-	1,040	165,935	3,246	-	287,943	459,138
Transfers from/(to) other asset classes	42	(8,745)	-	467	770,384	5,404	-	(768,155)	(603)
Depreciation charge	-	(2,571)	(331)	(4,241)	(227,987)	(8,515)	(1,995)	-	(245,640)
Disposals	(1,976)	(2,060)	-	(374)	(58,052)	(769)	(30,205)	-	(93,436)
Decommissioning provision	-	-	-	-	11,072	-	-	-	11,072
Closing carrying amount - 31 December 2019	63,855	77,218	6,928	33,970	6,854,413	21,244	2,390	511,947	7,571,965
At 31 December 2019									
Cost	63,855	91,862	10,765	66,053	8,752,249	133,689	3,489	511,947	9,633,909
Accumulated depreciation	-	(14,644)	(3,837)	(32,083)	(1,897,836)	(112,445)	(1,099)	-	(2,061,944)
Carrying amount	63,855	77,218	6,928	33,970	6,854,413	21,244	2,390	511,947	7,571,965
Year ended 31 December 2018									
Opening carrying amount - 1 January 2018	66,251	78,237	7,589	40,354	6,128,010	23,629	37,312	661,410	7,042,792
Additions	58	498	-	773	193,857	3,496	-	413,477	612,159
Transfers from/(to) other asset classes	(520)	13,592	-	468	71,698	5,720	-	(92,325)	(1,367)
Depreciation charge	-	(2,707)	(330)	(4,299)	(195,369)	(10,546)	(2,639)	-	(215,890)
Disposals	-	-	-	(218)	(11,475)	(421)	(83)	-	(12,197)
Decommissioning provision	-	-	-	-	6,340	-	-	9,597	15,937
Closing carrying amount - 31 December 2018	65,789	89,620	7,259	37,078	6,193,061	21,878	34,590	992,159	7,441,434
At 31 December 2018									
Cost	65,789	103,095	10,765	65,356	7,888,688	130,397	53,902	992,159	9,310,151
Accumulated depreciation	-	(13,475)	(3,506)	(28,278)	(1,695,627)	(108,519)	(19,312)	-	(1,868,717)
Carrying amount	65,789	89,620	7,259	37,078	6,193,061	21,878	34,590	992,159	7,441,434

Notes to the financial statements

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SECTION C OUR ASSETS

C2 Intangible assets

(a) Accounting policy and critical accounting estimates and judgements

All classes of intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation is charged to the income statement on a straight line basis over the estimated useful life of each intangible asset with a finite life.

Estimates are made regarding useful lives of items of intangible assets based on factors that are subject to risk including the regulatory environment and technological developments.

(i) Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in business combinations that are not individually identified and separately recognised.

Goodwill is not amortised but is tested for impairment per the Impairment Policy (refer note C5).

(ii) Electricity distribution licence

A licence is held to distribute electricity to end-users within the Jemena Electricity Network, covering a defined area of north-west greater Melbourne. The licence is issued in perpetuity so long as the associated regulatory requirements are met. Given the Group continuously monitors compliance with regulatory requirements and intends to continue to maintain the network for the foreseeable future, the licence has an indefinite useful life. Therefore the licence is not amortised but is tested for impairment per the Impairment Policy.

(iii) Software

Computer software includes the cost of software licences purchased by the Group and other additional software development costs.

(iv) Contract intangibles

Contract intangibles represent the value attributed to the material customer contracts that the Group acquired in business combinations. The value of these contracts are based on independent valuations, predicated on estimates and judgements. The value of these contracts is determined with reference to the separately identifiable net cash flows generated under each contract, discounted back to present value. Their useful lives reflect both the contract terms and, where applicable, assumed renewal periods.

(v) Construction in progress

Internally generated intangibles in progress are recognised as the sum of all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended, at which point the intangible asset is transferred to the relevant asset class and amortisation of the asset commences.

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SECTION C OUR ASSETS

(b) Intangible assets

Useful life (years)	Goodwill \$'000 Indefinite	Contract Intangibles \$'000 8 - 33	Electricity distribution licence \$'000 Indefinite	Software \$'000 2 - 22	Construction in progress \$'000 n/a	Total \$'000
Year ended 31 December 2019						
Opening carrying amount - 1 January 2019	1,541,373	65,231	10,516	126,511	34,933	1,778,564
Additions	-	-	-	13,157	19,685	32,842
Transfers from/(to) other asset classes	-	-	-	24,799	(24,196)	603
Amortisation charge	-	(4,794)	-	(36,987)	-	(41,781)
Disposals	(5,000)	(1,979)	-	(297)	-	(7,276)
Closing carrying amount - 31 December 2019	1,536,373	58,458	10,516	127,183	30,422	1,762,952
At 31 December 2019						
Cost	1,536,373	104,158	10,516	636,302	30,422	2,317,771
Accumulated amortisation	-	(45,700)	-	(509,119)	-	(554,819)
Carrying amount	1,536,373	58,458	10,516	127,183	30,422	1,762,952
Year ended 31 December 2018						
Opening carrying amount - 1 January 2018	1,541,373	69,705	10,516	129,151	44,594	1,795,339
Additions	-	-	-	11,735	24,346	36,081
Transfers from/(to) other asset classes	-	-	-	35,374	(34,007)	1,367
Amortisation charge	-	(4,474)	-	(49,749)	-	(54,223)
Disposals	-	-	-	-	-	-
Closing carrying amount - 31 December 2018	1,541,373	65,231	10,516	126,511	34,933	1,778,564
At 31 December 2018						
Cost	1,541,373	109,157	10,516	598,964	34,933	2,294,943
Accumulated amortisation	-	(43,926)	-	(472,453)	-	(516,379)
Carrying amount	1,541,373	65,231	10,516	126,511	34,933	1,778,564

Notes to the financial statements

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SECTION C OUR ASSETS

C3 Investment in associate

(a) Accounting policy

Associates are those entities in which the Group has significant influence, but no control or joint control, over the financial or operating policies.

Interests in associates are accounted for using the equity method. They are recognised initially at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the income statement and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) United Energy Distribution Holdings Pty Ltd

The Company owns a 34% interest in United Energy Distribution Holdings Pty Ltd ("UEDH"). Refer to the inside of the cover page for description of UEDH's principal activities.

(c) Reconciliation of movements in investment in UEDH

	Opening \$'000	Share of profit \$'000	Dividends received/ receivable \$'000	Share of reserves \$'000	Closing \$'000
2019					
Ordinary shares	114,735	31,837	(45,339)	(17,283)	83,950
Redeemable preference shares	205,243	-	-	-	205,243
	319,978	31,837	(45,339)	(17,283)	289,193
2018					
Ordinary shares	130,739	27,496	(37,656)	(5,844)	114,735
Redeemable preference shares	205,243	-	-	-	205,243
	335,982	27,496	(37,656)	(5,844)	319,978

The following table summarises the balance sheet information of UEDH:

	2019 \$'000	2018 \$'000
Current assets (including cash and cash equivalents - 31 December 2019: \$142.8 million; 31 December 2018: \$7.5 million)	221,320	84,628
Non-current assets (including financial assets - 31 December 2019: \$107.8 million, 31 December 2018: \$37.0 million)	3,285,322	3,144,299
Current liabilities (including financial liabilities - 31 December 2019: Nil, 31 December 2018: (\$311.0) million)	(142,741)	(480,513)
Non-current liabilities (including financial liabilities - 31 December 2019: (\$3,081.2) million, 31 December 2018: (\$2,412.1) million)	(3,223,878)	(2,527,514)
Net assets (100%)	140,023	220,900

Capital expenditure contracted for at balance date but not recognised as a liability by the UEDH group is as follows:

	2019 \$'000	2018 \$'000
Payable within one year	1,501	2,088
Payable later than one year but not later than five years	759	849
Later than five years	-	123
	2,260	3,060

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SECTION C OUR ASSETS

The following table summarises the income statement information of UEDH:

	2019 \$'000	2018 \$'000
Revenue	683,887	649,395
Depreciation and amortisation	(142,503)	(136,323)
Interest income	580	664
Interest expense	(161,597)	(161,080)
Net profit after tax	97,337	78,336
Total comprehensive income for distribution	46,504	61,147

The following table summarises the Group's equity accounting of UEDH:

	2019 \$'000	2018 \$'000
Group's share of net assets (34%)	47,608	75,106
Consolidation adjustments	241,585	244,872
Carrying amount of interest in UEDH	289,193	319,978
Group's share of:		
- Profit	31,837	27,496
- Other comprehensive income (hedging reserves)	(17,283)	(5,844)
- Interest on redeemable preference shares held by the Company, included within UEDH group's interest expense	25,746	25,719
Group's total recognised comprehensive income from UEDH	40,300	47,371

The Company is not aware of any UEDH group contingent liabilities that could have a material effect on the financial statements.

C4 Investment in joint venture

(a) Accounting policy

Joint ventures are arrangements in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in joint ventures are accounted for using the equity method. They are recognised initially at cost. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the income statement and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) ActewAGL Distribution Partnership

The Group holds a 50% interest in the ActewAGL Distribution Partnership ("ADP"). Refer to the inside of the cover page for description of ADP's principal activities.

(c) Critical accounting estimates and judgements

In classifying as a joint venture the Group considered and made certain judgements about the structure of the arrangement, the legal form of any separate vehicles, the contractual terms of the arrangement and other facts and circumstances.

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SECTION C OUR ASSETS

(d) Reconciliation of movements in investment in ADP

	Opening \$'000	Share of profit \$'000	Dividends received/ receivable \$'000	Closing \$'000
2019				
ActewAGL Distribution Partnership	934,883	58,991	(33,440)	960,434
	934,883	58,991	(33,440)	960,434
2018				
ActewAGL Distribution Partnership	911,127	55,166	(31,410)	934,883
	911,127	55,166	(31,410)	934,883

The following table summarises the balance sheet information of ADP:

	2019 \$'000	2018 \$'000
Current assets (including cash and cash equivalents - 31 December 2019: \$9.1 million; 31 December 2018: \$5.7 million)	155,105	137,551
Non-current assets (including financial assets - 31 December 2019: \$35.6 million, 31 December 2018: \$18.1 million)	1,419,455	1,345,565
Current liabilities (including financial liabilities - 31 December 2019: (\$7.4) million, 31 December 2018: (\$2.5) million)	(113,438)	(88,223)
Non-current liabilities (including financial liabilities - 31 December 2019: (\$30.5) million, 31 December 2018: (\$12.1) million)	(36,275)	(18,936)
Net assets (100%)	1,424,847	1,375,957

Capital expenditure contracted for at balance date but not recognised as a liability by the joint venture is as follows:

	2019 \$'000	2018 \$'000
Payable within one year	7,312	5,782
Payable later than one year but not later than five years	2,332	975
	9,644	6,757

The following table summarises the income statement information of ADP:

	2019 \$'000	2018 \$'000
Revenue	406,804	312,655
Depreciation and amortisation	(66,034)	(61,669)
Interest income	1,439	1,053
Interest expense	(1,364)	(601)

The following table summarises the Group's equity accounting of ADP:

	2019 \$'000	2018 \$'000
Group's share of net assets (50%)	712,424	687,979
Consolidation adjustments	248,010	246,904
Carrying amount of interest in ADP	960,434	934,883
Total comprehensive income for distribution	117,017	107,241
Group's share of total comprehensive income	58,991	55,166

ADP had contingent liabilities of \$4.7 million as at 31 December 2019 (as at 31 December 2018: \$4.7 million) relating to bank guarantees. The Company is not aware of any other ADP contingent liabilities that could have a material effect on the financial statements.

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SECTION C OUR ASSETS

C5 Impairment testing

(a) Accounting policy

An asset is impaired when its carrying amount exceeds its recoverable amount.

The carrying amounts of the Group's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, intangible assets that have an indefinite useful life and construction in progress intangible assets, the recoverable amount is estimated irrespective of whether there is any indication of impairment.

The recoverable amount of assets is the greater of their fair value less costs of disposal and its value in use. In assessing the recoverable amount, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If it is not possible to estimate the recoverable amount of the individual asset, an entity shall determine the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows independently of the cash flows generated by any other asset or group of assets. For the purpose of impairment testing, goodwill and corporate assets are allocated to the CGUs' carrying amounts.

When the carrying amount of an asset or CGU exceeds its recoverable amount the difference is immediately recognised in the income statement as an impairment loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro-rata basis. An impairment loss in respect of goodwill is not reversed.

Impairment losses in respect of other assets are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of accumulated depreciation or amortisation, if no impairment loss had been recognised. The reversal of an impairment loss is recognised in the income statement.

(b) Impairment testing

The Group's CGUs and allocated goodwill identified for impairment testing are as follows:

	2019 \$'000	2018 \$'000
Carrying amounts of goodwill by CGU		
Jemena Gas Network ("JGN")	502,738	502,738
Jemena Electricity Network ("JEN")	148,144	148,144
Jemena Eastern Gas Pipeline ("EGP")	760,982	760,982
Jemena Queensland Gas Pipeline ("QGP")	10,939	10,939
Jemena Darling Downs Pipeline Network ("DDPN")	25,272	25,272
Jemena Colongra	-	-
Jemena VicHub	-	-
Jemena Northern Gas Pipeline ("NGP")	-	-
Zinfra	88,298	88,298
50% of ActewAGL Distribution Partnership ("ADP")	-	-
34% of United Energy Distribution Holdings Pty Ltd ("UEDH")	-	-
Rosehill	-	5,000
Roma North	-	-
Total	1,536,373	1,541,373

CGU impairment testing was carried out at 31 December 2019 resulting in no impairments being recognised (2018: nil).

(c) Critical accounting estimates and judgements

Fair value less costs of disposal is measured using some inputs that are not based on observable market data, deemed level 3 within the fair value hierarchy as per note F1.

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SECTION C OUR ASSETS

The following table lists critical estimates and assumptions used in estimating the recoverable amount of CGUs:

CGU	Cash Flow Horizon (years) ^a	Terminal Value Assumptions ^b	Post Tax Discount WACC 2019 ^c	Post Tax Discount WACC 2018 ^c	Comments on critical estimates and assumptions
Regulated Assets					
JGN	10 (2018: 20)	RAB 1.4 x (2018: RAB 1.3 x)	4.32%	4.55%	- For regulated assets where terminal values are a significant driver of recoverable value, the Group monitors risks on an ongoing basis in relation to any change; including cross checking with implied market multiples of peers and recent market transactions for recent changes in RAB multiples etc. This year, the RAB multiples were increased to reflect the reduction in free cash flow horizons in the discounted cash flows. - Additional specific risk premiums were included in the discount rates for JGN and JEN. These premiums reflect the differences in the underlying regulatory revenue assumptions relating to the risk-free rate. - Reduction in Post Tax Discount WACC reflects a lower long term risk-free rate outlook.
JEN	10 (2018: 20)	RAB 1.4 x (2018: RAB 1.3 x)	4.32%	4.90%	
UED	5 (2018: 10)	RAB 1.5 x (2018: RAB 1.4 x)	3.72%	4.55%	
ADP	5 (2018: 10)	RAB 1.5 x (2018: RAB 1.4 x)	3.72%	4.55%	
Gas Transmission					
EGP	10 (2018: 20)	Perpetual Growth 0% - 1.0% (2018: Perpetual Growth 0% - 3.0%)	3.98% - 5.38%	4.79% - 6.19%	- The Group monitors risks on an ongoing basis for any change in the assumptions supporting the growth rates and forward profile of cash flows for these CGUs, including key elements of the discount rate which can have a material impact on the recoverable amount. The main change for this year is driven by a reduction in the market wide risk free rate. - The perpetual growth assumption is largely determined by demand/supply dynamics, alternate energy supplies, recontracting and the projected Australian Consumer Price Index. The Group expects inflation to be low in the long-term. - Additional specific risk premiums were included in the discount rates for the pipeline CGU's namely, EGP, QGP, VicHub, NGP and DDP. These premiums reflected market outlook and potential risks not fully captured in the cash flow forecasts. These risks include competition from QLD liquefied natural gas and NSW coal seam gas, re-contracting risks and the threat of coverage which may potentially impact EGP and QGP. - The Group carefully monitors market and regulatory risks relating to the EGP. These risks drive many scenarios and the Group has included in the cash flows the scenario that best estimates the understanding of the risks as at 31 Dec 19.
QGP	10 (2018: 20)				
DDPN	10 (2018: 20)				
Roma North	10 (2018: N/A)				
NGP	10 (2018: 20)				
Colongra	11 (2018: 12)				
VicHub	10 (2018: 20)				

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SECTION C OUR ASSETS

CGU	Cash Flow Horizon (years) ^a	Terminal Value Assumptions ^b	Post Tax Discount WACC 2019 ^c	Post Tax Discount WACC 2018 ^c	Comments on critical estimates and assumptions
Services					
Zinfra	5 (2018: 5)	Contract Growth 1.0% (2018: Contract Growth 1.5%)	8.89%	9.73%	- The market continues to be highly competitive and volatile which could impact revenue and EBITDA margin growth rates. The ability to maintain competitive margins as well as managing re-contracting risks for key customers remains a focus for the business. - Growth is driven mainly by revenue growth project and services contracts supported by identified opportunities, realistic win rates and historical trends.

Notes:

- The forecasts include assumptions related to the growth in revenue, operating expenditure and capital expenditure. For regulated CGUs, the growth assumption is primarily driven by the assumptions in the regulatory building block models with growth being a function of the regulated asset base ("RAB") and the allowable return from the regulator in the current regulatory period and expected future returns in the years post the current regulatory period.
- Terminal values are calculated by applying a multiple to the RAB in the terminal year for regulated assets and terminal growth rates to terminal year cash flows for unregulated assets.
- All CGUs' future nominal cash flows are discounted to their present value using a discount rate based on the weighted average cost of capital ("WACC"). The WACC takes into account the average rates of return required by providers of debt and equity capital (weighted to the market) to compensate them for the time value of money and the inherent risk or uncertainty in achieving the cash flow returns for that outlay of capital.
- Long-term risk free rate is consistently applied across all CGUs in the Group.

Reasonably possible change in key assumptions

The recoverable amount for the following CGUs approximates their carrying value. Accordingly, any deterioration in the key assumptions would result in possible recoverable amount deficiencies:

- JEN: The 2021-26 regulatory proposal has been submitted to the AER in January 2019. The regulatory decision has been deferred by 6 months and a final decision is not expected until the end of 2020. The assumptions in the final decision may deviate from the assumptions as at December 2019.
- EGP: Gas market reform and the impact of supply and demand factors drive some uncertainty in revenue projections, especially on recontracting assumptions.
- Zinfra: The market is highly competitive and evolving which could impact revenue and EBITDA margin growth rates. The ability to maintain competitive margins as well as managing re-contracting risks for key customers remains a focus for the business.

C6 Capital commitments

Capital expenditure contracted for at balance date but not recognised as a liability by the Group is as follows:

	2019 \$'000	2018 \$'000
Payable within one year	9,244	53,895
Payable later than one year but not later than five years	-	-
	9,244	53,895

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SECTION D FINANCING OUR BUSINESS

D1 Interest bearing liabilities

(a) Accounting policy

Borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are either stated at fair value or at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(b) Interest bearing liabilities

			Current		Non-current	
			2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
	Maturity date	Issue rate				
Finance leases			-	1,209	-	47,523
			-	1,209	-	47,523
Unsecured						
Bank loans - Syndicated Facility Agreements			-	-	785,000	720,000
Bank loans - Bilateral Facility Agreements			-	-	-	200,000
Less: borrowing costs			(414)	-	(2,972)	(4,597)
Debt securities						
- GBP 250m MTN	22-Feb-21	5.125%	-	-	486,737	473,939
- USD 500m MTN	09-Apr-23	3.300%	-	-	713,918	684,312
- AUD 150m MTN	25-Mar-20	BBSW+1.60%	150,000	-	-	150,000
- AUD 350m MTN	12-Mar-21	5.500%	-	-	350,000	350,000
- EUR 500m MTN	30-Jun-22	2.000%	-	-	828,286	846,307
- AUD 350m MTN	28-Jun-23	3.750%	-	-	359,684	350,916
- USD 500m MTN	29-Jul-26	3.250%	-	-	696,330	647,103
- HKD 875m MTN	21-May-27	3.300%	-	-	161,311	155,132
- USD 500m MTN	07-Jul-27	3.500%	-	-	733,276	682,434
- AUD 250m MTN	27-Sep-24	3.750%	-	-	250,000	250,000
- HKD 785m MTN	28-Mar-29	2.850%	-	-	143,507	-
- AUD 92m MTN	20-Jul-29	2.789%	-	-	92,000	-
- HKD 739m MTN	20-Dec-29	2.535%	-	-	135,098	-
Less: borrowing costs			(21)	-	(21,143)	(24,884)
Convertible instruments			-	-	800,000	800,000
			149,565	-	6,511,032	6,280,662
			149,565	1,209	6,511,032	6,328,185

For more information about the Group's exposure to interest rate and foreign currency risk, see note D4. Details of financing facilities utilised/unutilised are also contained in note D4 (d).

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SECTION D FINANCING OUR BUSINESS

D2 Finance income and costs

(a) Accounting policy

Finance income and costs are recognised using the effective interest method.

Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. The capitalisation rate used to determine the amount of borrowing costs to be included in the cost of qualifying assets is the weighted average interest rate of 4.28% for the year applicable to the Group's outstanding borrowings (year ended 31 December 2018: 4.22%). Generally, the Group's gearing rate is applied to the capitalisation rate to determine the amount of interest to capitalise, however NGP construction costs are nominated to be 100% debt funded for this purpose.

(b) Summary

	2019 \$'000	2018 \$'000
Finance income		
Interest on funds invested	434	495
Interest on lease receivable	2,163	1,019
Defined benefit net interest	980	991
	3,577	2,505
Finance costs		
Interest and finance charges paid/payable on borrowings	(293,710)	(305,305)
Gain/(loss) on the fair value hedging instruments (fair value hedges)	134,037	77,368
Gain/(loss) on the fair value hedged items (fair value hedges)	(138,670)	(83,437)
Other hedging related items	(3,837)	396
Capitalised finance charges	7,329	27,158
Interest on leases	(10,330)	(3,949)
Unwinding of discount on liabilities	(1,634)	(1,781)
	(306,815)	(289,550)
Economic hedge		
Unwind of economic hedging instruments through hedge reserves	-	(488)

SECTION D FINANCING OUR BUSINESS

D3 Derivative financial instruments and hedging reserve

(a) Accounting policy

The Group uses derivative financial instruments such as interest rate swaps, cross currency swaps and foreign exchange contracts to hedge its exposure to foreign exchange and interest rate risks arising from financing activities. The Group does not speculatively trade in derivative financial instruments, however, derivative financial instruments that do not qualify for hedge accounting are accounted for as held for trading.

Derivative financial instruments are recognised at fair value (refer to note F1) determined using level 2 fair value hierarchy inputs, and using discounted cash flow analysis.

The Group applies the maturity date approach to classify derivative financial instruments. Derivative financial instruments are classified as non-current, except for those instruments that mature in less than 12 months from balance date, which are classified as current.

In order to qualify for hedge accounting all of the following hedge effectiveness testing criteria need to be met:

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

(i) Hedge ineffectiveness

Hedge ineffectiveness may arise from counterparty credit risk, changes in timing of the forecast transactions and forecast transactions not occurring. However, the Group tests the hedging effectiveness periodically to ensure that the sources of ineffectiveness do not dominate the hedge relationship.

(ii) Fair value hedges

Changes in the fair value of a derivative financial instrument designated as a fair value hedge of the exposure to changes in fair value of a recognised asset, liability or unrecognised firm commitment, is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, the gain or loss attributable to the hedged risk is recognised in the income statement with an adjustment to the carrying amount of the hedged item.

(iii) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and accumulated in the hedging reserve. The ineffective portion of the gain or loss is recognised in the income statement.

When the forecast transaction subsequently results in the recognition of a non-financial asset or liability, or a forecast transaction for a non-financial asset or liability becomes a firm commitment for which hedge accounting is applied, the associated cumulative gains or losses is removed from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognised directly in equity are reclassified into the income statement in the same year or years during which the asset acquired or liability assumed affects the income statement (e.g. when interest expense is recognised). In either case, if the amount is a loss and the Group expects that all or a portion of that loss will not be recovered in one or more future periods, it shall immediately reclassify the amount that is not expected to be recovered into the income statement.

When a cash flow hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, and the hedged forecast transaction is still expected to occur, the cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement or used to adjust the initial cost of the non-financial item. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is immediately transferred to the income statement.

(iv) Foreign currency basis spreads

The cumulative change in fair value of the foreign currency basis spreads of cross currency interest rate swaps designated in hedge relationships is recognised as a cost of hedging in a separate component of the hedging reserve.

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SECTION D FINANCING OUR BUSINESS

(b) Critical accounting estimates and judgements

The fair value of derivative financial instruments is determined as follows:

- the fair value of derivative financial instruments with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices. The quoted market price used is the current mid-price, as the derivative financial instruments are in hedging relationships with offsetting market risks; and

- the fair value of other derivative financial instruments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Judgements about whether the Group's hedges are in effective economic relationships are on the basis of critical terms of the hedging instrument and hedged item being aligned; including face values, cash flows and currency, and the relationship between the hedged risk and the corresponding value of the hedging derivatives resulting in a hedge ratio of one.

(c) Summary

	Current		Non-current	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Assets*				
Fair value hedges				
Cross currency swap contracts	-	-	432,075	370,895
Interest rate swap contracts	-	-	9,796	1,034
Cash flow hedges				
Cross currency swap contracts	-	-	109,252	78,474
Interest rate swap contracts	-	-	-	2,005
Forward foreign exchange contracts	-	452	-	-
Instruments which do not qualify for hedge accounting				
Interest rate swap contracts	-	-	-	-
	-	452	551,123	452,408

	Current		Non-current	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Liabilities*				
Fair value hedges				
Cross-currency swap contracts	-	-	-	60,536
Interest rate swap contracts	-	-	-	-
Cash flow hedges				
Cross-currency swap contracts	-	-	7,976	(44,350)
Interest rate swap contracts	1,384	184	252,374	84,869
Forward foreign exchange contracts	75	3	-	-
Instruments which do not qualify for hedge accounting				
Interest rate swap contracts	-	-	-	-
	1,459	187	260,350	101,055

	2019 %	2018 %
Weighted Average Interest Rate		
Cross currency swap contracts	3.49	3.82
Interest rate swap contracts	2.68	2.69

* The Group classifies derivative financial instruments with positive fair values as assets and negative fair values as liabilities. The Group also presents the fair value of the derivative financial instruments based on their bifurcated hedge accounting designations.

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SECTION D FINANCING OUR BUSINESS

(d) Foreign currency risk management

The following table summarises the carrying amount and hedge accounting designations of foreign exchange contracts used to manage foreign currency exposure:

	Weighted average exchange rate	Foreign currency contract value FC\$'000	Carrying amount \$'000	Less than 1 year \$'000	1- 5 years \$'000
2019					
Forward foreign currency contracts					
- Buy USD (United States Dollar)	0.6846	1,405	(53)	(53)	-
- Buy CAD (Canadian Dollar)	0.9027	1,332	(15)	(15)	-
- Buy EUR (Euro)	0.6169	310	(7)	(7)	-
2018					
Forward foreign currency contracts					
- Buy USD (United States Dollar)	0.7275	10,411	426	426	-
- Buy CAD (Canadian Dollar)	0.9639	12,996	23	23	-

(e) Hedge accounting

As 31 December 2019, the Group held various types of derivative financial instruments and formally designated them in cash flow and fair value hedge relationships for accounting purposes, in accordance with the requirements of AASB 9. The following table summarises the derivative financial instruments in the consolidated balance sheet and the effects of hedge accounting on the Group's financial position and performance for 2019.

	Nominal amount of hedging instrument \$'000	Change in the value of the hedging instrument used for calculating hedge ineffectiveness \$'000	Change in value of the hedged item used for calculating hedge ineffectiveness \$'000	Change in value of the hedging instrument recognised in hedging reserve \$'000	Hedge ineffectiveness recognised in (profit) and loss \$'000	Amount reclassified from the cash flow hedge reserve to (profit) or loss \$'000
Cash flow hedges						
Interest (up to 11 years)	3,761,000	(170,711)	170,711	(170,711)	-	-
Capital expenditure (up to 1 year)	4,031	(524)	524	(524)	-	-
Foreign currency debt (up to 9 years)	3,351,072	(28,323)	32,159	(32,159)	(3,837)	-
Fair value hedges						
Local Currency debt (up to 5 years)	250,000	8,761	(8,833)	N/A	71	N/A
Foreign currency debt (up to 9 years)	3,071,738	121,022	(118,743)	N/A	(2,279)	N/A

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SECTION D FINANCING OUR BUSINESS

(f) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net changes 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 derivative financial instruments in the cash flow hedge reserve are expected to impact profit and loss are the same as when the hedged highly probable cash flows are expected to occur.

	2019 \$'000	2018 \$'000
Balance at beginning of the year	(59,251)	(26,800)
Revaluation (cash flow hedge accounting)	(137,456)	(30,901)
Revaluation (foreign currency basis spreads)*	(7,943)	2,199
(Gain)/loss taken to income statement (unwind of economic hedge instruments, net of tax)	-	342
Share of associate's hedge reserve	(12,098)	(4,091)
Balance at end of the year	(216,748)	(59,251)

* AASB 9 requires the foreign currency basis spreads of cross currency swaps to be separated from hedge relationships in Equity.

SECTION D FINANCING OUR BUSINESS

D4 Financial Risk Management

Overview

The Group has exposure to the following risks from the use of financial instruments:

- interest rate risk
- currency risk
- credit risk
- liquidity risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk, Health, Safety and Environment Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk Management framework operates in conjunction with several other policies of the Group, including the:

- Delegations of Financial Authority which sets out the approvals required for such transactions as investment of surplus funds, execution of hedging transactions, borrowings and issue of guarantees and indemnities;
- Treasury Operations Manual which sets out the day-to-day Treasury front office processes such as cash management and the operations of the Treasury back office, such as settlement processes and bank account operations; and
- Refinancing and Hedging Strategy which sets out the refinancing and hedging strategies over the relevant financial period.

Together, these policies provide a financial risk management framework which supports the Group's objectives of finding the right balance between risk and reward to enhance profitability and business performance while minimising current and future exposures.

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts;
- interest rate swaps ("IRS"); and
- cross currency swaps ("CCS").

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

It is the Group's policy to ensure, wherever possible, that all hedging activities comply with the hedge accounting requirements of AASB 9 *Financial Instruments*. However, there may be instances where it makes commercial and economic sense to enter into derivative financial instrument transactions that do not achieve hedge accounting. In these instances, under AASB 9 such derivative financial instruments must be classified as "held for trading". However, this classification is not an indication of intent to trade in derivative financial instruments.

The material financial risks associated with the Group's activities are each described below, together with details of the Group's policies for managing the risk.

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SECTION D FINANCING OUR BUSINESS

(a) Interest rate risk

The Group is exposed to the risk of movements in interest rates on its borrowings. In addition, the regulated electricity distribution business and gas distribution business revenues are impacted directly by changes in the interest rates relating to each of their respective price review periods. This is a result of the "building block" approach where interest rates are considered in the determination of the regulatory weighted average cost of capital and consequently, regulated revenues. The price review period is five years for gas and electricity distribution. The AER has in December 2013 issued its guidelines for determining the rate of return for regulated assets. This guideline impacts the hedging approach taken by the Group, as it now references a 10-year trailing average method rather than market observation at the start of the regulatory period. Hedging of interest rate exposure is aligned to the transition path proposed by the AER.

The objective of hedging activities carried out by the Group in relation to these businesses 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. The exposure is managed by maintaining an appropriate mix of fixed and floating rate borrowings and by the use of IRS.

The debt portfolio of the Group consists of both floating rate debt and fixed rate debt. The Group's interest rate hedging policy is linked to debt notionally allocated to the asset classes. Interest rate derivative financial instruments are used in order to maintain the percentage of allocated fixed rate debt according to the asset classes (Jemena, which includes regulated network assets and pipelines; and Zinfra, which is an infrastructure services business), as approved by the Board. Hedging of the regulated assets is aligned with tenures linked to the respective regulatory reset periods.

As at balance date, the Group had the following financial assets and liabilities exposed to fair value interest rate risk that were not designated in a hedging relationship:

	2019 \$'000	2018 \$'000
Financial assets:		
Cash at bank and in hand	39,473	26,936
	39,473	26,936
Financial liabilities:		
Bank loans and debt securities not designated in an interest rate hedging relationship	495,738	672,738
	495,738	672,738

The Group utilises IRS to manage its exposure to interest rate risk (refer note D3 (d)). Under IRS, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on debt held.

Due to the Group's interest rate risk management policies, the exposure at a corporate level to interest rate risk at any point in time is significantly reduced. At balance date, 86.8% of the Group's borrowings are fixed through either fixed rate debt or pay fixed IRS.

The Group's exposure to changes in interest rates is limited to exposure denominated in Australian dollars due to our policy of mitigating interest rate risk exposure on foreign currency debt. As a result, the sensitivity analysis below has only been performed based on movements in Australian interest rates. As at reporting date, if Australian interest rates had increased and decreased by 63 basis points as at 31 December 2019 (2018: 46 basis points), with all other variables held constant, post-tax profit and equity would have increased/ (decreased) as follows:

Sensitivity Analysis

	2019		2018	
	Net profit/(loss) \$'000	Equity \$'000	Net profit/(loss) \$'000	Equity \$'000
Increase in Australian interest rates	(457)	98,658	(2,918)	52,050
Decrease in Australian interest rates	419	(103,460)	2,902	(62,583)

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(b) Currency risk

The Group's policy is to eliminate all currency risk due to funding activities in offshore debt markets. All foreign currency denominated debt has been fully hedged through the use of cross currency swaps into Australian dollar debt. Other foreign exchange rate exposures arising from commitments to foreign currency purchases are managed within approved policy parameters utilising forward foreign exchange contracts.

The objective of the Group's currency risk management program is to eliminate material foreign exchange risk by utilising various hedging techniques as approved by the Board. The Group therefore considers currency risk exposure to be minimal.

The Group enters into cross currency swaps to manage exposures from foreign currency loans in USD, GBP, EUR and HKD (refer note D3 (e)). It is the policy of the Group to cover 100 per cent of the exposure generated by these loans.

Under cross currency swaps, the Group agrees to exchange specified principal and interest foreign currency amounts at an agreed future date at a specified exchange rate. Such contracts enable the Group to mitigate the risk of adverse movements in foreign exchange rates.

As at balance date, the Group held the following cross currency swaps for foreign currency denominated borrowings: The maturity of these swaps matches the maturity of the relevant foreign currency denominated borrowings.

	2019 \$'000	2018 \$'000
Cross currency swaps notional amounts		
USD	1,799,004	1,799,004
GBP	399,776	399,776
EUR	723,275	723,275
HKD	429,017	149,683
	3,351,072	3,071,738

The Group also enters into forward foreign exchange contracts to hedge the exchange rate risk in relation to specific purchase orders (refer note D3 (e)). It is the policy of the Group to fully hedge currency exposures above an approved threshold once the exposure is recognised. The derivative financial instrument used to hedge the exposure is entered into when there is a high degree of certainty as to the nature of the exposure, including currency, amount and delivery date so as to ensure a high level of effectiveness in cash flow hedging.

As at balance date, the Group had the following financial assets and liabilities exposed to currency risk that were not designated in a hedging relationship.

	2019 \$'000	2018 \$'000
Financial assets:		
Cash (USD denominated)	80	503
	80	503

Sensitivity analysis performed by management showed that movement in foreign currencies and the impact on net profit and equity is not material.

(c) Credit risk

Credit risk refers to the risk a counterparty will default on its contractual obligations resulting in financial loss to the Group and arises from the Group's financial assets, comprising cash and cash equivalents, trade and other receivables and derivative financial instruments.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions conducted are spread amongst approved counterparties. The Group therefore considers credit risk exposure to be minimal.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with strong investment grade credit ratings assigned by international credit rating agencies.

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SECTION D FINANCING OUR BUSINESS

Accounts receivable consist of a number of customers, spread across a range of industries and geographical areas. In most part, the Group's revenue is sourced from its regulated energy networks, contracted gas pipelines with large industrial customers, and maintenance services provided predominantly to other regulated energy or water distribution utilities. Despite the relatively low risk of bad debts, the Group regularly monitors the financial condition of its accounts receivable balances to ensure the exposure to bad debts is minimised. Refer to note B7 for more information.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for impairment losses and credit value adjustments, represents the Group's maximum exposure to credit risk.

(d) Liquidity risk

The Group targets a minimum net liquidity, defined as available short term funds and committed financing facilities. As at balance date, the Group had the following committed financing facilities available:

	2019 \$'000	2018 \$'000
Floating rate		
Unsecured working capital, reviewed annually:		
- Amounts used - bank guarantees	62,625	76,354
- Amount unused	97,375	83,646
Unsecured bilateral facilities with various maturity dates and which may be extended by mutual agreement:		
- Amount used	-	200,000
- Amount unused	200,000	-
Unsecured syndicated bank loan facilities:		
- Amount used	785,000	720,000
- Amount unused	315,000	580,000
Total amount used	847,625	996,354
Total amount unused (refer note A1 (a))	612,375	663,646

The Group manages liquidity risk by maintaining adequate cash reserves, committed banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

As part of managing liquidity risk, the Group aims to maintain a diversified debt portfolio, in terms of maturity and source. In this regard, the Group has raised funds in both the bank debt market, the domestic and offshore capital markets. The investment grade credit rating of the Group ensures ready access to both domestic and offshore capital markets.

Liquidity risk is managed by the Group based on expected net cash inflows and outflows from financial assets and liabilities and available banking facilities combined with access to global capital markets. The following table summarises the maturities of the Group's financial assets and liabilities based on the remaining earliest contractual maturities at carrying amount.

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SECTION D FINANCING OUR BUSINESS

(d) Liquidity risk

Undiscounted contractual cash flow

	Carrying amounts \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
As at 31 December 2019						
Financial assets						
Cash and cash equivalents	39,473	39,473	-	-	-	39,473
Receivables (including lease receivable)	352,737	292,651	984	4,132	60,259	358,026
Interest rate swaps	9,796	3,154	3,017	3,897	-	10,068
Cross-currency swaps	541,327					
Cross currency swaps - receive		117,069	589,525	1,721,964	1,721,084	4,149,642
Cross currency swaps - pay		(83,918)	(476,147)	(1,373,743)	(1,587,130)	(3,520,938)
Forward foreign currency contracts	-	-	-	-	-	-
	943,333	368,429	117,379	356,250	194,214	1,036,272
Financial liabilities						
Variable interest rate loans	931,592	165,019	14,098	792,163	-	971,280
Fixed interest rate loans	4,929,005	168,711	981,730	2,399,889	2,142,093	5,692,423
Convertible instruments	800,000	82,000	82,000	246,000	2,905,266	3,315,266
Payables	179,998	179,998	-	-	-	179,998
Lease liabilities	141,917	28,085	39,918	70,239	26,695	164,937
Interest rate swaps	253,758	62,038	54,143	110,642	51,936	278,760
Cross-currency swaps	7,976					
Cross-currency swaps - receive		(7,347)	(7,515)	(22,544)	(316,179)	(353,585)
Cross-currency swaps - pay		8,220	8,191	24,637	316,784	357,832
Forward foreign currency contracts	75	73	-	-	-	73
	7,244,321	686,797	1,172,565	3,621,025	5,126,596	10,606,984
Net maturity		(318,368)	(1,055,186)	(3,264,775)	(4,932,382)	(9,570,712)

Notes to the financial statements

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SGSP (Australia) Assets Pty Ltd
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SECTION D FINANCING OUR BUSINESS

Undiscounted contractual cash flow

	Carrying amounts \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
As at 31 December 2018						
Financial assets						
Cash and cash equivalents	26,936	26,936	-	-	-	26,936
	330,644	332,518	336	1,265	7,062	341,181
Interest rate swaps	3,039	347	369	376	2,336	3,428
Cross-currency swaps	449,369					
Cross currency swaps - receive		60,698	60,698	1,978,814		2,100,210
Cross currency swaps - pay		(60,068)	(58,058)	(1,694,564)		(1,812,690)
Forward foreign currency contracts	452	492	-	-	-	492
	810,440	360,923	3,345	285,891	9,398	659,557
Financial liabilities						
Variable interest rate loans	1,065,289	5,611	151,541	120,753	800,134	1,078,039
Fixed interest rate loans	4,464,105	157,613	157,613	3,015,528	2,024,580	5,355,334
Convertible instruments	800,000	82,000	82,000	246,000	2,987,266	3,397,266
Payables	243,971	243,971	-	-	-	243,971
Finance leases	48,732	6,869	7,033	21,479	63,864	99,245
Interest rate swaps	85,053	21,009	27,028	44,383	1,188	93,608
Cross-currency swaps	16,186					
Cross-currency swaps - receive		(53,112)	(53,112)	(159,335)	(1,765,205)	(2,030,764)
Cross-currency swaps - pay		58,268	55,510	180,193	1,692,238	1,986,209
Forward foreign currency contracts	3	(4)	-	-	-	(4)
	6,723,339	522,225	427,613	3,469,001	5,804,065	10,222,904
Net maturity		(161,302)	(424,268)	(3,183,110)	(5,794,667)	(9,563,347)

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SECTION D FINANCING OUR BUSINESS

(e) Fair value of financial assets and liabilities

The Group classified the fair value measurements (refer note F1) of its financial instruments using a level 2 fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair value is measured using valuation techniques and significant market observable data as well as market corroboration based on active quotes. These include industry standard interest rate, foreign exchange and currency basis yield curves sourced directly from Bloomberg. In addition, an adjustment to the fair value for all cross currency and interest rate swap contracts is applied for credit risk in accordance with AASB 13 Fair Value Measurement. Credit risk is obtained directly from the observable Credit Default Swap curves within Bloomberg for each of the relevant counterparties, with the Bilateral Credit Risk applied uniformly across all swap assets and liabilities as at balance date.

With the exception of the below, the fair values of other financial assets and liabilities approximate their carrying amounts

	Carrying amount		Fair value	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial liabilities				
Debt securities (fixed rate)	4,929,005	4,415,373	4,564,787	4,033,787
Debt securities (floating rate)	149,978	149,886	150,306	151,173

(f) Financial covenants

The terms of certain financing arrangements contain financial covenants.

The Group regularly monitors compliance with its financial covenants and reports to its banking syndicate on a semi-annual basis and was in compliance with its financial covenants throughout the year.

D5 Share capital

(a) Accounting policy

Ordinary share capital is recorded at the fair value of consideration received. The costs of issuing securities are charged against the share capital. Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

(b) Summary

	2019 \$	2018 \$
Fully paid ordinary shares (at \$1 each)	3,200,000,100	3,200,000,100
	3,200,000,100	3,200,000,100

Notes to the financial statements

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SGSP (Australia) Assets Pty Ltd
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SECTION D FINANCING OUR BUSINESS

D6 Reconciliation of movements of assets and liabilities to cash flows arising from financing activities

	1 January 2019	Cash flows					Non-cash changes			31 December 2019
	Opening Balance \$'000	Proceeds from borrowings \$'000	Repayment of borrowings \$'000	Proceeds from settlement of derivatives \$'000	Interest paid \$'000	Other \$'000	Fair value changes \$'000	Additions/ (Disposals) \$'000	Other \$'000	Closing Balance \$'000
Interest bearing liabilities										
Finance leases	48,732	-	-	-	4,240	(6,869)	-	(46,103)	-	-
Bank loans	915,403	640,000	(775,000)	-	-	-	-	-	1,211	781,614
Debt securities	4,565,259	371,335	-	-	-	-	138,669	-	3,720	5,078,983
Convertible instruments	800,000	-	-	-	-	-	-	-	-	800,000
	6,329,394	1,011,335	(775,000)	-	4,240	(6,869)	138,669	(46,103)	4,931	6,660,597
Derivative financial instruments - Assets										
Cross currency swap contracts	(449,369)	-	-	-	-	-	(91,958)	-	-	(541,327)
Interest rate swap contracts	(3,039)	-	-	-	-	-	(6,757)	-	-	(9,796)
Forward foreign exchange contracts	(452)	-	-	-	-	-	452	-	-	-
	(452,860)	-	-	-	-	-	(98,263)	-	-	(551,123)
Derivative financial instruments - Liabilities										
Cross currency swap contracts	16,186	-	-	-	-	-	(8,210)	-	-	7,976
Interest rate swap contracts	85,053	-	-	-	-	-	168,705	-	-	253,758
Forward foreign exchange contracts	3	-	-	-	-	-	72	-	-	75
	101,242	-	-	-	-	-	160,567	-	-	261,809
Lease liabilities										
Lease liabilities	37,692	-	-	-	6,089	(30,254)	-	128,390	-	141,917
	37,692	-	-	-	6,089	(30,254)	-	128,390	-	141,917

Notes to the financial statements

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SECTION D FINANCING OUR BUSINESS

D6 Reconciliation of movements of assets and liabilities to cash flows arising from financing activities

	1 January 2018	Cash flows					Non-cash changes			31 December 2018
	Opening Balance \$'000	Proceeds from borrowings \$'000	Repayment of borrowings \$'000	Proceeds from settlement of derivatives \$'000	Interest paid \$'000	Other \$'000	Fair value changes \$'000	Additions/ (Disposals) \$'000	Other \$'000	Closing Balance \$'000
Interest bearing liabilities										
Finance leases	50,775	-	-	-	3,949	(7,177)	-	-	1,185	48,732
Bank loans	536,526	1,741,004	(1,361,004)	-	-	-	-	-	(1,123)	915,403
Debt securities	4,492,058	-	(131,503)	-	-	-	200,287	-	4,417	4,565,259
Convertible instruments	800,000	-	-	-	-	-	-	-	-	800,000
	5,879,359	1,741,004	(1,492,507)	-	-	(7,177)	200,287	-	8,428	6,329,394
Derivative financial instruments - Assets										
Cross currency swap contracts	(344,617)	-	-	-	-	-	(104,752)	-	-	(449,369)
Interest rate swap contracts	(5,293)	-	-	-	-	-	2,254	-	-	(3,039)
Forward foreign exchange contracts	(49)	-	-	-	-	-	(403)	-	-	(452)
	(349,959)	-	-	-	-	-	(102,901)	-	-	(452,860)
Derivative financial instruments - Liabilities										
Cross currency swap contracts	105,446	-	-	-	-	-	(89,260)	-	-	16,186
Interest rate swap contracts	39,999	-	-	-	-	-	45,054	-	-	85,053
Forward foreign exchange contracts	503	-	-	-	-	-	(500)	-	-	3
	145,948	-	-	-	-	-	(44,706)	-	-	101,242

Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
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For the year ended 31 December 2019

SECTION D FINANCING OUR BUSINESS

D7 Leases

(a) Accounting policy

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and IFRIC 4. The details of accounting policies under AASB 117 and IFRIC 4 are disclosed separately.

Policy applicable to contracts entered into on or after 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for the period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at commencement date, discounted using the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

If an arrangement contains lease and non-lease components, then the Group applies AASB 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease and regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

Notes to the financial statements

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SECTION D FINANCING OUR BUSINESS

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

Generally, accounting policies applicable to the Group as a lessor in the comparative period did not differ from AASB 16.

Policy applicable before 1 January 2019

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the leased property or, if lower, at the present value of the minimum lease payments.

Finance lease payments are apportioned between finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the income statement.

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

(b) Critical accounting estimates and judgements

The assessment of lease term requires significant judgement as to whether the Group is reasonably certain to exercise extension options.

(c) Right of use asset movements

	Land and Buildings \$'000	Motor Vehicles \$'000	Other Property, Plant and Equipment \$'000	Total \$'000
Year ended 31 December 2019				
Opening carrying amount - 1 January 2019	104,822	23,043	3,815	131,680
Additions	136	2,932	27	3,095
Depreciation charge	(14,543)	(9,863)	(806)	(25,212)
Disposals	(1,598)	-	-	(1,598)
Closing carrying amount - 31 December 2019	88,817	16,112	3,036	107,965
At 31 December 2019				
Cost	103,360	25,975	3,842	133,177
Accumulated depreciation	(14,543)	(9,863)	(806)	(25,212)
Carrying amount	88,817	16,112	3,036	107,965

(d) Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group re-assesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

In November 2019, the International Financial Reporting Standards Interpretations Committee (IFRIC) issued a final agenda decision, Lease Term and Useful Life of Leasehold Improvements, on how lease term of a cancellable or renewable lease should be determined for both the lessor and lessee when applying AASB 16 Leases. IFRIC clarifies that the broader economics and not only the contractual termination payments should be considered in determining lease terms. The adoption of this clarification may in Right-of-use Assets and lease liabilities in the Balance sheet as well as an increase in depreciation and interest expense in the Income statement and Statement of comprehensive income. As at 31 December 2019, the Group has not adopted this IFRIC Agenda Decision. The impact of the change is not reasonably estimable as the Group has yet to commence its assessment of the impact of the IFRIC Agenda Decision. The Group expects to adopt this Agenda Decision in its annual financial statements for the year ending on 31 December 2020.

Notes to the financial statements

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For the year ended 31 December 2019

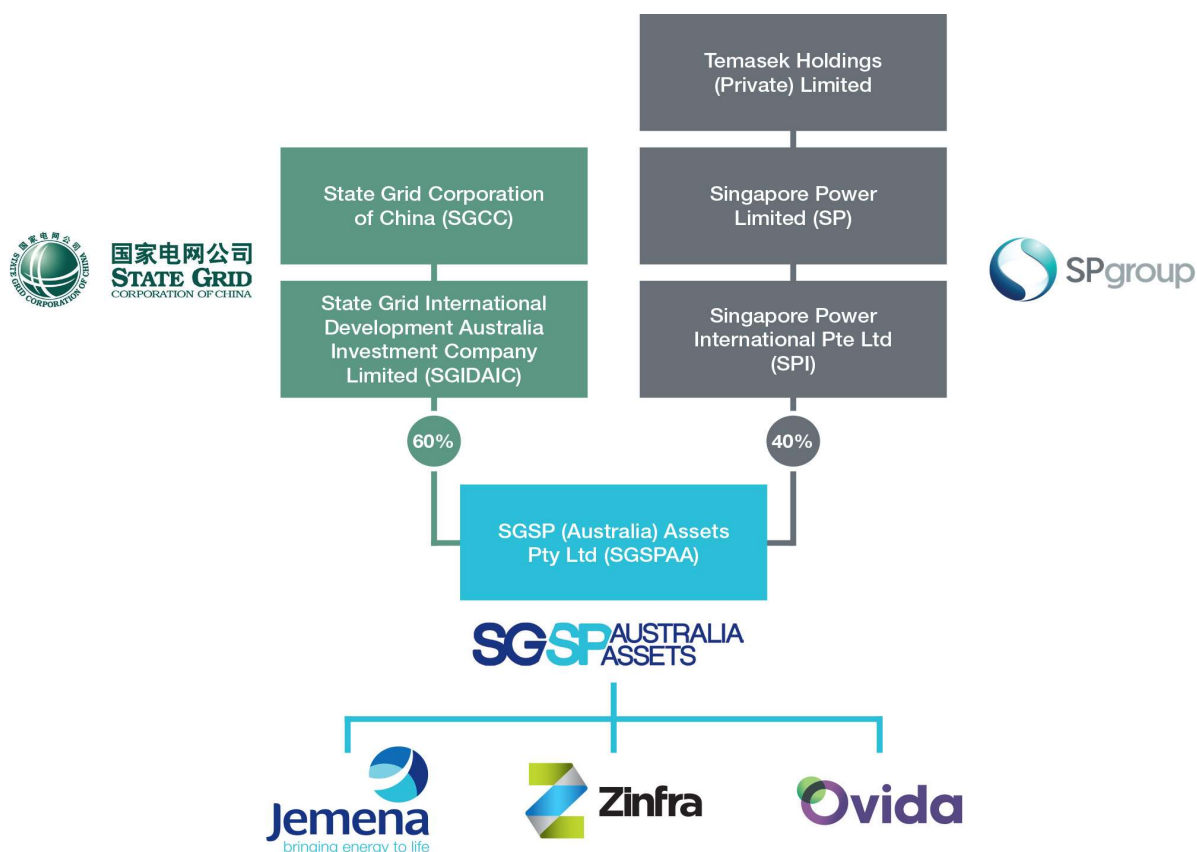
SECTION E GROUP STRUCTURE

E1 Parent entity information

(a) Parent entities

The Company is the ultimate Australian parent of the Group.

The ultimate parent entity is State Grid Corporation of China ("SGCC").



Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
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SECTION E GROUP STRUCTURE

(b) Financial information of the Company

	2019 \$'000	2018 \$'000
Balance sheet		
Assets		
Current assets	2,904,335	2,452,355
Non-current assets	6,506,525	6,200,041
Total Assets	9,410,860	8,652,396
Liabilities		
Current liabilities	1,062,178	569,559
Non-current liabilities	6,371,406	5,989,717
Total Liabilities	7,433,584	6,559,276
Equity		
Share capital	3,200,000	3,200,000
Reserves	(177,709)	(48,467)
Retained earnings	45,617	32,219
Accumulated losses	(1,090,632)	(1,090,632)
Total Equity	1,977,276	2,093,120
Income statement		
Profit for the year	194,598	153,548
Other comprehensive income for the year	(145,033)	(29,383)
Total comprehensive income for the year	49,565	124,165
Dividends		
Dividends paid to shareholders: \$0.06 per share (year ended 31 December 2018: \$0.05 per share)	181,200	155,400

(c) Disclosures of the Company

The Company has provided performance guarantees on behalf of the Group. No liability was recognised as the fair value of the guarantees is immaterial.

The Company did not have any contractual commitments for the acquisition of property, plant and equipment as at 31 December 2019 or 31 December 2018.

Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
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For the year ended 31 December 2019

SECTION E GROUP STRUCTURE

E2 Subsidiaries

(a) Accounting policy

(i) Business combinations

The Group accounts for business combinations using the acquisition method. The Group identifies the acquirer and the acquisition date. As of the acquisition date, the Group recognises the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. Then, the Group recognises goodwill as of the acquisition date, measured as the excess of the fair value of consideration transferred over the net assets or net liabilities recognised as described.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it 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 over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and other components of equity. Any resulting gain or loss is recognised in the income statement. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iii) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements.

(b) Critical accounting estimates and judgements

(i) Fair value in business combinations

Business combinations are accounted for using the acquisition method. This method requires the application of fair values for both the consideration given and the assets and liabilities acquired. The calculation of fair values is often predicated on estimates and judgements including future cash flows, revenue streams and value in use calculations. The determination of the fair values may remain provisional for up to 12 months from the date of acquisition due to the time necessarily required to obtain independent valuations of individual assets and to complete assessments of provisions.

(c) Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, equity, revenues and expenses and cash flows of the following subsidiaries:

All subsidiaries are incorporated in Australia and 100% of their share capital / units issued was owned by the Group during the current year and prior year.

Name of entity

Jemena Electricity Networks (Vic) Ltd
Jemena Gas Networks (NSW) Ltd
Ovida Pty Ltd
ZNX Pty Ltd
ZNX (2) Pty Ltd
Jemena Eastern Gas Pipeline (1) Pty Ltd
Jemena Eastern Gas Pipeline (2) Pty Ltd
Jemena Eastern Gas Pipeline Holdings Pty Ltd
Jemena Queensland Gas Pipeline (2) Pty Ltd
Jemena Queensland Gas Pipeline (1) Pty Ltd
Jemena VicHub Pipeline Pty Ltd
Jemena Eastern Gas Pipeline (3) Pty Ltd
Jemena Gas Transmission Pty Ltd
Jemena Networks (ACT) Pty Ltd
Jemena Group Holdings Pty Ltd
Jemena Holdings Pty Ltd
Jemena Limited

Name of entity

Jemena NT Pipelines Pty Ltd
Jemena NSGC Pty Ltd
AquaNet Sydney Pty Ltd*
Jemena Colongra Pty Ltd
Jemena Northern Gas Pipeline Pty Ltd
Ovida Infrastructure Pty Ltd
SGSP Rosehill Network Pty Ltd*
Jemena Darling Downs Pipeline (1) Pty Ltd
Jemena Darling Downs Pipeline (2) Pty Ltd
Jemena Darling Downs Pipeline (3) Pty Ltd
CLM Infrastructure Pty Ltd
Jemena Contracting Services (West) Pty Ltd
Zinfra Contracting Pty Ltd
Jemena EH Pty Ltd
Zinfra Pty Ltd
Jemena Management Holdings Pty Ltd
Jemena Management Services Pty Ltd

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SGSP (Australia) Assets Pty Ltd
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SECTION E GROUP STRUCTURE

Name of entity

Jemena Gas Pipelines Holdings Pty Ltd
Jemena Asset Management Pty Ltd
Jemena Asset Management (5) Pty Ltd

Name of entity

Jemena Gas Trust
QGP Unit Trust
Jemena Roma North Pipeline Pty Ltd **

* shares in these entities were sold on 30 September 2019 and hence no longer a subsidiary of SGSPAA

** this entity was acquired by Jemena Gas Pipelines Holdings Pty Ltd on 12 September 2019

E3 Acquisition of subsidiary

On 12 September 2019, Jemena Gas Pipelines Holdings Pty Ltd acquired 100% of the shares in Senex Pipeline & Processing Pty Ltd (SPP), now renamed to Jemena Roma North Pipeline Pty Ltd. The \$50 million acquisition has seen Jemena own and operate the Roma North processing facility and pipeline to transport gas to the GLNG project. The pipeline is capable of transporting up to 16 Terajoules per day.

The Group has leased these assets to SPP and have been disclosed as lease receivables as at 31 December 2019.

Revenue of the acquired entity included in the consolidated revenue of the Group since the acquisition date amounted to \$1.3 million, interest income of \$1.1 million with a profit of \$0.6 million.

Had the results of acquired entity been consolidated from 1 January 2019, management estimates no impact to the Group's revenue or net profit as the processing facility and pipeline were under construction and reached commissioning in September 2019.

(a) Acquisition date fair values

	Provisional fair value \$'000
Purchase consideration:	
Cash	50,000
Total purchase consideration	50,000
Identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	53,009
Intangible assets	-
Deferred tax liability	-
Provisions	(3,009)
Identifiable assets acquired and liabilities assumed	50,000
Total purchase consideration	50,000
Less: Total identifiable assets acquired and liabilities assumed	(50,000)
Goodwill	-

(b) Measurement of fair values

Fair value of assets acquired are based on management's best estimate. If new information obtained within one year of the date of acquisition about facts and circumstances that existed at the date of acquisition identifies adjustments to the value of the assets, then the accounting for the acquisition will be revised.

The valuation techniques used for measuring the fair value of material items were as follows:

Items	Valuation technique
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.

Notes to the financial statements

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SECTION E GROUP STRUCTURE

(c) Acquisition-related costs

Included within Materials and services expenses in the income statement are acquisition related costs totalling \$2.8 million. The costs include stamp duty and consulting firm success fees.

E4 Disposal of subsidiary

In September 2019, the Group sold the Rosehill Recycled Water Scheme (Aquanet). The transaction demonstrates the Group's capacity to continually review the asset portfolio and identify opportunities not only for the growth objective, but also to divest where strategically and economically prudent to do so. As a result, the Group disposed two subsidiaries including AquaNet Sydney Pty Ltd and SGSP Rosehill Network Pty Ltd and recognised a gain on disposal of \$18.9 million (net of tax).

E5 Deed of Cross-Guarantee

Pursuant to *ASIC Corporations (Wholly owned Companies) Instrument 2016/785* the wholly-owned subsidiaries listed below are relieved from the *Corporations Act 2001* requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Instrument that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that in an insolvency scenario each party to the deed will guarantee payment to creditors of the proven debts of an insolvent entity that is party to the ASIC Deed.

In the year ended 31 December 2019, the Company entered into two ASIC Deeds, being with Jemena subsidiaries (**Jemena closed group**) and Zinfra subsidiaries (**Zinfra closed group**) as specified below:

The subsidiaries subject to the Jemena closed group Deed are:

Jemena Limited	Jemena Gas Transmission Pty Ltd
Jemena Asset Management Pty Ltd	Jemena VicHub Pipeline Pty Ltd
Jemena Management Holdings Pty Ltd	Jemena Queensland Gas Pipeline (1) Pty Ltd
Jemena Management Services Pty Ltd	Jemena Queensland Gas Pipeline (2) Pty Ltd
Jemena Electricity Networks (Vic) Limited	Jemena NT Pipelines Pty Ltd
Jemena Gas Networks (NSW) Limited	Jemena Colongra Pty Ltd
Jemena Gas Pipelines Holdings Pty Ltd	Jemena EH Pty Ltd
Jemena Eastern Gas Pipeline (1) Pty Ltd	Jemena Holdings Pty Ltd
Jemena Eastern Gas Pipeline (2) Pty Ltd	Jemena Group Holdings Pty Ltd
Jemena Eastern Gas Pipeline (3) Pty Ltd	Jemena Northern Gas Pipeline Pty Ltd
Jemena Networks (ACT) Pty Ltd	Jemena Darling Downs Pipeline (1) Pty Ltd
Jemena Eastern Gas Pipeline Holdings Pty Ltd	Jemena Darling Downs Pipeline (2) Pty Ltd
Jemena Roma North Pipeline Pty Ltd	Jemena Darling Downs Pipeline (3) Pty Ltd

The subsidiaries subject to the Zinfra closed group Deed are:

Zinfra Pty Ltd	Zinfra Contracting Pty Ltd
ZNX(2) Pty Ltd	ZNX Pty Ltd

There have been no changes to either the Jemena closed group or the Zinfra closed group during the year ended 31 December 2019.

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SECTION E GROUP STRUCTURE

A consolidated income statement, comprehensive income and balance sheet, comprising the Company and controlled entities which are a party to the Deeds, after eliminating all transactions between parties to the Deeds of Cross Guarantee, for the year ended 31 December 2019 is set out as follows:

Income statement for the year ended 31 December 2019

	Jemena closed group* \$'000	Zinfra closed group* \$'000
Revenue and other income	1,341,081	1,062,717
Share of net profits of associate and joint venture	90,828	31,837
Employee benefits expense	(253,999)	(290,959)
Depreciation and amortisation expense	(283,715)	(23,549)
Materials and services expense	(288,766)	(441,261)
Operating profit	605,429	338,785
Finance income	4,349	115,753
Finance costs	(301,483)	(301,407)
Unwind of economic hedging instruments	-	-
Net finance costs	(297,134)	(185,654)
Profit before income tax	308,295	153,131
Income tax expense	(108,529)	21,259
Profit for the year	199,766	174,390
Other comprehensive income for the year (**)	(159,717)	(159,585)
Total comprehensive income for the year	40,049	14,805

During the year, the Company paid dividends of \$181.2 million to the shareholders (2018: \$155.4 million)

** Other comprehensive income comprises defined benefit superannuation plan actuarial gain/(loss), movement in hedging reserve and share of other comprehensive income from associate.

Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
ABN 60 126 327 624

For the year ended 31 December 2019

SECTION E GROUP STRUCTURE

Balance sheet as at 31 December 2019

	Jemena closed group* \$'000	Zinfra closed group* \$'000
Current assets		
Cash at bank and in hand	11,917	26,273
Receivables	180,341	4,506,999
Inventories	17,516	30,510
Prepayments and deposits	16,178	2,202
Total current assets	225,952	4,565,984
Non-current assets		
Deferred tax	-	145,924
Property, plant and equipment	7,641,928	17,488
Intangible assets	1,707,298	55,653
Investment in subsidiaries	-	3,517,299
Investments in associate and joint venture	1,249,627	177,949
Right of use assets	86,951	21,014
Lease receivable	54,325	-
Derivative financial instruments	551,123	551,123
Defined benefit superannuation plans	12,832	15,294
Total non-current assets	11,304,084	4,501,744
TOTAL ASSETS	11,530,036	9,067,728
Current liabilities		
Payables	142,129	34,333
Provisions	129,312	57,654
Interest bearing liabilities	149,565	149,565
Contract liability	36,979	5,887
Derivative financial instruments	1,459	1,384
Lease liabilities	15,492	12,387
Total current liabilities	474,935	261,210
Non-current liabilities		
Interest bearing liabilities	6,511,032	6,511,032
Provisions	81,158	1,971
Deferred tax	651,606	-
Lease liabilities	104,745	9,087
Derivative financial instruments	260,350	260,350
Total non-current liabilities	7,608,891	6,782,440
TOTAL LIABILITIES	8,083,826	7,043,650
Net assets	3,446,210	2,024,078
Share capital	3,200,000	3,200,000
Hedging reserve	(427,887)	(103,845)
Retained earnings	674,097	(1,072,077)
TOTAL EQUITY	3,446,210	2,024,078

* The closed group comprises SGSPAA and certain Jemena (for Jemena closed group) or Zinfra (for Zinfra closed group) subsidiaries as listed above.

Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
ABN 60 126 327 624

For the year ended 31 December 2019

SECTION E GROUP STRUCTURE

E6 Related party transactions

(a) Related entities

The Group engages in related party transactions with various entities within the AusNet Services Ltd group ("AusNet Services"). AusNet Services is a related entity via the Company's shareholders. The transmission networks of AusNet Services (Transmission) Limited transmits electricity to the Jemena Electricity Network. The Group also engages and provides construction work on network assets to AusNet Services. AusNet Services provides various asset management services to the Group.

The Group, via Zinfra, engages in related party transactions with its associate, UEDH, for construction and maintenance of its electricity network in Victoria.

The Group engages in related party transactions with its joint venture, ADP, to develop, construct, operate and maintain the electricity network and the gas networks in ACT, Queanbeyan and Nowra.

The Group engages in related party transactions with the NARI Group Corporation ("NARI") for supply of electric power equipment. NARI is a related entity via one of the Company's shareholders.

The Group, via Zinfra, provided construction services to ElectraNet in relation to electricity transmission in South Australia. ElectraNet is a related entity via one of the Company's shareholders.

Services between related parties are provided on mutually agreed terms.

(b) Subsidiaries

Interests in subsidiaries are set out in note E2 (c).

(c) Key management personnel

Key management personnel compensation paid (including salaries, superannuation and bonuses) is set out below. The key management personnel of the Group comprise the directors and those executives that report directly to the Managing Director.

	2019 \$	2018 \$
Short-term employee benefits	16,336,018	13,807,117
Post-employment benefits	265,006	225,183
Total	16,601,024	14,032,300

(d) Transactions with related parties

The following transactions occurred with related parties:

	2019 \$'000	2018 \$'000
Sales of goods and services		
Associate	126,652	128,390
Joint venture	27,567	36,897
Other related parties	143,175	156,580
Other income		
Associate - interest on redeemable preference shares	25,746	25,719
Associate – directors' fees	30	30
Joint venture – directors' fees	129	304
Purchase of goods		
Administration expenses to shareholders	22	40
Maintenance expenses to other related parties	12,158	8,510
Purchase of goods from other related parties	1,029	18,190

Notes to the financial statements

For the year ended 31 December 2019

SGSP (Australia) Assets Pty Ltd
ABN 60 126 327 624

SECTION E GROUP STRUCTURE

	2019 \$'000	2018 \$'000
Finance costs		
Shareholders	82,000	82,000
Dividend payments		
<i>Dividend payments to:</i>		
Shareholders	181,200	155,400
(e) Outstanding balances with related parties		
The following related party balances are outstanding at balance date		
	2019 \$'000	2018 \$'000
Current receivables		
Associate	24,655	30,615
Joint venture	6,362	4,163
Other related parties	42,708	49,861
Current payables		
Other related parties	2,767	1,089
Shareholders	41,337	41,337
Non-current payables		
Shareholders	800,000	800,000

Notes to the financial statements

SGSP (Australia) Assets Pty Ltd
ABN 60 126 327 624

For the year ended 31 December 2019

SECTION F OTHER DISCLOSURES

F1 Fair value measurement

(a) Accounting policy

The Group defines a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs: 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
- Level 3 inputs: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

F2 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company and its

(a) Audit services

	2019 \$	2018 \$
Statutory audit	668,375	943,800
Regulatory audits	809,825	1,224,325
Total remuneration for audit services	1,478,200	2,168,125

(b) Other services

	2019 \$	2018 \$
Taxation services	11,128	8,793
Other assurance services	96,500	90,500
Regulatory advisory services	142,021	-
Total remuneration for other services	249,649	99,293

The Group employs KPMG to perform both the statutory audit and the audit of regulatory returns as these returns represent an extension of the information obtained from the statutory audit. Using the same firm for both audits contributes to the efficiency of the audit process.

F3 Events occurring after balance date

On 17 February 2020, the Company successfully completed a Bond issuance of A\$99 million at a coupon of 2.68% with a maturity date of 27 February 2035. The transaction delivers good value as well as supports the Group's funding strategy achieving further diversification of maturity and funding sources with new investors.

The Coronavirus/Covid-19 outbreak, which has become a global pandemic subsequent to the 31 December reporting date, presents strategic, operational and commercial uncertainties for the Company. The situation is changing rapidly and there are increased uncertainties around the duration, scale and impact of the Coronavirus/Covid-19 outbreak. The Company is taking various measures to mitigate the impact of Covid-19 on its operations including employees, partners and customers. The Board and management team continue to assess the potential impacts on the business, however given the continued uncertainties the financial impact cannot be determined.

No other matters or circumstances have arisen since balance date that significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future years.

Directors' declaration

SGSP (Australia) Assets Pty Ltd
ABN 60 126 327 624

For the year ended 31 December 2019

In the directors' opinion:

1. the financial statements and notes set out on pages 4 to 63 are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year ended on that date; and
 - (b) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
2. there are reasonable grounds to believe that the Company:
 - (a) will be able to pay its debts as and when they become due and payable; and
 - (b) together with the group subsidiaries identified in Note E5, as parties to the Deeds of Cross Guarantee (**ASIC Deeds**), will be able to meet any liabilities to which they are, or may become, subject because of the ASIC Deeds;
3. The directors draw attention to Note A1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

Director:

Director:

Date: 26 March 2020



Independent Auditor's Report

To the shareholders of SGSP (Australia) Assets Pty Ltd

Opinion

We have audited the **Financial Report** of SGSP (Australia) Assets Pty Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Balance sheet as at 31 December 2019
- Income statement, Statement of comprehensive income, Statement of changes in equity, and Cash flow statement for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The **Group** consists of SGSP (Australia) Assets Pty Ltd and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified are:

- Recoverability of non-current assets, including property, plant and equipment, intangibles assets and investments
- Recognition of revenue
- Taxation

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of non-current assets, including property, plant and equipment (\$7,572m), intangible assets (\$1,763m) and investments (\$1,250m)

Refer to Note C5 Impairment testing

The key audit matter

Recoverability of non-current assets is a key audit matter due to the:

- size of non-current assets (being 90% of total assets);
- complex nature of the regulatory framework for determining revenue and expenditure applicable to each of the Group's regulated cash generating units (CGUs). This impacts the Group's ability to forecast cash flows for regulated CGUs. This increases the risk of inaccurate forecasts and a wider range of outcomes for us to consider;
- audit effort associated with gathering evidence in relation to forward looking assumptions applied in the Group's discounted cash flow models for each CGU. Key assumptions in the cash flow models included terminal values, expected capital and operating expenditure, expected returns from future regulatory determinations, contract margins, re-contracting risk, growth rates and discount rates;
- the Group uses complex models to

How the matter was addressed in our audit

Working with our regulatory specialists, our procedures included:

- using our industry knowledge and publically available data, such as, regulator information and industry outlooks, to consider the impact of relevant regulatory, technology and other market developments on the Group's discounted cash flow model assumptions;
- testing key controls over the cash flow models, including review and approval of key assumptions and business unit budgets which form the basis of the cash flow forecasts;
- evaluating the Group's sensitivity analysis in respect of key assumptions, including the identification of areas of estimation uncertainty and reasonably possible changes in key assumptions;
- assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models;
- assessing the appropriateness of the methodology applied by the Group to perform the impairment testing against the

perform their impairment testing; and uncertainty in energy policies and new developments in the Group's industry that are expected to impact the recoverability of the assets, increasing our focus in this area.	requirements of accounting standards; - assessing cash flow model integrity, including the accuracy of the underlying calculation formulas; - testing the Group's key assumptions by: - comparing forecast cash flows contained in the discounted cash flow models to Board approved forecasts. - comparing key events to the Board approved plan and strategy. - comparing regulated cash flow assumptions, to regulatory determinations including allowable expenditures, rates of return, and trends influencing long-term projections of these; - comparing a sample of non-regulated cash flows to customer contracts and historical performance, taking into consideration expected changes in the Group and the environment in which it operates; - assessing terminal value multiples and discount rates by considering it against publicly available data of a group of comparable entities with the assistance of our valuation specialists. - working with our valuation specialists we compared implied multiples from comparable market transactions to the implied multiple from the Group's discounted cash flow models and CGU carrying values; and - assessing disclosures in the financial report against the requirements of accounting standards.
Recognition of revenue (\$1,819m)	
Refer to note B2 Revenue and other income	
The key audit matter	How the matter was addressed in our audit
Revenue recognition is a key audit matter due to the: complex regulatory framework and billing process for the distribution of electricity and gas, in particular:	Our procedures included: - evaluating the appropriateness of the Group's accounting policies for revenue recognition against accounting standard requirements; - working with our Information Technology

- inherent complexity in the Group's customer billings processes and systems to estimate energy consumed and determine relevant tariffs; and - judgement required to audit the Group's revenue accrual models which estimate the unbilled period between the customer's last bill and reporting date. This estimate includes assumptions as to consumption patterns, weather conditions and tariffs. • judgement required to audit the Group's estimate of revenue relating to infrastructure services. This estimate includes forward looking assumptions for forecast revenue and costs to complete, stage of project activities, and recoverability of unapproved variations and claims.	specialists to: - test key controls in the revenue process including interfaces between systems, and the timing of revenue recognition used to record and bill revenue over accounting periods; and - assesses the unbilled revenue methodology and assumption applied against industry standards and practice. • testing a sample of system tariffs from the Group's billing system to regulatory determinations; • analysing revenue recognised by the Group against historical performance, regulatory determinations, and energy consumption data; • testing a sample of infrastructure services revenue recognised by the Group to underlying documents including, customer contracts, variations and claims documentation; • comparing a sample of accrued revenue balances recognised to actual customer billings subsequent to the year end; and • assessing and challenging the Group's assumptions relating to the recoverability of infrastructure services revenue by: - testing key controls such as review and approval of project budgets, variations and actual costs incurred by senior management; and - comparing forecast revenue and cost assumptions used by the Group to estimate revenue relating to infrastructure services against source documents including approved project budgets. We also compared them to actual costs incurred to date and the actual stage of project activities. • assessing disclosures in the financial report against the requirements of accounting standards.
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Taxation (\$103m Income tax expense)	
Refer to note B4 Taxation	
The key audit matter	How the matter was addressed in our audit
Taxation is a key audit matter due to the additional audit effort we applied resulting from the following: - increased Australian Taxation Office (ATO) compliance activities focused on ensuring taxpayers comply with their Australian tax obligations with respect to international related party transactions and structures. This has led to changes in Australian taxation laws, new ATO guidelines and judicial interpretation of Australia's transfer pricing laws which impact the Group; - the Group currently being subject to an ATO transfer pricing audit in relation to its convertible instruments; and - significant judgement required by us in assessing the Group's application of taxation legislation to tax matters and associated provisions. The Group engages external advisors to assist them in assessing application of tax law to the Group's specific circumstances. We involved our taxation and transfer pricing specialists in assessing this Key Audit Matter.	With the assistance of our taxation and transfer pricing specialists, our procedures included: - inquiring of management and those charged with governance regarding the status of tax matters, including participating in Audit and Compliance Committee meetings; - reading correspondence with the ATO and the Group's external advisers to understand the current status of the ATO audit, and the analysis and submissions being prepared by the Group for the ATO; - testing key controls relating to the accounting for and disclosure of tax related transactions, including review and approval of key tax matters by senior management; - assessing the Group's treatment of tax matters against accounting standard requirements, including: - comparing areas of key judgement in the Group's estimation of tax matters, against information such as tax legislation, rulings and case law; - comparing the Group's basis for measurement of tax provisions against the requirements of the accounting standards and challenged the provisioning methodologies and underlying assumptions; - assessing the Group's taxation disclosures against the requirements of the accounting standards and our understanding of the matters.

Other Information

Other Information is financial and non-financial information in SGSP (Australia) Assets Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 the Financial Report.



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our Auditor's Report.

A handwritten signature in black ink, appearing to read 'KPMG' in a stylized, cursive script.

KPMG

A handwritten signature in black ink, appearing to read 'Gordon Sangster' in a stylized, cursive script.

Gordon Sangster

Partner

Melbourne

26 March 2020