

SGSP (Australia) Assets Pty Ltd

ABN 60 126 327 624

Financial Report

For the year ended 31 December 2015

SGSP (Australia) Assets Pty Ltd

ABN 60 126 327 624

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SGSP (Australia) Assets Pty Ltd

ABN 60 126 327 624

Directors' report

For the year ended 31 December 2015

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 2015 and the auditor's report thereon.

Directors

The following persons were directors of the Company for the year ended 31 December 2015 and up to the date of this report (unless otherwise stated):

Mr Du Zhigang (Chairman)

Ms Lim Lay Hong (Chairperson, Funding and Disclosure Committee) (resigned 19 July 2015)

Mr Ruan Qiantu (Chairman, Risk, Health, Safety and Environment Committee)

Mr David Gregory Roseman (resigned 13 March 2015)

Mr Rowan Alexander Ross (resigned 29 June 2015)

Ms Jeanne Cheng

Mr Lim Howe Run

Mr Paul John Adams (Managing Director)

Mr Chia Seng Boon Brandon (Alternate Director) (resigned 3 September 2015)

Mr Albert Yeuk Kuk Tse (appointed 13 March 2015)

Mr Nicholas Greiner (appointed 30 June 2015)

Ms Lena Yue Joo Chia (appointed 20 July 2015)

Principal activities

The Group 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.

The operating businesses comprise the following principal segments:

Assets business

Electricity distribution

Jemena Electricity Network ("JEN") is a Victorian electricity distribution business supplying electricity to over 320,000 homes and businesses through approximately 6,000 kilometres of distribution network. The network services 950 square kilometres of northwest greater Melbourne.

The Company owns a 34% interest in United Energy Distribution Holdings Pty Ltd ("UEDH"), the holding company of United Energy Distribution Pty Ltd ("UED"). UED distributes electricity throughout southeast Melbourne and the Mornington Peninsula in Victoria. The network covers approximately 1,472 square kilometres and services over 660,000 end users.

The Group holds a 50% interest in the ActewAGL Distribution Partnership ("ActewAGL"). ActewAGL owns, plans, develops, constructs, operates and maintains the electricity network in the Australian Capital Territory ("ACT") and the gas networks in the ACT, Queanbeyan and Nowra. The remaining 50% of the partnership is owned by Icon Distribution Investments Limited, a subsidiary of Icon Water Limited. Icon Water Limited (formerly ACTEW Corporation Limited) is an ACT government owned company with assets and investments in water, wastewater, electricity and gas.

Gas distribution

Jemena Gas Network ("JGN") is a New South Wales ("NSW") gas distribution business established in 1837 and owns approximately 25,000 kilometres of natural gas distribution system, delivering approximately 90-100 petajoules per annum ("PJ p.a") of natural gas to more than 1.2 million homes and businesses across NSW.

SGSP (Australia) Assets Pty Ltd

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Directors' report

For the year ended 31 December 2015

Principal activities (continued)

Gas transmission and water distribution

The Eastern Gas Pipeline ("EGP") transports gas 797 kilometres from the Gippsland Basin in Victoria to Sydney and regional NSW, and has a current capacity of approximately 129 PJ p.a.

The Queensland Gas Pipeline ("QGP") transports gas 627 kilometres from the Surat Basin, Denison Trough and Bowen Basin to Gladstone and Rockhampton, and has a current capacity of approximately 56 PJ p.a.

VicHub is a pipeline interconnect facility situated at Longford, Victoria. The facility enables gas to flow between the Eastern Gas Pipeline and the Victorian gas transmission system. The facility has a nominal daily capacity of 150 terajoules per day.

The Colongra Gas Pipeline ("Colongra") is a 9 kilometre, high pressure gas transmission and storage pipeline delivering gas to the Colongra peaking power station at Munmorah, NSW.

AquaNet Sydney is responsible for the Rosehill Recycled Water Scheme, delivering high quality recycled water for industry and irrigation through a 20 kilometre network.

Services business

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

Review of operations

The net profit after tax of the Group for the year ended 31 December 2015 was \$338.8 million (nine month period ended 31 December 2014: \$239.4 million).

Dividends

No dividends were declared or paid by the Company during the year ended 31 December 2015 (nine month period ended 31 December 2014: nil).

Significant changes in the state of affairs

In November 2015 a subsidiary within the Group was selected by the Northern Territory ("NT") Government to build, own and operate the North East Gas Interconnector. To be known as the Northern Gas Pipeline ("NGP"), the NGP will be a 623km natural gas pipeline linking Tennant Creek in NT to Mt Isa in Queensland and will cost around \$800 million to construct. The Group is obliged to construct the pipeline according to conditions agreed with the NT Government. It is planned that the NGP will be operational in 2018.

In September 2015 the Company's shareholders restructured their investment in the Company such that the investment represented by the Trust Loans (see note 23) was replaced by the issuance of ordinary share capital (see note 28) and convertible instruments (see note 22(b)).

Other than listed above, in the opinion of the directors there were no significant changes in the state of affairs of the Group during the year.

Matters subsequent to balance date

No matters or circumstances have arisen since balance date that significantly affected or may 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

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.

Directors' report

For the year ended 31 December 2015

Environmental regulation and performance

The operations of the Group are 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 2015 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 premiums paid are confidential in accordance with the terms of the insurance contracts and normal commercial practice.

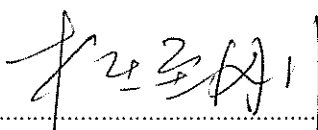
Auditor's independence declaration

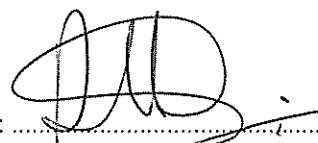
A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 4 and forms part of the Director's report for the year ended 31 December 2015.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 dated 10 July 1998, issued by the Australian Securities and Investments Commission ("ASIC"), relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

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

Director: 
MR DU ZHIGANG

Director: 
MR PAUL JOHN ADAMS

Place: Melbourne

Date: 10 March 2016



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 for the financial year ended 31 December 2015, 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

KPMG

Penny Stragalinos
Partner

Melbourne

10 March 2016

SGSP (Australia) Assets Pty Ltd

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Income statement

For the year ended 31 December 2015

		Consolidated	
		1 January 2015 - 31 December	1 April 2014 - 31 December
		2015	2014
		\$'000	\$'000
Revenue	Notes 6	1,768,452	1,408,524
Other income	7	26,030	17,907
Employee benefits expense	8	(421,071)	(318,998)
Depreciation and amortisation expense		(232,324)	(167,593)
Materials and services		(480,904)	(387,657)
Operating profit		660,183	552,183
Finance income	8	437	590
Finance costs	8	(284,715)	(229,116)
Unwind of economic hedge instruments	8	12,702	(20,687)
Net finance costs	8	(271,576)	(249,213)
Share of net profits of associate and joint venture accounted for using the equity method	5	95,028	35,070
Profit before income tax		483,635	338,040
Income tax expense	9	(144,847)	(98,593)
Profit for the year/period		338,788	239,447
Attributable to:			
Owners of the Company		338,788	239,447
Profit for the year/period		338,788	239,447

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

SGSP (Australia) Assets Pty Ltd

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Statement of comprehensive income

For the year ended 31 December 2015

		Consolidated	
		1 January 2015 - 31 December 2015	1 April 2014 - 31 December 2014
		\$'000	\$'000
Notes			
	Profit for the year/period	338,788	239,447
	Other comprehensive income		
	Items that will never be reclassified to profit or loss		
	Defined benefit superannuation plan actuarial gain/(loss) before tax	24,844	(8,346)
	Tax on defined benefit superannuation plan actuarial gain/(loss)	(7,453)	2,504
30	Defined benefit superannuation plan actuarial gain/(loss) after tax	17,391	(5,842)
	Items that are or may be reclassified to profit or loss		
	Movement in hedging reserve before tax	2,854	73,107
	Tax on movement in hedging reserve	(856)	(21,584)
29	Movement in hedging reserve after tax	1,998	51,523
	Other comprehensive income for the year/period	19,389	45,681
	Total comprehensive income for the year/period	358,177	285,128
	Attributable to:		
	Owners of the Company	358,177	285,128
	Total comprehensive income for the year/period	358,177	285,128

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

SGSP (Australia) Assets Pty Ltd

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Balance sheet**As at 31 December 2015**

		Consolidated	
		2015	2014
	Notes	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	10	15,722	23,066
Receivables	11	247,547	278,473
Inventories	12	35,753	33,627
Derivative financial instruments	13	49,679	40,679
Current tax receivable	14	-	25,160
Other current assets	15	11,045	11,318
Total current assets		359,746	412,323
Non-current assets			
Investments in associate and joint venture	16	1,198,765	1,111,198
Property, plant and equipment	17	6,063,738	5,790,148
Intangible assets	18	1,741,174	1,743,865
Derivative financial instruments	13	478,812	384,782
Defined benefit superannuation plans	19	21,281	-
Total non-current assets		9,503,770	9,029,993
Total assets		9,863,516	9,442,316
LIABILITIES			
Current liabilities			
Payables	20	149,684	186,768
Provisions	21	150,738	166,635
Interest bearing liabilities	22	287,070	683,390
Trust loans	23	-	4,200,017
Current tax payable	24	40,388	-
Deferred income	25	51,878	29,951
Derivative financial instruments	13	690	19,456
Total current liabilities		680,448	5,286,217
Non-current liabilities			
Interest bearing liabilities	22	5,114,052	3,797,502
Provisions	21	119,711	85,371
Deferred tax	26	509,262	421,654
Defined benefit superannuation plans	19	-	253
Lease related liabilities	27	41,873	-
Derivative financial instruments	13	5,234	16,560
Total non-current liabilities		5,790,132	4,321,340
Total liabilities		6,470,580	9,607,557
Net assets/(liabilities)		3,392,936	(165,241)
EQUITY			
Share capital	28	3,200,000	-
Reserves	29	(3,987)	(5,985)
Accumulated profits/(losses)	30	196,923	(159,256)
Total equity/(deficiency)		3,392,936	(165,241)

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

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Statement of changes in equity

For the year ended 31 December 2015

	Notes	Consolidated			Total \$'000
		Share capital \$'000	Hedging reserve \$'000	Accumulated profits/ (losses) \$'000	
Balance as at 1 January 2015		-	(5,985)	(159,256)	(165,241)
Total comprehensive income for the year					
Profit for the year		-	-	338,788	338,788
Other comprehensive income					
Hedging reserve movement, net of tax	29	-	1,998	-	1,998
Defined benefit superannuation plan actuarial gain, net of tax	30	-	-	17,391	17,391
Total other comprehensive income		-	1,998	17,391	19,389
Total comprehensive income for the year		-	1,998	356,179	358,177
Transactions with the owners of the Company recognised directly in equity					
Shares issued during the year	28	3,200,000	-	-	3,200,000
Total transactions with the owners of the Company recognised directly in equity		3,200,000	-	-	3,200,000
Balance as at 31 December 2015		3,200,000	(3,987)	196,923	3,392,936

	Notes	Consolidated			Total \$'000
		Share capital \$'000	Hedging reserve \$'000	Accumulated profits/ (losses) \$'000	
Balance as at 1 April 2014		-	(57,508)	(392,861)	(450,369)
Total comprehensive income for the period					
Profit for the period		-	-	239,447	239,447
Other comprehensive income					
Hedging reserve movement, net of tax	29	-	51,523	-	51,523
Defined benefit superannuation plan actuarial loss, net of tax	30	-	-	(5,842)	(5,842)
Total other comprehensive income		-	51,523	(5,842)	45,681
Total comprehensive income for the period		-	51,523	233,605	285,128
Balance as at 31 December 2014		-	(5,985)	(159,256)	(165,241)

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

SGSP (Australia) Assets Pty Ltd

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Cash flow statement

For the year ended 31 December 2015

		Consolidated	
		1 January 2015 - 31 December 2015	1 April 2014 - 31 December 2014
		\$'000	\$'000
Notes			
CASH FLOWS FROM OPERATING ACTIVITIES			
		2,024,240	1,560,139
		(1,059,009)	(862,525)
		437	488
	39	965,668	698,102
CASH FLOWS FROM INVESTING ACTIVITIES			
		(501,387)	(328,834)
		1,111	1,275
		(48,663)	(16,430)
		50,430	33,514
		(498,509)	(310,475)
CASH FLOWS FROM FINANCING ACTIVITIES			
		(200,017)	(200,000)
		2,211,000	1,176,275
		(2,211,397)	(1,145,000)
		(268,689)	(201,320)
		(5,400)	(6,221)
		(474,503)	(376,266)
		(7,344)	11,361
		23,066	11,705
	10	15,722	23,066

Non-cash financing and investing activities

In September 2015 the Company's shareholders restructured their investment in the Company such that the investment represented by the Trust Loans (see note 23) has been replaced by the issuance of ordinary share capital (see note 28) and convertible instruments (see note 22(b)).

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

Notes to the financial statements

For the year ended 31 December 2015

1 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 2015 comprise the Company and its subsidiaries (collectively "the Group" and individually "Group entities"). The comparative figures are for the nine month period ended 31 December 2014.

The Group 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.

(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 \$320.7 million. This position is mainly due to a portion of the Group's debt being classified as current, on account of it maturing within 12 months from balance date. The Group has access to unused committed facilities of \$769.2 million (refer to note 31 (d)). Of this amount, \$715.0 million is 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 10 March 2016.

(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 Class Order 98/100 dated 10 July 1998, issued by the ASIC, relating to the "rounding off" of amounts in these financial statements. Amounts in these financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, unless otherwise stated.

(e) Accounting policies

Significant accounting policies are presented in note 2.

(f) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Notes to the financial statements

For the year ended 31 December 2015

1 Basis of preparation (continued)

(f) Use of estimates and judgements (continued)

The estimates and associated assumptions are based on past experience and various other factors that are believed to be reasonable judgements under the circumstances; the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The areas involving a higher degree of judgement, or areas where assumptions and estimates are significant to these financial statements, are discussed in note 4.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies

Significant accounting policies adopted in the preparation of these financial statements are set out below.

(a) Basis of consolidation

(i) 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 profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(ii) Interests in equity-accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and joint ventures.

Associates are those entities in which the Group has significant influence, but no control or joint control, over the financial or operating policies. 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 associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

(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. 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.

(iv) Business combinations

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. 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 acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The purchase method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The purchase method requires the identification of the acquirer, being the entity that obtains control of the other combining entities or businesses. The accounting acquirer may not be the legal acquirer.

The cost of the business combination is measured as the fair value of the assets given, equity issued or liabilities incurred or assumed by the accounting acquirer at the date of exchange plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 2(m)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(b) Operating segments

The Group determines and presents operating segments based on the information that internally is provided to the Managing Director ("MD"), who is the Group's chief operating decision maker.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The identified operating segments comprise business activities that share similar economic characteristics, including type of industry and nature of service provided.

All operating segments' operating results are regularly reviewed by the Group's MD to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the MD include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at 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. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

From time to time the Group may receive revenue in advance of providing the services. This revenue is treated as unearned and is not recognised in the income statement but deferred to the balance sheet.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(d) Revenue recognition (continued)

Revenue is recognised for the major business activities as follows:

(i) Services revenue

Services revenue includes revenue earned from the distribution of electricity and the transmission and distribution of gas.

Services revenue is recognised on delivery which coincides with the stage of completion of the service. Customers are billed for sales on a periodic and regular basis. However, as at each balance date, sales and accrued revenue include an estimation of sales delivered to customers but not yet billed. This estimation is based on previous consumption patterns and meter reading dates.

Services revenue also includes the following:

Rendering of asset management services:

Revenue from rendering of asset management services is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably measured. The stage of completion is assessed by reference to work performed or by reference to total costs incurred to date as a percentage of estimated total costs for each contract.

Where the outcome of an asset management contract cannot be reliably estimated, contract costs are expensed as incurred. Revenue is only recognised to the extent of costs incurred where it is probable that the costs will be recovered. An expected loss is recognised immediately as an expense.

Construction contracts:

Contract revenue and expenses are recognised on an individual contract basis using the stage of completion method when the stage of completion can be reliably determined, costs to date can be clearly identified and total contract revenue and costs to complete can be reliably estimated.

Stage of completion is measured by reference to an assessment of total labour hours and other costs incurred to date as a percentage of estimated total hours and costs for each contract or by reference to the physical proportion of the contract work completed for each contract.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

(ii) Contributions from customers for capital works

Contributions received from customers to assist in the financing of asset construction are recognised as revenue when the service is performed.

(iii) 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 to note 2(a)).

(e) Other income

Other income comprises interest from redeemable preference shares and rental income, on an accrual basis.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(f) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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 5.81% for the year (nine month period ended 31 December 2014: 7.30%) applicable to the Group's outstanding borrowings.

(g) Finance income and costs

Finance income comprises interest income on funds invested.

Finance costs comprise interest expense on borrowings, finance leases and defined benefits, unwinding of the discount on provisions, gains and losses arising from changes in the fair value of financial assets at fair value through the profit or loss, gains and losses on hedging instruments that are recognised in profit or loss and hedge ineffectiveness on designated hedge relationships.

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

(h) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year and any adjustment to tax payable or receivable in respect to previous years, using tax rates enacted or substantively enacted as at balance date.

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 using tax rates enacted or substantively enacted by balance date.

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 not 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 Group intends to settle its tax assets and liabilities on a net basis.

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.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits at call.

(j) Receivables

Receivables are stated at amortised cost, which incorporates accumulated impairment losses. Collectability of receivables is reviewed on an ongoing basis. The carrying amount of receivables is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement within "materials and services". When a receivable is considered uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against "materials and services" in the income statement.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(k) Inventories

Inventories consist of construction stocks, maintenance stocks and general purpose materials and are stated at the lower of cost or net realisable value.

(l) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate (where relevant) of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of direct production overheads. Where 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.

The Group recognises in the carrying amount of property, plant and equipment, the cost of such an item when that cost is incurred if it is probable that the future economic benefits embodied within 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 an expense as incurred. Disposals of items result in their carrying amount being de-recognised immediately.

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.

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. Land is not depreciated. The estimated useful lives in the current and prior year are as follows:

Category	Useful life (years)
Easements	40
Freehold buildings	10 - 70
Leasehold improvements	3 - 25 (limited by the lease term)
Infrastructure assets:	
- Mains (Electricity and Water)	7 - 100
- Gas distribution assets	4 - 100
- Transformers and switchgear	5 - 60
- Pipelines	10 - end of licence period (subject to a maximum of 100 years)
Motor vehicles and other property, plant and equipment	2 - 20
Leased plant and equipment	2 - 20

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(m) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units ("CGUs") and is not amortised but is tested annually for impairment (refer note 2(n)). The investment in associate includes goodwill identified on acquisition.

(ii) Distribution licence

A licence is held to distribute electricity within the Group's licensed region. The licence is stated at cost less accumulated impairment losses. No amortisation is provided for the licence as the licence has an indefinite useful life. The distribution licence is tested for impairment annually and whenever there is an indication that it may be impaired. Any impairment loss is recognised immediately in the income statement.

(iii) Software

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

Software is recorded at cost and amortised on a straight line basis over its useful life. The estimated useful life for software is between 5 to 7 years.

(iv) Contract intangibles

Contract intangibles arising from a business combination are recorded at cost, being the present value of identified contracted net cash flow streams (including renewal options), and are amortised on a straight line basis over the estimated contract lives. The estimated useful life for contract intangibles is between 8 to 33 years. Contract intangibles are tested for impairment annually and whenever there is an indication that they may be impaired. Any impairment loss is recognised immediately in the income statement.

(v) Assets under construction

Intangible assets under construction are stated at cost. No amortisation is provided until the commencement of the operation of the intangible assets.

(n) Impairment of assets

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows associated with that asset.

When there is a decline in the recoverable amount of the Group's receivables, an impairment loss is recognised in the income statement.

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss is recognised.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories (refer note 2(k)) and deferred tax assets (refer note 2(h)), 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, assets that have an indefinite useful life and assets that are not yet available for use, the recoverable amount is estimated each year.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(n) Impairment of assets (continued)

An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) 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 recoverable amount of non-financial assets is the greater of their fair value less costs of disposal and 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets which collectively comprise a CGU.

Note 4 (i) discloses the key assumptions made in determining the recoverable amounts of the CGUs.

(o) Payables

Payables represent liabilities for goods and services provided to the Group prior to balance date that are unpaid.

Payables are stated at amortised cost.

(p) Borrowings

Interest bearing 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.

(q) Provisions

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.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(r) Employee benefits

(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.

When assessing expected future payments 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. Australian government bond rates were used in the prior period.

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 (i) 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. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at balance date on Australian corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Australian government bond rates were used in the prior period.

(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 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. The Group determines the net interest expense/(income) on the net defined benefit superannuation plans asset/(liability) for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the year to the then-net defined benefit superannuation plans asset/(liability), taking into account any changes in the net defined benefit superannuation plans asset/(liability) during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit superannuation plans are recognised in the income statement.

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.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(r) Employee benefits (continued)

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) Profit sharing and bonus 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. The liabilities for termination benefits are recognised in other creditors or provisions as applicable.

(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.

(s) Leases

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 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.

(t) Derivative financial instruments and hedging activities

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. In accordance with its treasury policy, 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 initially at fair value. The gain or loss on remeasurement of fair value is recognised immediately in the income statement. However, where derivative financial instruments qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The fair value of interest rate swaps, cross currency swaps and foreign exchange contracts is the estimated amount that the Group would receive or pay to exchange or settle the swap or foreign exchange contracts at balance date, taking into account current interest and foreign exchange rates.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(t) Derivative financial instruments and hedging activities (continued)

In order to qualify for hedge accounting, AASB 9 (2013) requires that prospective hedge effectiveness testing meet all of the following criteria:

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

(i) 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.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, or the forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which cash flow hedge accounting is applied, the associated cumulative gain or loss 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).

For cash flow hedges, other than those covered by the preceding two policy statements, the associated cumulative gain or loss is removed from equity and recognised in the income statement in the same year or years during which the hedged forecast transaction affects the income statement. The ineffective part of any gain or loss is recognised immediately in the income statement.

The Group's cash flow hedges are in effective economic relationships on the basis that critical terms of the hedging instrument and hedged item are aligned, including face values, cash flows and currency. The relationship between the hedged risk and the corresponding value of the hedging derivatives results in a hedge ratio of one.

When a cash flow hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship, but 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.

(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 profit or loss with an adjustment to the carrying amount of the hedged item.

The Group's fair value hedges are in effective economic relationships on the basis that critical terms of the hedging instrument and hedged item are aligned, including face value, cashflows, and maturity date. The relationship between the hedged risk and the corresponding value of the hedging derivatives results in a hedge ratio of one.

(iii) Foreign currency basis spreads

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

(iv) Hedge ineffectiveness

Hedge ineffectiveness may arise from counterparty credit risk, changes in timing of the forecast transaction 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.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(t) Derivative financial instruments and hedging activities (continued)

(v) Classification of derivative financial instruments

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.

(u) Share capital

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.

(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 payables in the balance sheet.

(w) Comparative figures

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

(x) Changes in accounting policies

The Group has elected to early adopt AASB 9 *Financial Instruments* as amended in December 2013 ("AASB 9 (2013)") with a date of initial application of 1 January 2015. This standard replaced AASB 139 *Financial Instruments: Recognition and Measurement*. The Group has applied AASB 9 (2013) on a prospective basis. Accordingly, there was no retrospective adjustment to the Group results.

AASB 9 (2013) simplifies the classification and recognition of financial instruments and aligns hedge accounting more closely with common risk management practices. The following summarises the key changes:

(i) Classification and Measurement of Financial Assets and Financial Liabilities

On adoption of AASB 9 (2013), there were no changes in classification or measurement of our financial assets or financial liabilities.

(ii) Hedge Accounting

- Risk components that are separately identifiable and reliably measurable will be eligible as hedged items, including non-financial items;
- Effectiveness measurement testing is required only on a prospective basis and new hedge effectiveness criteria include existence of an economic relationship between the hedged item and hedging instrument;
- Time value of an option, the forward element of a forward contract and any foreign currency basis spread can be excluded from the designation of a financial instrument and accounted for as a cost of hedging; and
- Hedging of groups of net positions is permitted.

The effect of hedge accounting on the Group's financial performance are disclosed in notes 13, 29 and 31.

Other than listed above, the Group has consistently applied its accounting policies to all periods presented in these consolidated financial statements.

Notes to the financial statements

For the year ended 31 December 2015

2 Summary of significant accounting policies (continued)

(y) New accounting standards and interpretations not yet adopted

The following accounting standards, amendments to accounting standards and interpretations have been identified as those which may impact the Group in the period of initial adoption. They were available for early adoption for these financial statements but have not been applied:

AASB 9 (2014) *Financial Instruments* becomes mandatory for the Group's 2018 financial statements and could change the classification of financial assets and the requirements for impairment of financial assets. The Group is not currently intending to adopt this standard early and the extent of the impact has not been determined.

AASB 15 *Revenue from Contracts with Customers* becomes mandatory for the Group's 2018 financial statements and could change the timing and measurement of revenue. The Group is not currently intending to adopt this standard early and the extent of the impact has not been determined.

There are also other amendments and revisions to accounting standards and interpretations that have not been early adopted. These changes are not expected to result in any material changes to the Group's financial performance or financial position.

AASB 16 *Leases* was issued in February 2016 and is mandatory from 1 January 2019. The standard is likely to result in further leases being recognised on the balance sheet. The extent of the impact has not been determined.

Notes to the financial statements

For the year ended 31 December 2015

3 Impairment assessment

In accordance with AASB 136 *Impairment of Assets* the recoverable amount of assets is the higher of fair value less costs of disposal and value in use. The impairment assessment is performed at a CGU level on an annual basis inclusive of the allocation of corporate assets.

(a) Description of the CGUs

The following CGUs have been identified for the purpose of assessing impairment, on the grounds that these are the smallest identifiable groups of assets that generate cash inflows largely independent of the cash inflows from other assets or groups of assets:

1. Jemena Gas Network ("JGN");
2. Jemena Electricity Network ("JEN");
3. Jemena Eastern Gas Pipeline ("EGP");
4. Jemena Queensland Gas Pipeline ("QGP");
5. VicHub;
6. Zinfra Group ("Zinfra");
7. 50% of ActewAGL Distribution Partnership ("ActewAGL");
8. 34% of United Energy Distribution Network ("UED");
9. Rosehill;
10. Colongra; and
11. Northern Gas Pipeline ("NGP")

In November 2015 a subsidiary within the Group was selected by the Northern Territory ("NT") Government to build, own and operate the North East Gas Interconnector. To be known as the Northern Gas Pipeline, the NGP will be a 623km natural gas pipeline linking Tennant Creek in NT to Mt Isa in Queensland and will cost around \$800 million to construct. The Group is obliged to construct the pipeline according to conditions agreed with the NT Government. It is planned that the NGP will be operational in 2018.

(b) Determination of recoverable amounts

The recoverable amounts of all CGUs tested on an annual basis were determined based on the greater of value in use or fair value less costs of disposal.

The calculations are based on financial forecasts covering periods between five and twenty years. The forecasts include assumptions related to the growth in revenue, operating expenditure and capital expenditure. The estimated future cash flows are then 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.

Note 4 (i) discloses the key assumptions made in determining the recoverable amounts of the CGUs.

(c) Impairment testing

Current year

Impairment testing was carried out at 31 December 2015 and no impairment of goodwill was recognised.

Prior period

Impairment testing was carried out at 31 December 2014 and no impairment of goodwill was recognised.

Notes to the financial statements

For the year ended 31 December 2015

4 Critical accounting estimates and judgements

The Group makes estimates, judgements and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accounting estimates and assumptions where changes in those estimates and assumptions could result in a significant change in the recognised amounts of assets and liabilities are detailed below:

(i) Estimated recoverable amount of intangible assets with an indefinite useful life and associated tangible assets

For the purpose of impairment testing of the CGUs containing goodwill, goodwill is allocated to the Group's operating divisions at the lowest level within the Group at which the goodwill is monitored for internal management purposes, which is not higher than the Group's operating segments as reported in note 5.

The recoverable amounts of the CGUs were based on their value-in-use or fair value less costs of disposal ("FVLCD"). FVLCD is measured using some inputs that are not based on observable market data. Therefore, they are deemed level three within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. These recoverable amounts were determined to be equal to or higher than their carrying amounts, therefore no impairment of these CGUs is necessary. The carrying amounts of such assets are set out in notes 16, 17 and 18.

Recoverable amounts were determined by discounting future cash flows of the CGUs and were based on the following key assumptions:

1. All CGUs' future nominal cash flows are discounted to their present value using a post-tax discount rate.
 2. Cash flow time horizons used in valuing the CGUs were five years for Zinfra, ten years for ActewAGL, fifteen years for UED and Rosehill, fourteen years for Colongra and twenty years for each of the remaining CGUs. Management believes that this forecast period is justified due to the long term nature of the CGUs' activities.
 3. For regulated assets, 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 and the allowable return from the regulator. For non-regulated assets, the growth is largely determined by contractual parameters and the projected Australian Consumer Price Index ("CPI"). Expenditure growth for all assets is largely indexed to the projected Australian CPI. The annual CPI growth rate applied to the CGUs was 2.5% (December 2014: 2.7%).
- The perpetual growth assumption used to calculate the terminal value in non-regulated assets range between 0% to 2.0% (December 2014: 0% to 2.0%). For the regulated assets JGN, JEN, ActewAGL and UED, the terminal values are calculated by applying a multiple to the Regulated Asset Base ("RAB") in the terminal year.
4. Cash flows are discounted using a post-tax discount rate that reflects current market assessments of the time value of money and risks specific to the assets. The discount rates applied in determining the recoverable amounts of the CGUs are as follows:

	2015	2014
	%	%
Gas, Water and Electricity Distribution (1)	5.41	5.89
Gas Transmission (2)	5.65 - 7.05	6.13 - 7.53
Infrastructure Services (3)	9.31	10.61

(1) Gas, Water and Electricity Distribution assets include the following CGUs: JGN, JEN, Rosehill, ActewAGL and UED.

(2) Gas Transmission assets include the following CGUs: EGP, QGP, VicHub, Colongra and NGP.

(3) Infrastructure Services includes the following CGU: Zinfra.

5. Other significant assumptions made by the Group in assessing the recoverable amount of CGUs, based on observable market information, past experience, regulatory analysis and management judgement include:

- Zinfra - Growth in contract services revenue and earnings before interest, tax, depreciation and amortisation ("EBITDA") margin;
- JGN, JEN, ActewAGL and UED - Australian Energy Regulator ("AER") regulatory determinations and RAB multiples;

Notes to the financial statements

For the year ended 31 December 2015

4 Critical accounting estimates and judgements (continued)

- EGP and QGP - Pipe expansion capital expenditure, capacity recontracting assumptions and associated contracted cash flow benefits; and
- NGP - Completion of the pipeline within financial expectations and contracting assumptions and associated contracted cash flow benefits.

6. 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.

- ActewAGL - The final electricity regulatory decision appeal to the Australian Competition Tribunal was handed down in February 2016 and has multiple facets that could impact the recoverable amount including, but not limited to, the regulatory WACC, operating expenditure ('opex') allowance and capital expenditure ('capex') allowance.
- JEN and UED - The pending final regulatory decisions have inherent risk in relation to the WACC, opex and capex allowance that may impact the recoverable amounts. The final decisions for these regulatory determinations are not due until April 2016 and hence regulatory developments will continue to be monitored. A discount rate increase of approximately 15 basis points would see the recoverable amount of both JEN and UED equal the carrying value; and
- Zinfra - The market continues to be highly competitive and volatile which could impact revenue and EBITDA margin growth rates. Management monitors this risk on an ongoing basis. A discount rate increase of approximately 20 basis points would see the recoverable amount of Zinfra equal the carrying value;

(ii) Fair values in business combinations

Business combinations are accounted for using the purchase method of accounting. 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.

(iii) Income taxes

The tax expense and deferred tax balances assume certain tax outcomes and values of assets in relation to the application of the tax consolidation regime. These outcomes affect factors such as the quantification and utilisation of tax losses, capital allowance deductions and the taxation treatment of transactions between members of the tax group.

The tax expense assumes that the tax group can carry forward and utilise income tax losses. In order to carry forward and utilise income tax losses, the tax group must satisfy either the "continuity of ownership test" or "the same business test". The divestment of 60% of SPI's shareholding in the Company during the year ended 31 March 2014 resulted in failure of the "continuity of ownership test". As a result, the tax group is required to satisfy the "same business test" to carry forward, and subsequently utilise, income tax losses. The tax group has utilised all remaining income tax losses during the year ended 31 December 2015.

The tax group has taken positions in relation to the income tax and capital gains tax consequences of the acquisition by the Company of the ex-Alinta assets. This involves the exercise of judgements surrounding the calculation of tax bases for the tax group's assets and liabilities. Furthermore, the potential reversal of temporary differences also requires the use of estimates of future profitability, availability of taxable income on both revenue and capital account and potential future changes in tax bases.

Assumptions are also made about the application of income tax legislation. These assumptions are subject to risk and uncertainty and there is a possibility that changes in circumstances will alter expectations which may impact the amount of deferred tax assets and deferred tax liabilities in the balance sheet. In these circumstances, the carrying amount of deferred tax assets and deferred tax liabilities may change resulting in an impact on the earnings of the Group.

Notes to the financial statements

For the year ended 31 December 2015

4 Critical accounting estimates and judgements (continued)

In addition, deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable income will be available to utilise those temporary differences. The carrying amount of deferred tax balances are set out in note 26.

(iv) *Recognition of deferred tax*

The Group applies the criteria stated in AASB 112: *Income Taxes* with regards to the calculation and recognition of deferred tax assets and deferred tax liabilities. The application of the AASB 112 criteria involves the exercise of judgement surrounding the calculation of accounting and tax bases for the Group's assets and liabilities.

Furthermore, the potential reversal of temporary differences also requires the use of estimates of future profitability, availability of taxable income on both revenue and capital account and potential future changes in accounting and tax bases.

The carrying amount of deferred tax balances are set out in note 26.

(v) *Leases*

The Group has considered a number of contractual arrangements in applying the accounting policy in note 2(s). The assessment of these contractual arrangements requires a degree of judgement as to whether the significant risks and rewards of ownership of an asset are substantially transferred to the Group. The classification of a contractual arrangement could materially change the balance sheet of the Group. The carrying amounts of finance leases are set out in note 22.

(vi) *Derivative financial instruments*

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.

The carrying amounts of derivative financial instruments are set out in note 13.

(vii) *Revenue*

Accrued services revenue

Revenue accrual estimates are made to account for the unbilled period between the Group's last billing date and the end of the accounting period. The accrual relies on detailed analysis of customers' historical consumption patterns, which take into account base usage, sensitivity to prevailing weather conditions and consumption growth. The results of this analysis are applied for the number of days and weather conditions over the unbilled period. The carrying amount of accrued revenue is set out in note 11.

Services revenue

Asset management services and construction contracts revenue is recognised in proportion to the stage of completion of the contract when the stage of contract completion can be reliably determined. The stage of completion is measured by reference to work performed using an assessment of total labour hours and other costs incurred to date as a percentage of estimated total hours and costs for each contract or by reference to the physical proportion of the contract work completed. Services revenue is set out in note 6.

(viii) *Useful lives of property, plant and equipment and intangible assets*

Depreciation is recognised for property, plant and equipment, including freehold buildings but excluding land. Amortisation is recognised for intangible assets. Depreciation and amortisation is calculated on a straight line basis so as to write off the cost of each asset over its estimated useful life. The estimated useful lives and depreciation/amortisation methods are reviewed annually. Assumptions are made regarding the useful lives based on the regulatory environment and technological developments. These assumptions are subject to risk and there is the possibility that changes in circumstances will alter expectations. The carrying amount of property, plant and equipment is set out in note 17. The carrying amount of intangible assets is set out in note 18.

Notes to the financial statements

For the year ended 31 December 2015

4 Critical accounting estimates and judgements (continued)

(ix) Contract intangibles

As part of ascribing fair values to assets acquired under business combinations, values were attributed to the Group's identifiable contract intangibles. These values were derived from independent valuations and predicated on estimates and judgements including future cash flows, revenue streams and value in use calculations. The carrying amount of contract intangibles is set out in note 18.

(x) Defined benefit superannuation plans

The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions based on the most recent actuarial assessment performed to the year end. The assumptions used in determining the net cost/(income) for defined benefit superannuation plans include the discount rate. The carrying amount of such obligations are set out in note 19.

(xi) Environmental provisions

These provisions have been reviewed through the year to assess the Group's obligations, probability and estimate of outflow of resources. For impacted sites, assumptions have been made on the most probable course of action in remediating, to arrive at a best estimate of the outflow of resources. It is also assumed that such course of action will enable successful remediation of relevant contamination in accordance with applicable laws and regulatory requirements, within the expected timeframe.

It is difficult to estimate the future costs of environmental remediation because of many uncertainties, particularly with regard to the availability of particular remediation methods and technologies, the extent to which contaminated material may be treated on site or alternatively treated off site and then disposed to landfill, the possibility that applicable laws and standards may change with time, as well as the information available about conditions at the individual sites.

Significant factors relevant to the estimation of these costs include previous experiences in similar cases, expert opinions regarding environmental programs, current costs and market conditions and new developments affecting costs, management's interpretation of current environmental laws and regulations, and management's assessment of site conditions and the remediation methods which are likely to be deployed as a result of those conditions.

Environmental costs are generally estimated based on the advice of external consultants and/or internal experts and legal advice where applicable. Where there are multiple parties involved in remediation projects for impacted sites, estimates are made of potential cost allocation between the parties for those sites. These estimates are informed through assessing relevant communications between the Group and other parties, and any dispute resolution processes, where applicable. 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. However, given the inherent difficulties in estimating liabilities in this area, it cannot be guaranteed that additional costs will not be incurred beyond the amounts provided. It is possible that final resolution of these matters may require expenditures to be made in excess of established provisions over an extended period of time that may result in changes in timing of anticipated cash flows from those assumed and in a range of amounts that cannot be reasonably estimated.

This environmental provision will periodically be re-assessed by management, having regard to matters including future regulatory assessments, internal risk assessments and advancements in appropriate technologies. The discount rate used for determining the present value of the provision is the appropriate government bond rate and this may vary from year to year. The methodology to determine the discount rate is consistent with the prior period. The carrying amount of such provisions are set out in note 21.

(xii) Decommissioning provisions

The Company estimates the amount of decommissioning provision at each balance date. This exercise involves considerable judgement regarding the likely future costs of decommissioning.

Expected decommissioning costs are based on the estimated current cost of detailed plans prepared. Where there is a change in the expected decommissioning costs, an adjustment is recorded against the carrying amount of the provision and any plant and equipment. The carrying amount of such provisions are set out in note 21.

Notes to the financial statements

For the year ended 31 December 2015

4 Critical accounting estimates and judgements (continued)

(xiii) Joint arrangement classification

Under AASB 11, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. The carrying amount of such assets are set out in note 16.

Notes to the financial statements

For the year ended 31 December 2015

5 Operating segments

(a) Reporting 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 carries 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. This segment includes the Group's investment in the associate and interest in the joint venture.

(ii) Gas distribution

The gas distribution network carries 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 purchase or sell gas in the ordinary course of business.

Revenue from one major customer of the Group's gas distribution segment represents \$323.8 million for the year (nine month period ended 31 December 2014: \$265.3 million) of the Group's total revenue.

(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.

(iv) Services business - Zinfra

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

(v) All other segments

All other segments include contracts for asset management services to Australian utility infrastructure customers and corporate costs not allocated to identified segments.

Notes to the financial statements

For the year ended 31 December 2015

5 Operating segments (continued)

(b) Segment performance for the year ended 31 December 2015 (comparative figures are for the nine month period ended 31 December 2014)

	Electricity distribution		Gas distribution		Gas transmission and water distribution		Services business - Zinfra		All other segments		Inter-segment eliminations		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue and other income	473,937	332,111	619,610	527,033	212,826	160,749	570,359	446,950	40,820	83,745	(123,070)	(124,157)	1,794,482	1,426,431
Segment result - EBIT	323,364	188,302	364,339	335,669	130,527	96,453	(4,394)	3,040	(49,391)	(29,860)	(9,234)	(6,351)	755,211	587,253
Share of net profits of associate and joint venture	95,028	35,070	-	-	-	-	-	-	-	-	-	-	95,028	35,070
Depreciation and amortisation expense	(65,404)	(45,028)	(85,323)	(59,537)	(38,249)	(29,393)	(13,808)	(11,198)	(29,540)	(22,437)	-	-	(232,324)	(167,593)
Finance income	-	-	-	-	-	40	150	394	287	156	-	-	437	590
Finance costs and unwind of economic hedge instruments	(98,793)	(86,502)	(133,378)	(127,303)	(39,723)	(35,886)	(119)	(112)	(272,013)	(249,803)	272,013	249,803	(272,013)	(249,803)
Acquisition of property, plant and equipment and intangibles	165,264	112,203	220,586	154,735	105,413	59,143	14,927	8,434	8,699	5,013	(5,939)	(6,351)	508,950	333,177

The share of net profits of associate and joint venture figures are included within the segment result - EBIT figures.

Notes to the financial statements

For the year ended 31 December 2015

5 Operating segments (continued)

(c) Notes to and forming part of the segment information

(i) Accounting policies

Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis.

(ii) Inter-segment transactions

Segment revenues, expenses and results include transactions between segments. Such transactions including any unrealised income or expense are eliminated on consolidation.

(d) Reconciliation to income statement

(i) Segment revenue and other income

	Consolidated	
	1 January 2015 - 31 December	1 April 2014 - 31 December
	2015	2014
	\$'000	\$'000
Revenue	1,768,452	1,408,524
Other income	26,030	17,907
Revenue and other income	<u>1,794,482</u>	<u>1,426,431</u>

(ii) Segment result - EBIT

	Consolidated	
	1 January 2015 - 31 December	1 April 2014 - 31 December
	2015	2014
	\$'000	\$'000
Segment results - EBIT	755,211	587,253
Net finance costs	(271,576)	(249,213)
Profit before income tax	<u>483,635</u>	<u>338,040</u>

Notes to the financial statements

For the year ended 31 December 2015

6 Revenue

	Consolidated	
	1 January 2015 - 31 December	1 April 2014 - 31 December
	2015	2014
	\$'000	\$'000
Rendering of services	1,515,336	1,203,617
Services to related parties	230,827	181,783
Customer contributions for capital works	22,289	23,124
	<u>1,768,452</u>	<u>1,408,524</u>

Services revenue includes revenue earned from the distribution and transmission of gas, distribution of electricity and water and rendering of asset management services.

7 Other income

	Consolidated	
	1 January 2015 - 31 December	1 April 2014 - 31 December
	2015	2014
	\$'000	\$'000
Income from associate - interest on redeemable preference shares	25,614	17,568
Rental income	416	339
	<u>26,030</u>	<u>17,907</u>

Notes to the financial statements

For the year ended 31 December 2015

8 Expenses

	Consolidated	
	1 January 2015 - 31 December 2015 \$'000	1 April 2014 - 31 December 2014 \$'000
<i>Employee benefits expense</i>		
Defined benefit superannuation expenses	(5,947)	(4,558)
Defined contribution superannuation expenses	(26,922)	(17,286)
Other employee benefit expenses	(388,202)	(297,154)
	<u>(421,071)</u>	<u>(318,998)</u>
<i>Materials and services expense includes:</i>		
Reversal of tax indemnity provision	-	11,000
Net loss on disposal of property, plant and equipment and intangible assets	(6,588)	(1,052)
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	(277,159)	(220,818)
Defined benefit net interest	(34)	209
Change in fair value of derivative economic hedge not in accounting hedge relationship designated at fair value through profit/(loss)	2,311	2,640
Gain/(loss) on the fair value hedging instruments (fair value hedges)	234,843	164,567
Gain/(loss) on the fair value hedged items (fair value hedges)	(235,024)	(164,660)
Hedge ineffectiveness on fair value hedges	(8,005)	(8,496)
Hedge ineffectiveness on cash flow hedges	(2,420)	-
Capitalised finance charges	7,563	4,343
Interest on finance leases	(6,371)	(4,776)
Unwinding of discount on liabilities	(419)	(2,125)
	<u>(284,715)</u>	<u>(229,116)</u>
<i>Finance income</i>		
Interest income	437	590
<i>Economic hedge</i>		
Unwind of economic hedge instruments through hedge reserves*	12,702	(20,687)
Total net finance costs	<u>(271,576)</u>	<u>(249,213)</u>

* The prior period included the accounting impact of the de-designation of interest rate swaps, which was triggered by the repayment of AUD floating rate debt using proceeds from the issuance of EUR 500 million bonds (refer to note 31 (f)). The current year includes the unwinding of that impact from hedge reserves.

Notes to the financial statements

For the year ended 31 December 2015

9 Income tax

(a) Income tax expense

	Consolidated	
	1 January 2015 - 31 December 2015 \$'000	1 April 2014 - 31 December 2014 \$'000
Current tax expense		
Current year	(65,548)	-
	(65,548)	-
Deferred tax expense		
Origination and reversal of temporary differences	(79,239)	(97,755)
Adjustments for prior year/period	(60)	(838)
	(79,299)	(98,593)
Total income tax expense	<u>(144,847)</u>	<u>(98,593)</u>

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

Profit before income tax	483,635	338,040
Tax expense at the Australian tax rate of 30% (2014 - 30%)	(145,091)	(101,412)
Tax effect of amounts which are not assessable/(deductible) in calculating taxable income:		
Non-assessable income:		
- Tax indemnity provision reversal	-	3,300
- Other	783	735
Non-deductible expenses	(479)	(378)
Under provision in respect of prior year/period	(60)	(838)
	<u>(144,847)</u>	<u>(98,593)</u>

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit/(loss) but directly debited or credited to equity.

Hedged items and hedging instruments	(2,564)	(18,827)
Interests in equity-accounted investees	1,708	(2,757)
Defined benefit superannuation plans	(7,453)	2,504
	<u>(8,309)</u>	<u>(19,080)</u>

(d) Franking credit account

The franking credit balance as at 31 December 2015 is nil (2014: nil).

Notes to the financial statements

For the year ended 31 December 2015

10 Current assets - Cash and cash equivalents

	Consolidated	
	2015	2014
	\$'000	\$'000
Cash at bank and in hand	15,722	23,066
	<u>15,722</u>	<u>23,066</u>

11 Current assets - Receivables

(a) Current receivables

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade receivables	42,106	57,828
Trade receivables from related parties	22,068	24,369
Total invoiced trade receivables	<u>64,174</u>	<u>82,197</u>
Allowance for impairment loss	(2,008)	(1,234)
Accrued revenue	164,994	181,501
Accrued revenue from related parties	8,962	3,987
Total trade receivables	<u>236,122</u>	<u>266,451</u>
Other receivables from related parties	8,000	8,163
Other receivables	3,425	3,859
	<u>247,547</u>	<u>278,473</u>

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.

Accounts receivables are generally non-interest bearing.

Management assesses the recoverability of all receivables on a periodical basis and at balance date. Any receivables assessed to be impaired are immediately provided for in the income statement.

An allowance for impairment loss is only recognised when there is objective evidence that a trade receivable is impaired. Financial difficulties of the debtor, deterioration in the debtor's general trading conditions and amounts outstanding for a period in excess of the credit terms are considered objective evidence of impairment.

Notes to the financial statements

For the year ended 31 December 2015

11 Current assets - Receivables (continued)**(b) Ageing of total invoiced trade receivables**

	Consolidated	
	2015	2014
	\$'000	\$'000
Not past due	49,899	62,905
Past due not impaired: 0 - 30 days	6,477	12,743
Past due considered impaired: 0 - 30 days	-	103
Past due not impaired: 31 - 60 days	2,359	2,079
Past due considered impaired: 31 - 60 days	-	-
Past due not impaired: 61 - 90 days	1,138	474
Past due considered impaired: 61 - 90 days	142	36
Past due not impaired: 91 - 180 days	576	237
Past due considered impaired: 91 - 180 days	1,127	146
Past due not impaired: more than 180 days	1,717	2,525
Past due considered impaired: more than 180 days	739	949
Total invoiced trade receivables	64,174	82,197

Receivables past due not considered impaired are \$12.3 million (2014: \$18.1 million). Payment terms on these amounts have not been renegotiated.

Balances within other receivables are not considered to contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Terms and conditions of transactions with related parties

Sales to related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(c) Impairment of receivables

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

	Consolidated	
	December	December
	2015	2014
	\$'000	\$'000
At beginning	(1,234)	(1,677)
Additional allowance recognised	(1,464)	(392)
Amounts utilised	690	835
	(2,008)	(1,234)

Notes to the financial statements

For the year ended 31 December 2015

12 Current assets - Inventories

	Consolidated	
	2015	2014
	\$'000	\$'000
Construction stocks, maintenance stocks and general purpose materials	35,753	33,627
	<u>35,753</u>	<u>33,627</u>

13 Derivative financial instruments

	Consolidated	
	2015	2014
	\$'000	\$'000
Current assets		
Cross currency swap contracts - fair value hedges	49,861	-
Cross currency swap contracts - cash flow hedges	(370)	39,357
Interest rate swap contracts - cash flow hedges	179	-
Interest rate swap contracts - instruments which do not qualify for hedge accounting	9	1,264
Forward foreign exchange contracts - cash flow hedges	-	58
	<u>49,679</u>	<u>40,679</u>
Non-current assets		
Cross currency swap contracts - fair value hedges	380,303	200,441
Cross currency swap contracts - cash flow hedges	85,770	169,392
Interest rate swap contracts - fair value hedges	11,388	14,273
Interest rate swap contracts - cash flow hedges	1,351	-
Interest rate swap contracts - instruments which do not qualify for hedge accounting	-	676
	<u>478,812</u>	<u>384,782</u>
Current liabilities		
Interest rate swap contracts - cash flow hedges	639	16,513
Interest rate swap contracts - instruments which do not qualify for hedge accounting	16	2,943
Forward foreign exchange contracts - cash flow hedges	35	-
	<u>690</u>	<u>19,456</u>
Non-current liabilities		
Interest rate swap contracts - cash flow hedges	5,234	15,244
Interest rate swap contracts - instruments which do not qualify for hedge accounting	-	1,316
	<u>5,234</u>	<u>16,560</u>

Notes to the financial statements

For the year ended 31 December 2015

13 Derivative financial instruments (continued)

(a) Hedge accounting

At 31 December 2015, 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 (2013). 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.

	Consolidated					Amount reclassified from the cash flow hedge reserve to profit or loss
	Nominal amount of hedging instrument \$'000	Change in value of the hedging instrument used for calculating hedge ineffectiveness for 2015 \$'000	Change in value of the hedged item used for calculating hedge ineffectiveness for 2015 \$'000	Change in value of the hedging instrument recognised in hedging reserve \$'000	Hedge ineffectiveness recognised in profit and loss \$'000	
Cash flow hedges						
Interest (up to 10 years)	3,208,526	(3,851)	3,851	(3,851)	-	(1,632)
Capital Expenditure (up to 1 year)	1,902	(93)	93	(93)	-	-
Foreign currency debt (up to 8 years) ³	2,247,560	34,247	(31,827)	31,827	(2,420)	14,334
Fair value hedges						
Local currency debt (up to 2 years) ¹	400,000	(2,885)	2,766	N/A	(119)	N/A
Foreign currency debt (up to 8 years) ²	1,796,942	229,723	(237,790)	N/A	(8,067)	N/A

¹ As at 31 December 2015, the accumulated amount of fair value hedge adjustments on the hedged item is AUD 12.38 million.

² As at 31 December 2015, the accumulated amount of fair value hedge adjustments on the hedged item is AUD 445.81 million.

³ The change in value of the hedging instrument recognised in hedging reserve includes changes in valuation of foreign exchange effect on the hedged items.

Notes to the financial statements

For the year ended 31 December 2015

13 Derivative financial instruments (continued)

(b) Financial risk management objectives

Details of the Group's financial risk management objectives and policies are disclosed in note 31 of the financial statements.

(c) Interest rate risk management

The following table summarises the designations of interest rate swaps used to manage interest exposure:

	Consolidated	
	Cash flow hedges	Fair value hedges
	\$'000	\$'000
2015		
<i>Interest rate swaps</i>		
Financial assets	1,530	11,388
Financial liabilities	5,873	-
2014		
<i>Interest rate swaps</i>		
Financial assets	-	14,273
Financial liabilities	31,757	-

The weighted average interest rate for the interest rate swaps for the year is 4.49% (nine month period ended 31 December 2014: 5.88%).

Notes to the financial statements

For the year ended 31 December 2015

13 Derivative financial instruments (continued)

(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	Consolidated		
			Carrying amount \$'000	Less than 1 year \$'000	1- 5 years \$'000
2015					
<i>Forward foreign currency contracts in cash flow hedge</i>					
Buy USD (United States Dollar)	0.7178	1,296	(32)	(32)	-
Buy EUR (Euro)	0.6507	62	(3)	(3)	-
2014					
<i>Forward foreign currency contracts in cash flow hedge</i>					
Buy USD (United States Dollar)	0.8745	687	56	56	-
Buy EUR (Euro)	0.6790	127	2	2	-

The following table summarises the carrying amount and hedge accounting designations of the cross currency swaps used to manage currency risk:

	Consolidated	
	Cash flow hedges \$'000	Fair value hedges \$'000
2015		
<i>Cross currency swaps</i>		
Financial assets	85,400	430,164
2014		
<i>Cross currency swaps</i>		
Financial assets	208,749	200,441

The weighted average interest rate for the cross currency swaps during the year is 4.65% (nine month period ended 31 December 2014: 5.24%).

Notes to the financial statements

For the year ended 31 December 2015

14 Current assets - Current tax receivable

	Consolidated	
	2015	2014
	\$'000	\$'000
Tax refund receivable	-	25,160
	-	25,160

15 Current assets - Other current assets

	Consolidated	
	2015	2014
	\$'000	\$'000
Prepayments and deposits	11,045	11,318
	11,045	11,318

16 Non-current assets - Investment in associate and joint venture

	Consolidated	
	2015	2014
	\$'000	\$'000
Investment in associate (note 36)	328,518	288,140
Interest in joint venture (note 37)	870,247	823,058
	1,198,765	1,111,198

Notes to the financial statements

For the year ended 31 December 2015

17 Non-current assets - Property, plant and equipment

Consolidated	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
Year ended 31 December 2015									
Opening carrying amount - 1 January 2015	58,672	37,156	8,130	18,347	5,367,264	54,014	45,949	200,616	5,790,148
Additions	1,106	3,355	33	12,076	173,018	5,375	-	260,670	455,633
Transfers from/to other asset classes	2,750	8,421	342	4,769	106,319	2,376	(576)	(121,882)	2,519
Depreciation charge	-	(377)	(322)	(6,812)	(150,400)	(18,342)	(2,711)	-	(178,964)
Disposals	-	-	-	(680)	(5,892)	(988)	-	-	(7,570)
Decommissioning provision	-	-	-	-	1,972	-	-	-	1,972
Closing carrying amount - 31 December 2015	62,528	48,555	8,183	27,700	5,492,281	42,425	42,662	339,404	6,063,738
At 31 December 2015									
Cost	62,528	51,333	10,700	52,602	6,732,749	118,524	54,095	339,404	7,421,935
Accumulated depreciation	-	(2,778)	(2,517)	(24,902)	(1,240,468)	(76,099)	(11,433)	-	(1,388,197)
Carrying amount	62,528	48,555	8,183	27,700	5,492,281	42,425	42,662	339,404	6,063,738
Nine month period ended 31 December 2014									
Opening carrying amount - 1 April 2014	57,685	21,421	8,357	22,231	5,247,130	64,094	48,995	149,882	5,619,795
Additions	62	2,257	-	120	203,931	3,290	-	87,017	296,677
Transfers from/to other asset classes	925	14,165	-	(183)	14,378	6,751	(955)	(36,283)	(1,202)
Depreciation charge	-	(687)	(227)	(3,821)	(101,101)	(19,637)	(2,091)	-	(127,564)
Disposals	-	-	-	-	(1,829)	(484)	-	-	(2,313)
Decommissioning provision	-	-	-	-	4,755	-	-	-	4,755
Closing carrying amount - 31 December 2014	58,672	37,156	8,130	18,347	5,367,264	54,014	45,949	200,616	5,790,148
At 31 December 2014									
Cost	58,672	39,557	10,325	37,244	6,463,888	119,491	54,994	200,616	6,994,787
Accumulated depreciation	-	(2,401)	(2,195)	(18,897)	(1,096,624)	(65,477)	(9,045)	-	(1,194,639)
Carrying amount	58,672	37,156	8,130	18,347	5,367,264	54,014	45,949	200,616	5,790,148

Notes to the financial statements

For the year ended 31 December 2015

18 Non-current assets - Intangible assets

Consolidated

Year ended 31 December 2015

Opening carrying amount - 1 January 2015
Additions
Disposals
Transfers from/(to) other asset classes
Amortisation charge

Closing carrying amount - 31 December 2015

At 31 December 2015

Cost
Accumulated amortisation
Carrying amount

Nine month period ended 31 December 2014

Opening carrying amount - 1 April 2014
Additions
Disposals
Transfers from/(to) other asset classes
Amortisation charge

Closing carrying amount - 31 December 2014

At 31 December 2014

Cost
Accumulated amortisation
Carrying amount

	Goodwill \$'000	Contract intangibles \$'000	Distribution licence \$'000	Software \$'000	Assets under construction \$'000	Total \$'000
	1,516,101	57,812	10,516	113,472	45,964	1,743,865
	-	-	-	24,648	28,669	53,317
	-	-	-	(129)	-	(129)
	-	-	-	23,188	(25,707)	(2,519)
	-	(15,066)	-	(38,294)	-	(53,360)
	1,516,101	42,746	10,516	122,885	48,926	1,741,174
	1,516,101	205,814	10,516	378,986	48,926	2,160,343
	-	(163,068)	-	(256,101)	-	(419,169)
	1,516,101	42,746	10,516	122,885	48,926	1,741,174
	1,516,101	69,196	10,516	119,016	31,377	1,746,206
	-	-	-	2,643	33,857	36,500
	-	-	-	(14)	-	(14)
	-	-	-	20,472	(19,270)	1,202
	-	(11,384)	-	(28,645)	-	(40,029)
	1,516,101	57,812	10,516	113,472	45,964	1,743,865
	1,516,101	205,814	10,516	333,928	45,964	2,112,323
	-	(148,002)	-	(220,456)	-	(368,458)
	1,516,101	57,812	10,516	113,472	45,964	1,743,865

Notes to the financial statements

For the year ended 31 December 2015

18 Non-current assets - Intangible assets (continued)

Carrying amount of indefinite life intangible assets

The electricity distribution licence is considered to have an indefinite life for the following reasons:

- the licence has been issued in perpetuity provided the licensee achieves certain regulatory licence requirements;
- the Group monitors its performance against those licence requirements and ensures that they are met; and
- the Group intends to continue to maintain the networks for the foreseeable future.

The carrying amount of intangible assets with indefinite lives is presented below:

Carrying amounts of goodwill and indefinite life intangible asset by CGUs

	2015 \$'000	2014 \$'000
Goodwill by CGU		
JGN	502,738	502,738
JEN	148,144	148,144
EGP	760,983	760,983
QGP	10,939	10,939
Zinfra	88,298	88,298
Rosehill	4,999	4,999
	<u>1,516,101</u>	<u>1,516,101</u>

Other indefinite life intangible asset

	2015 \$'000	2014 \$'000
JEN - Electricity distribution licence	10,516	10,516
	<u>10,516</u>	<u>10,516</u>

Notes to the financial statements

For the year ended 31 December 2015

19 Defined benefit superannuation plans

(a) Superannuation plan

The Group makes contributions to one Equisuper defined benefit superannuation plan and one Russell SuperSolution Master Trust defined benefit superannuation plan. The plans provide defined benefit amounts to employees or their dependants 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. All new employees receive defined contribution and accumulation style benefits.

Actuarial valuations of the funds as at 31 December 2015 and 31 December 2014 were performed by Mercer Investment Nominees Limited ("Equisuper") and Russell Investment Group ("Russell SuperSolution Master Trust").

The net positions of the funds are set out below:

(b) 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:

	Combined	
	2015	2014
	\$'000	\$'000
Present value of funded defined benefit obligations	(185,870)	(208,021)
Fair value of plan assets	207,151	207,768
Present value of net assets/(liabilities)	21,281	(253)

The plans contain both defined benefit and accumulation members. AASB 119 limits the asset in the balance sheet to the total of unrecognised actuarial losses and past service costs and the present value of any economic benefits available in the form of refunds or reductions in future contributions. Although the asset at 31 December 2015 is greater than the present value of economic benefits available in the form of reductions in future contributions in relation to defined benefit, the Group may use excess assets to make contributions in respect of accumulation members.

Notes to the financial statements

For the year ended 31 December 2015

19 Defined benefit superannuation plans (continued)

(c) Categories of plan assets

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

	Combined	
	2015	2014
	%	%
Australian equities	28.3	29.5
International equities	25.7	26.6
Fixed income	11.0	9.4
Property	8.1	7.5
Cash	6.6	9.4
Growth alternatives	7.5	5.6
Defensive alternatives	12.8	12.0
	100.0	100.0

The fair value measurement of plan assets 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.

Notes to the financial statements

For the year ended 31 December 2015

19 Defined benefit superannuation plans (continued)

(d) Reconciliations

	Combined	
	2015	2014
	\$'000	\$'000
<i>(i) Present value of the defined benefit obligation:</i>		
Opening defined benefit obligation	(208,021)	(202,737)
Transfers from related parties	(123)	(2,984)
Current service cost	(5,947)	(4,558)
Interest cost	(6,574)	(6,085)
Contributions by plan participants	(2,906)	(2,278)
Actuarial gains/(losses)	20,053	(13,136)
Benefits paid by the plan	17,648	9,244
Gain on settlements	-	710
Settlements	-	13,803
Closing defined benefit obligation	<u>(185,870)</u>	<u>(208,021)</u>
<i>(ii) Fair value of plan assets</i>		
Opening fair value of plan assets	207,768	208,897
Transfer from related party	123	3,181
Interest income	6,540	6,294
Actuarial gains	4,791	4,790
Contributions from the employer	2,671	5,375
Contributions by plan participants	2,906	2,278
Benefits paid	(17,648)	(9,244)
Settlements	-	(13,803)
Closing fair value of plan assets	<u>207,151</u>	<u>207,768</u>

The actual return on plan assets for the year was a gain of \$11.3 million (nine month period ended 31 December 2014: gain of \$11.1 million).

Notes to the financial statements

For the year ended 31 December 2015

19 Defined benefit superannuation plans (continued)

(e) Amounts recognised in income statement

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

	Consolidated	
	December	December
	2015	2014
	\$'000	\$'000
Current service cost	(5,947)	(4,558)
Net interest (expense)/income	(34)	209
Gain on settlements	-	710
Total included in income statement	<u>(5,981)</u>	<u>(3,639)</u>

During the comparative period a number of defined benefit members' employment was terminated involuntarily, triggering curtailment accounting. As a result, a settlement gain of \$0.7 million was recorded in the income statement. This reflects the excess of the previous estimate of defined benefit obligations over the actual benefits paid to the affected members.

(f) Amounts recognised in other comprehensive income

The amounts recognised in other comprehensive income are as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Actuarial gain/(loss) before tax recognised in the period in other comprehensive income	24,844	(8,346)
Cumulative actuarial losses before tax recognised in other comprehensive income	(51,446)	(76,290)

(g) Principal actuarial assumptions

The principal actuarial assumptions are set out below:

	Russell		Equipsuper	
	2015	2014	2015	2014
	%	%	%	%
Discount rate (active members)	3.8	3.1	4.1	3.4
Discount rate (pensioners)	N/A	N/A	4.1	3.4
Expected long term salary increase rate	3.5	4.5	3.5	4.5
Expected pension increase rate	N/A	N/A	3.0	3.0
Weighted average duration of the defined benefit obligation (in years)	7.0	7.0	9.0	9.0

Notes to the financial statements

For the year ended 31 December 2015

19 Defined benefit superannuation plans (continued)

(h) 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 amounts 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.

Inflation risk - the risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions.

(i) 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:

31 December 2015

Defined benefit obligation

	Increase/(decrease) to defined benefit obligation \$'000
Discount rate (0.5% higher)	(5,941)
Discount rate (0.5% lower)	6,368
Salary increase rate (0.5% higher)	5,180
Salary increase rate (0.5% lower)	(4,894)

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

(j) 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 at a level to meet the financing objective of a funding ratio of 105%.

Total employer contributions expected to be paid by the Group for the year ending 31 December 2016 are nil.

Notes to the financial statements

For the year ended 31 December 2015

20 Current liabilities - Payables

	Consolidated	
	2015	2014
	\$'000	\$'000
Trade and other payables	56,206	76,677
Payables to related parties	4,015	9,376
Accrued expenses	39,134	41,388
Interest payable	23,595	59,327
Interest payable to related parties	26,734	-
	<u>149,684</u>	<u>186,768</u>

21 Provisions

(a) Current provisions

	Consolidated	
	2015	2014
	\$'000	\$'000
Employee benefits	104,609	92,548
Environmental and restoration	39,045	68,314
Redundancy	4,411	2,520
Other provisions	2,673	3,253
	<u>150,738</u>	<u>166,635</u>

(b) Non-current provisions

	Consolidated	
	2015	2014
	\$'000	\$'000
Employee benefits	19,106	15,862
Decommissioning	21,757	18,990
Environmental and restoration	60,193	32,025
Stamp duty	18,655	17,654
Redundancy	-	840
	<u>119,711</u>	<u>85,371</u>

Notes to the financial statements

For the year ended 31 December 2015

21 Provisions (continued)**(c) Movements in provisions (excluding employee benefits)**

	Decommissioning \$'000	Environmental and restoration \$'000	Stamp duty \$'000	Redundancy \$'000	Other \$'000	Total \$'000
Consolidated - 2015						
Current and non-current						
Opening carrying amount - 1 January 2015	18,990	100,339	17,654	3,360	3,253	143,596
Additional provisions recognised	1,972	14,736	965	2,552	2,377	22,602
Unused amounts reversed	-	(4,155)	-	-	(387)	(4,542)
Utilised during the year	-	(11,270)	-	(1,501)	(2,570)	(15,341)
Discounting of provisions	795	(412)	36	-	-	419
Closing carrying amount - 31 December 2015	21,757	99,238	18,655	4,411	2,673	146,734

Decommissioning

A provision for decommissioning is recognised when the Group has a legal or constructive obligation as a result of a past event. The future expected decommissioning cost is discounted using a post-tax rate which is the basis of the provision recognised. The unwinding of the discount increases the net present value of the expected liability over time, which is recognised as finance costs in the income statement.

Environmental and restoration

A provision for environmental and restoration costs is provided for the rehabilitation of sites based on the estimated costs of the rehabilitation, make good and restoration of the applicable site. The liability is determined based on the present value of each applicable environmental and restoration obligation as appropriate. Annual adjustments to the liability are charged to the income statement. The costs are estimated based on assumptions that current legal requirements and management's current assessment of the most appropriate rehabilitation approach, will in each case remain applicable. Any changes in estimates are dealt with on a prospective basis. Critical accounting estimates and judgements in relation to environmental provisions are stated in note 4 (xi).

Stamp duty

Stamp duty provision relates to the acquisition of ex-Alinta assets.

Redundancy

The liability is based on an estimate of the amounts payable where there is a legal or constructive obligation to meet redundancy obligations.

Other

Other provisions relate to the general operations of the business including contracts, legal and defect provisions.

Notes to the financial statements

For the year ended 31 December 2015

22 Interest bearing liabilities

(a) Current

	Consolidated	
	2015	2014
	\$'000	\$'000
Secured		
Finance leases	960	762
	<u>960</u>	<u>762</u>
Unsecured		
Bank loans	42,000	-
Less: borrowing costs	(43)	-
Debt securities	244,227	682,971
Less: borrowing costs	(74)	(343)
	<u>286,110</u>	<u>682,628</u>
	<u>287,070</u>	<u>683,390</u>

(b) Non-Current

	Consolidated	
	2015	2014
	\$'000	\$'000
Secured		
Finance leases	51,547	52,517
	<u>51,547</u>	<u>52,517</u>
Unsecured		
Bank loans	1,185,000	583,000
Less: borrowing costs	(6,992)	(5,460)
Debt securities	3,097,966	3,183,485
Less: borrowing costs	(13,469)	(16,040)
Convertible instruments	800,000	-
	<u>5,062,505</u>	<u>3,744,985</u>
	<u>5,114,052</u>	<u>3,797,502</u>

In September 2015 the Company's shareholders restructured their investment in the Company such that the investment represented by the Trust Loans (see note 23) was replaced by the issuance of ordinary share capital (see note 28) and convertible instruments. The convertible instruments are interest bearing at the fixed rate of 10.25% per annum and are convertible into ordinary shares at the discretion of the holders until mandatory conversion in 2050. The convertible instruments are convertible into a variable number of shares. This feature precludes the convertible instruments from being recognised as equity, therefore they are recognised as a liability. The Company's shareholders each hold the same proportion of the Company's convertible instruments as they do ordinary shares (see note 34(a)).

For more information about the Group's exposure to interest rate and foreign currency risk, see note 31. Details of financing facilities utilised/unutilised are also contained in note 31.

Notes to the financial statements
 For the year ended 31 December 2015

23 Current liabilities - Trust loans

	Consolidated	
	2015	2014
	\$'000	\$'000
Loans from SGSP (Australia) Trust	-	4,200,017
	-	4,200,017

In September 2015 the Company's shareholders restructured their investment in the Company such that the investment represented by the Trust Loans was replaced by the issuance of ordinary share capital (see note 28) and convertible instruments (see note 22(b)).

24 Current liabilities - Current tax payable

	Consolidated	
	2015	2014
	\$'000	\$'000
Income tax payable	40,388	-
	40,388	-

25 Current liabilities - Deferred income

	Consolidated	
	2015	2014
	\$'000	\$'000
Deferred income on construction contracts	51,878	29,951
	51,878	29,951

Notes to the financial statements

For the year ended 31 December 2015

26 Non-current liabilities - Deferred tax

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

	Opening Balance \$'000	Charged to Income \$'000	Charged to Equity \$'000	Closing Balance \$'000
2014				
Property, plant and equipment	384,029	108,483	-	492,512
Hedged items and hedging instruments	2,063	(7,388)	18,827	13,502
Interests in equity-accounted investees	26,831	(12,165)	2,757	17,423
Intangible assets	30,177	(1,115)	-	29,062
Employee provisions	(31,781)	(742)	-	(32,523)
Environmental and restoration provisions	(29,302)	(800)	-	(30,102)
Defined benefits	1,848	580	(2,504)	(76)
Other items	(21,039)	5,171	-	(15,868)
Tax losses	(58,845)	6,569	-	(52,276)
	<u>303,981</u>	<u>98,593</u>	<u>19,080</u>	<u>421,654</u>
2015				
Property, plant and equipment	492,512	57,702	-	550,214
Hedged items and hedging instruments	13,502	(7,391)	2,564	8,675
Interests in equity-accounted investees	17,423	2,320	(1,708)	18,035
Intangible assets	29,062	(6,062)	-	23,000
Employee provisions	(32,523)	(4,591)	-	(37,114)
Environmental and restoration provisions	(30,102)	331	-	(29,771)
Defined benefits	(76)	(993)	7,453	6,384
Other items	(15,868)	(14,293)	-	(30,161)
Tax losses	(52,276)	52,276	-	-
	<u>421,654</u>	<u>79,299</u>	<u>8,309</u>	<u>509,262</u>

Tax effect of unrecognised temporary differences

	Consolidated	
	2015	2014
	\$'000	\$'000
Capital investment in associate	10,705	10,705
Capital losses at balance date	3,386	3,386

Notes to the financial statements

For the year ended 31 December 2015

27 Non-current liabilities - Lease related liabilities

	Consolidated	
	2015	2014
	\$'000	\$'000
Lease incentive	40,427	-
Rent payable	1,446	-
	<u>41,873</u>	<u>-</u>

Lease expense is recognised on a straight-line basis. Refer to note 2(s).

28 Share capital

	Consolidated	
	2015	2014
	\$	\$
Fully paid ordinary shares (at \$1 each)	3,200,000,100	100
	<u>3,200,000,100</u>	<u>100</u>

In September 2015 the Company's shareholders restructured their investment in the Company such that the investment represented by the Trust Loans (see note 23) was replaced by the issuance of ordinary share capital and convertible instruments (see note 22(b)).

29 Reserves

	Consolidated	
	2015	2014
	\$'000	\$'000
<i>Hedging reserve - cash flow hedges</i>		
Balance at beginning of the year/period	(5,985)	(57,508)
Revaluation (cash flow hedge accounting)	12,789	29,357
Revaluation (foreign currency basis spreads)*	2,086	-
(Gain)/loss taken to income statement (unwind of economic hedge instruments, net of tax)	(8,891)	14,481
Share of associate's hedge reserve	<u>(3,986)</u>	<u>7,685</u>
Balance at end of the year/period	<u>(3,987)</u>	<u>(5,985)</u>

Hedging reserve - cash flow hedges

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.

* AASB 9 (2013) requires the foreign currency basis spreads of cross currency swaps to be separated from hedge relationships in Equity.

SGSP (Australia) Assets Pty Ltd

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Notes to the financial statements

For the year ended 31 December 2015

30 Accumulated profits/(losses)

Movements in accumulated profits/(losses) were as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Balance at beginning of the year/period	(159,256)	(392,861)
Net profit for the year/period	338,788	239,447
Actuarial gains/(losses) on defined benefit superannuation plans recognised directly in accumulated profits, net of tax	17,391	(5,842)
Balance at the end of the year/period	<u>196,923</u>	<u>(159,256)</u>

Notes to the financial statements

For the year ended 31 December 2015

31 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:

- SGSPAA 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;
- SGSPAA 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
- SGSPAA 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 (2013) 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.

Notes to the financial statements

For the year ended 31 December 2015

31 Financial Risk Management (continued)

Risk management framework (continued)

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.

(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 interest rate risk that were not designated in a hedging relationship:

	Consolidated	
	2015	2014
	\$'000	\$'000
Financial assets:		
Cash and cash equivalents	15,722	23,066
	<u>15,722</u>	<u>23,066</u>
Financial liabilities:		
Bank loans and debt securities not designated in an interest rate hedging relationship	39,492	1,054,942
	<u>39,492</u>	<u>1,054,942</u>

Included in bank loans and debt securities not designated in an interest rate hedging relationship are a proportion of the floating rate bank loans.

The Group utilises IRS to manage its exposure to interest rate risk (refer note 13). 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, 99.0% of the Group's borrowings are fixed through either fixed rate debt or pay fixed IRS.

Notes to the financial statements

For the year ended 31 December 2015

31 Financial Risk Management (continued)

(a) Interest rate risk (continued)

The tables below show the effects on profit and equity if interest rates moved for each currency, as illustrated, with all other variables held constant.

The reasonably possible movements were determined using statistical analysis of the 95th percentile best and worst expected outcomes in the change of interest rates over the period, having regard to actual historical interest rate data over the previous five years based on: 1) for Australian dollar interest rate movements - the three month bank bill swap rate; and 2) for foreign currency interest rate movements - the relevant currency LIBOR. Management considers that past movements are a transparent basis for determining reasonably possible movements in interest rates.

	Consolidated	
	Net profit/(loss) (after tax) \$'000	Equity (hedge reserve) \$'000
Judgements of reasonably possible Australian dollar interest rate movements		
2015		
0.96 per cent increase	202	87,722
0.96 percent decrease	(203)	(101,063)
2014		
1.53 per cent increase	(4,181)	18,706
1.53 per cent decrease	3,641	(27,985)

	Consolidated	
	Net profit/(loss) (after tax) \$'000	Equity (hedge reserve) \$'000
Judgements of reasonably possible US dollar interest rate movements		
2015		
0.24 per cent increase	-	(1,250)
0.24 per cent decrease	-	1,121
2014		
0.44 per cent increase	-	(3,275)
0.44 per cent decrease	-	2,945

Notes to the financial statements

For the year ended 31 December 2015

31 Financial Risk Management (continued)

(a) Interest rate risk (continued)

	Consolidated	
	Net profit/(loss) (after tax) \$'000	Equity (hedge reserve) \$'000
Judgements of reasonably possible Swiss Franc interest rate movements		
2015		
0.49 per cent increase	-	(4)
0.49 per cent decrease	-	4
2014		
0.14 per cent increase	-	(77)
0.14 per cent decrease	-	76

	Consolidated	
	Net profit/(loss) (after tax) \$'000	Equity (hedge reserve) \$'000
Judgements of reasonably possible Great British Pound interest rate movements		
2015		
0.39 per cent increase	-	(336)
0.39 per cent decrease	-	332
2014		
0.68 per cent increase	-	(3,531)
0.68 per cent decrease	-	2,500

	Consolidated	
	Net profit/(loss) (after tax) \$'000	Equity (hedge reserve) \$'000
Judgements of reasonably possible Euro interest rate movements		
2015		
0.92 per cent increase	-	(1,089)
0.92 per cent decrease	-	1,098
2014		
1.06 per cent increase	-	(4,616)
1.06 per cent decrease	-	623

Notes to the financial statements

For the year ended 31 December 2015

31 Financial Risk Management (continued)

(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, CHF, GBP and EUR (refer note 13). 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 cross currency swaps for its USD, CHF, GBP and EUR denominated borrowings. The notional amount outstanding on these cross currency swaps was \$1,922 million (December 2014: \$2,066 million). The maturity of these swaps matches the maturity of the relevant foreign currency denominated borrowings.

The Group also enters into forward foreign exchange contracts to hedge the exchange rate risk in relation to specific purchase orders (refer note 13). 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.

	Consolidated	
	2015	2014
	\$'000	\$'000
Financial assets		
Cash (USD denominated)	61	1,471
	<u>61</u>	<u>1,471</u>
Financial liabilities		
Payables to related parties (SGD denominated)	-	119
	<u>-</u>	<u>119</u>

The sensitivity to Singapore dollars is not considered material.

As at balance date, if the Australian Dollar had moved against USD as illustrated in the table below, with all other variables held constant, net profit and equity would have been effected as follows:

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For the year ended 31 December 2015

31 Financial Risk Management (continued)

(b) Currency risk (continued)

	Consolidated	
	Net profit/(loss) (after tax) \$'000	Equity (hedge reserve) \$'000
Judgements of reasonably possible US dollar movements		
2015		
23% increase	(8)	(221)
23% decrease	13	419
2014		
21% increase	(180)	(155)
21% decrease	277	132

As at balance date, if the Australian Dollar had moved against EUR as illustrated in the table below, with all other variables held constant, net profit and equity would have been effected as follows:

	Consolidated	
	Net profit/(loss) (after tax) \$'000	Equity (hedge reserve) \$'000
Judgements of reasonable possible EUR dollar movements		
2015		
18% increase	-	(8)
18% decrease	-	17
2014		
21% increase	-	-
21% decrease	-	-

The judgements of reasonably possible movements were determined using statistical analysis of the 95th percentile best and worst expected outcomes in the change of exchange rates over the period, having regard to actual historical exchange rate data over the previous five years. Management considers that past movements are a transparent basis for determining reasonably possible movements in exchange rates.

(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.

Accounts receivable consist of a number of customers, spread across a range of industries and geographical areas.

Notes to the financial statements

For the year ended 31 December 2015

31 Financial Risk Management (continued)

(c) Credit risk (continued)

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.

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:

	Consolidated	
	2015	2014
	\$'000	\$'000
Floating rate		
Unsecured working capital, reviewed annually:		
- Amounts used - bank guarantees	45,794	43,512
- Amount unused	54,206	56,488
Unsecured bilateral facilities with various maturity dates and which may be extended by mutual agreement:		
Unsecured syndicated bank loan facilities:		
- Amount used	1,227,000	583,000
- Amount unused	715,000	1,167,000
Total amount used	1,272,794	626,512
Total amount unused (refer Note 1 (a))	769,206	1,223,488

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.

The Group's Medium Term Note ("MTN") programme issuances totalling \$2,822 million, three syndicated facility agreements totalling \$1,942 million and working capital facilities of \$100 million are guaranteed by five entities.

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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For the year ended 31 December 2015

31 Financial Risk Management (continued)

(d) Liquidity risk (continued)

As at 31 December 2015	Carrying amounts \$'000	Undiscounted contractual cash flows				Total \$'000
		Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	
Financial assets						
Cash and cash equivalents	15,722	15,722	-	-	-	15,722
Receivables	247,547	249,555	-	-	-	249,555
Interest rate swaps	12,927	8,681	5,714	(2,751)	10,270	21,914
Cross-currency swaps	515,564	-	-	-	-	-
Cross currency swaps - receive	-	320,916	74,340	370,400	1,983,298	2,748,954
Cross currency swaps - pay	-	(277,902)	(75,851)	(340,370)	(1,724,493)	(2,418,616)
Forward foreign currency contracts	-	-	-	-	-	-
	791,760	316,972	4,203	27,279	269,075	617,529
Financial liabilities						
Variable interest rate loans	1,369,597	86,473	43,234	1,439,021	-	1,568,728
Fixed interest rate loans	3,179,018	365,147	506,109	428,131	2,342,942	3,642,329
Convertible instruments	800,000	108,734	82,000	246,000	3,233,266	3,670,000
Payables	149,684	149,684	-	-	-	149,684
Finance leases	52,507	7,293	7,043	21,845	89,160	125,341
Interest rate swaps	5,889	8,858	8,232	3,719	(11,685)	9,124
Forward foreign currency contracts	35	37	-	-	-	37
	5,556,730	726,226	646,618	2,138,716	5,653,683	9,165,243
Net maturity		(409,254)	(642,415)	(2,111,437)	(5,384,608)	(8,547,714)

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For the year ended 31 December 2015

31 Financial Risk Management (continued)

(d) Liquidity risk (continued)

As at 31 December 2014	Carrying Amounts \$'000	Undiscounted contractual cash flows				Total \$'000
		Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	
Financial assets						
Cash and cash equivalents	23,066	23,066	-	-	-	23,066
Receivables	278,473	279,707	-	-	-	279,707
Interest rate swaps	16,213	5,803	10,701	8,781	-	25,285
Cross-currency swaps	409,190					
Cross-currency swaps - receive	-	265,069	288,174	344,935	1,850,816	2,748,994
Cross-currency swaps - pay	-	(248,140)	(278,640)	(353,632)	(1,811,963)	(2,692,375)
Forward foreign currency contracts	58	54	-	-	-	54
	727,000	325,559	20,235	84	38,853	384,731
Financial liabilities						
Variable interest rate loans	727,095	30,962	289,959	364,892	151,758	837,571
Fixed interest rate loans	3,700,518	844,319	322,407	815,169	2,229,725	4,211,620
Trust loans	4,200,017	4,200,017	-	-	-	4,200,017
Payables	186,768	186,768	-	-	-	186,768
Finance leases	53,279	7,136	7,966	20,826	97,887	133,815
Interest rate swaps	36,016	51,059	5,171	-	-	56,230
	8,903,693	5,320,261	625,503	1,200,887	2,479,370	9,626,021
Net maturity		(4,994,702)	(605,268)	(1,200,803)	(2,440,517)	(9,241,290)

Notes to the financial statements

For the year ended 31 December 2015

31 Financial Risk Management (continued)

(e) Fair value of financial assets and liabilities

The Group classified the fair value measurements 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.

The following table details the fair value of financial assets and financial liabilities:

	Carrying amount		Fair value	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Consolidated				
Financial assets				
Cash and cash equivalents	15,722	23,066	15,722	23,066
Receivables	247,547	278,473	247,547	278,473
Interest rate swaps	12,927	16,213	12,927	16,213
Cross currency swaps	515,564	409,190	515,564	409,190
Forward foreign currency contracts	-	58	-	58
	791,760	727,000	791,760	727,000
Financial liabilities				
Payables	149,684	186,768	149,684	186,768
Finance leases	52,507	53,279	52,507	53,279
Debt securities (fixed rate)	3,179,018	3,700,518	3,172,318	3,807,041
Debt securities (floating rate)	149,632	149,555	150,890	152,318
Trust loans	-	4,200,017	-	4,200,017
Variable interest rate bank loans	1,219,965	577,540	1,219,965	577,540
Interest rate swaps	5,889	36,016	5,889	36,016
Forward foreign currency contracts	35	-	35	-
Convertible instruments	800,000	-	800,000	-
	5,556,730	8,903,693	5,551,288	9,012,979

Notes to the financial statements

For the year ended 31 December 2015

31 Financial Risk Management (continued)

(f) Capital management

The Group is committed to an optimal capital structure while maintaining financial flexibility and investment grade credit ratings. In order to achieve an optimal capital structure, the Group may return capital to shareholders, issue new shares, and increase or decrease debt levels.

The Group repaid all outstanding Trust Loans, and issued an additional AUD 3.2 billion of ordinary shares and AUD 800 million of convertible instruments in September 2015.

The Company and its subsidiaries are not subject to any externally imposed capital requirements apart from the terms and conditions of the Subordination Deed Poll with its lenders. The deed effectively limits the action SGSPAA can take in respect of its capital structure.

The current capital structure of the Group (not adjusted for borrowing costs) is presented below:

Description		Consolidated	
		2015 \$'000	2014 \$'000
Current liabilities			
Syndicated facility agreement	22(a)	42,000	-
Debt securities (fixed rate)			
- USD 150m Senior notes	22(a)	-	182,971
- AUD 500m MTN	22(a)	-	500,000
- CHF 175m MTN	22(a)	244,227	-
Trust loans	23	-	4,200,017
		<u>286,227</u>	<u>4,882,988</u>
Non-Current Liabilities			
Syndicated facility agreement	22(b)	1,185,000	583,000
Debt securities (fixed rate)			
- USD 130m Senior notes	22(b)	177,741	158,576
- CHF 175m MTN	22(b)	-	220,372
- GBP 250m MTN	22(b)	556,207	525,150
- AUD 400m MTN	22(b)	411,549	414,315
- USD 500m MTN	22(b)	672,319	591,549
- AUD 350m MTN	22(b)	350,000	350,000
- EUR 500m MTN	22(b)	780,150	773,523
Debt securities (floating rate)			
- AUD 150m MTN	22(b)	150,000	150,000
Convertible instruments (fixed rate)	22(b)	800,000	-
		<u>5,082,966</u>	<u>3,766,485</u>
Total borrowings		<u>5,369,193</u>	<u>8,649,473</u>

Notes to the financial statements

For the year ended 31 December 2015

31 Financial Risk Management (continued)

(f) Capital management (continued)

i) Share capital

The share capital of the Company consists of 3,200,000,100 fully paid ordinary shares at \$1.

ii) Convertible instruments

AUD 800 million of convertible instruments convertible at the discretion of holders and mandatorily convertible into ordinary shares in 2050. The instruments were issued at a fixed rate of 10.25%.

iii) Debt securities

Debt securities relate to the following:

(a) Unsecured senior notes comprising:

- USD 130 million bond issued to mature in April 2018. The bond was issued at a fixed rate of 6.85%. Cross currency swaps have been used to convert the USD obligations to fixed interest rate Australian dollar obligations.

(b) Unsecured medium term notes comprising:

- CHF 175 million bond issued to mature in August 2016. The bond was issued at a fixed rate of 2.25%. Cross currency swaps have been used to convert the CHF obligations to floating interest rate Australian dollar obligations.

- GBP 250 million bond issued to mature in February 2021. The bond was issued at a fixed rate of 5.13%. Cross currency swaps have been used to convert the GBP obligations to floating interest rate Australian dollar obligations.

- AUD 400 million bond issued to mature in February 2017. The bond was issued at a fixed rate of 6.25%.

- USD 500 million bond issued to mature in April 2023. The bond was issued at a fixed rate of 3.30%. Cross currency swaps have been used to convert the USD obligations to floating interest rate Australian dollar obligations.

- AUD 150 million bond issued to mature in March 2020. The bond was issued at a floating rate of BBSW plus 1.6%.

- AUD 350 million bond issued to mature in March 2021. The bond was issued at a fixed rate of 5.5%.

- EUR 500 million bond issued to mature in June 2022. The bond was issued at a fixed rate of 2%. Cross currency swaps have been used to convert the EUR obligations to floating interest rate Australian dollar obligations.

Interest rate swaps have then been used to convert the floating synthetic interest rate Australian dollar obligations to fixed interest rate Australian dollar obligations out to July 2025.

iv) Working capital

The working capital facilities of \$100 million are unsecured with interest paid on a floating rate basis. Over the year, the floating rate including margin was in the range of 2.42% - 3.03%. None of the working capital facilities were drawn at 31 December 2015 but \$45.8 million of the facilities were utilised in the form of bank guarantees issued.

v) Syndicated Facility Agreement

The Group has three syndicated facilities totalling \$1,942 million which are unsecured and interest is paid on a floating basis. \$1,227 million was drawn down at year end. Over the year, the floating rate including margin was in the range of 3.24% - 4.87%. Interest rate swaps are used to convert the floating interest obligations to fixed interest obligations.

(g) 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.

Notes to the financial statements

For the year ended 31 December 2015

32 Remuneration of auditors

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

(a) Audit services

	Consolidated	
	1 January 2015 - 31 December 2015	1 April 2014 - 31 December 2014
	\$	\$
Statutory audit	902,500	1,530,040
Regulatory audits	271,000	486,000
Total remuneration for audit services	<u>1,173,500</u>	<u>2,016,040</u>

(b) Other services

	Consolidated	
	1 January 2015 - 31 December 2015	1 April 2014 - 31 December 2014
	\$	\$
IT advisory services	25,000	11,750
Taxation services	37,750	14,859
Other assurance services	62,500	7,000
Regulatory advisory services	143,079	-
Total remuneration for other services	<u>268,329</u>	<u>33,609</u>

It is the Group's policy to employ KPMG to perform 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.

Notes to the financial statements

For the year ended 31 December 2015

33 Commitments

(a) Capital commitments

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

	Consolidated	
	2015	2014
	\$'000	\$'000
Contracted commitments for:		
Group		
Payable within one year	19,875	21,092
Payable later than one year but not later than five years	63	60,203
Payable later than five years	-	387
	<u>19,938</u>	<u>81,682</u>
Share of associate		
Payable within one year	2,083	2,055
Payable later than one year but not later than five years	-	-
	<u>2,083</u>	<u>2,055</u>
Share of joint venture		
Payable within one year	3,623	6,366
Payable later than one year but not later than five years	89	780
	<u>3,712</u>	<u>7,146</u>

In November 2015 a subsidiary within the Group was selected by the Northern Territory ("NT") Government to build, own and operate the North East Gas Interconnector. To be known as the Northern Gas Pipeline ("NGP"), the NGP will be a 623km natural gas pipeline linking Tennant Creek in NT to Mt Isa in Queensland and will cost around \$800 million to construct. The Group is obliged to construct the pipeline according to conditions agreed with the NT Government. It is planned that the NGP will be operational in 2018.

Notes to the financial statements

For the year ended 31 December 2015

33 Commitments (continued)

(b) Operating Leases

Minimum lease payments under non-cancellable operating leases:

- not later than one year
- later than one year but not later than five years
- later than five years

Consolidated	
2015	2014
\$'000	\$'000
31,388	26,841
89,667	79,830
122,271	141,678
243,326	248,349

Operating lease expenditure for the year/period

Consolidated	
1 January 2015 - 31 December	1 April 2014 - 31 December
2015	2014
\$'000	\$'000
28,158	21,989
28,158	21,989

(c) Finance Leases

Minimum lease payments:

- not later than one year
- later than one year but not later than five years
- later than five years

Consolidated	
2015	2014
\$'000	\$'000
7,293	7,136
28,888	28,792
89,160	97,887
125,341	133,815

Future finance charge

- not later than one year
- later than one year but not later than five years
- later than five years

(6,333)	(6,374)
(24,544)	(24,866)
(41,957)	(49,296)
(72,834)	(80,536)
52,507	53,279

Total net finance leases

Representing lease liabilities:

Current

Non-current

Total

Notes to the financial statements

For the year ended 31 December 2015

34 Related party transactions

(a) Parent entities

The Company is the ultimate Australian parent of the Group.

The ultimate parent entity is State Grid Corporation of China.

The Company's shareholders are State Grid International Development Australia Investment Company Limited ("SGIDAIC") and Singapore Power International Pte Ltd ("SPI"). SGIDAIC holds 60% of SGSPAA's shares and SPI holds the remaining 40%.

SGIDAIC is owned by State Grid Corporation of China ("SGCC"). SGCC is owned by the State-owned Assets Supervision and Administration Commission of the State Council, which is authorised by the State Council, in accordance with the Company Law of the People's Republic of China.

SPI is owned by Singapore Power Limited and its ultimate holding company is Temasek Holdings (Private) Limited, a company incorporated in Singapore. Temasek Holdings (Private) Limited's sole shareholder is the Minister of Finance (Incorporated), a body corporate under the Minister for Finance (Incorporation) Act, Chapter 183 of Singapore.

Transactions with the shareholders relate to the convertible instruments and Trust loans. Refer to note 22(b) for further details.

(b) Related entities

The Group engages in related party transactions with various entities within the AusNet Services Ltd group "AusNet Services". The Group uses the transmission networks of AusNet Services (Transmission) Limited for the transmission of electricity to the distribution network of Jemena Electricity Networks (Vic) Ltd. 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 engages in related party transactions with United Energy Distribution Pty Ltd ("UED") for construction and maintenance of its electricity network in Victoria.

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

Enterprise Business Services (Australia) Pty Ltd ("EBS"), an entity within the SPI group, was previously the exclusive provider of information technology services to the Group. The services included end user computing services, application management services, managed services and project and advisory services. Information technology services were transitioned in-house during the prior period.

The Group engages in related party transactions with the NARI Group Corporation for supply of electric power equipment.

Apart from the service charge from EBS which was based on a cost pass through method, all the other related party transactions are based on agreed arm's length rates.

(c) Subsidiaries

Interests in subsidiaries are set out in note 35.

Notes to the financial statements

For the year ended 31 December 2015

34 Related party transactions (continued)

(d) Key management personnel

Key management personnel compensation for the Group is set out below. The key management personnel of the Group comprise the directors and those executives that report directly to the Managing Director.

	1 January 2015 - 31 December 2015 \$	1 April 2014 - 31 December 2014 \$
Short-term employee benefits	9,725,215	7,853,955
Post-employment benefits	216,602	230,296
Total	9,941,817	8,084,251

(e) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated	
	1 January 2015 - 31 December 2015 \$'000	1 April 2014 - 31 December 2014 \$'000
Sales of goods and services		
Associate	123,742	91,928
Joint venture	33,690	33,648
Other related parties	73,395	56,207
Other income		
Associate - interest on redeemable preference shares	25,614	17,568
Purchase of goods		
Administration expenses to shareholder - SPI	-	513
Administration expenses to other related parties	201	18,257
Maintenance expenses to other related parties	54,039	49,469
Purchase of goods from other related parties	636	-
Finance costs		
Shareholders	26,734	-
Trust loans from related parties		
<i>Trust loan repayments to:</i>		
Shareholders	200,017	200,000

Notes to the financial statements

For the year ended 31 December 2015

34 Related party transactions (continued)

(e) Transactions with related parties (continued)

Carrying amount - Investments in associate

	Opening \$'000	Share of (loss)/profit \$'000	Dividends received \$'000	Additional investment \$'000	Reserves \$'000	Closing \$'000
2015						
Investment in United Energy Distribution Holdings Pty Ltd	89,060	19,659	(22,250)	42,500	(5,694)	123,275
Redeemable preference shares	199,080	-	-	6,163	-	205,243
	<u>288,140</u>	<u>19,659</u>	<u>(22,250)</u>	<u>48,663</u>	<u>(5,694)</u>	<u>328,518</u>
2014						
Investment in United Energy Distribution Holdings Pty Ltd	109,783	(14,688)	(17,014)	-	10,979	89,060
Redeemable preference shares	182,650	-	-	16,430	-	199,080
	<u>292,433</u>	<u>(14,688)</u>	<u>(17,014)</u>	<u>16,430</u>	<u>10,979</u>	<u>288,140</u>

Carrying amount - Interest in joint venture

	Opening \$'000	Share of profit \$'000	Dividends received/ receivable \$'000	Closing \$'000
2015				
ActewAGL	823,058	75,369	(28,180)	870,247
	<u>823,058</u>	<u>75,369</u>	<u>(28,180)</u>	<u>870,247</u>
2014				
ActewAGL	797,800	49,758	(24,500)	823,058
	<u>797,800</u>	<u>49,758</u>	<u>(24,500)</u>	<u>823,058</u>

Notes to the financial statements

For the year ended 31 December 2015

34 Related party transactions (continued)

(f) Outstanding balances with related parties

The following related party balances are outstanding at balance date

	Consolidated	
	2015	2014
	\$'000	\$'000
Current receivables		
Associate	9,851	12,821
Joint venture	11,720	9,247
Other related parties	17,459	14,451
Current payables		
Other related parties	4,015	9,257
Shareholder - SPI	-	119
Shareholders	26,734	4,200,017
Non-current payables		
Shareholders	800,000	-

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Notes to the financial statements

For the year ended 31 December 2015

35 Subsidiaries

The consolidated financial statements incorporate the assets, liabilities, equity, revenues and expenses and cash flows of the following subsidiaries in accordance with the accounting policy described in note 2(a):

Name of entity	Country of incorporation	Class of shares/units	Equity holding December 2015 %	Equity holding December 2014 %
		Ordinary / Class A / Class B / Class C Preference / Class D		
Jemena Electricity Networks (Vic) Ltd	Australia	Preference	100	100
Jemena Gas Networks (NSW) Ltd	Australia	Ordinary	100	100
Jemena Asset Management Holdings Pty Ltd	Australia	Ordinary	100	100
ZNX Pty Ltd	Australia	Ordinary	100	100
ZNX (2) Pty Ltd	Australia	Ordinary	100	100
Jemena Eastern Gas Pipeline (1) Pty Ltd	Australia	Ordinary	100	100
		Ordinary / L Class / M		
Jemena Eastern Gas Pipeline (2) Pty Ltd	Australia	Class	100	100
Jemena Eastern Gas Pipeline Holdings Pty Ltd	Australia	Ordinary	100	100
Jemena Queensland Gas Pipeline (2) Pty Ltd	Australia	Ordinary	100	100
Jemena Queensland Gas Pipeline (1) Pty Ltd	Australia	Ordinary	100	100
Jemena VicHub Pipeline Pty Ltd	Australia	Ordinary	100	100
Jemena EA Pty Ltd**	Australia	Ordinary	-	100
		Ordinary A Class / Ordinary B		
Jemena Eastern Gas Pipeline (3) Pty Ltd	Australia	Class	100	100
Jemena Gas Transmission Pty Ltd	Australia	Ordinary	100	100
Jemena Networks (ACT) Pty Ltd	Australia	Ordinary	100	100
Jemena Group Holdings Pty Ltd	Australia	Ordinary	100	100
Jemena Holdings Pty Ltd	Australia	Ordinary	100	100
Jemena Limited	Australia	Ordinary	100	100
Jemena Gas Pipelines Holdings Pty Ltd	Australia	Ordinary	100	100
Jemena AI Pty Ltd**	Australia	Ordinary	-	100
Jemena ANZI Pty Ltd**	Australia	Ordinary	-	100
Jemena Asset Management Pty Ltd	Australia	Ordinary	100	100
Jemena Asset Management (4) Pty Ltd	Australia	Ordinary	100	100
Jemena Asset Management (5) Pty Ltd	Australia	Ordinary	100	100
Jemena ATA Pty Ltd*	Australia	Ordinary	100	100
Jemena GD Pty Ltd**	Australia	Ordinary	-	100
Jemena NT Pipelines Pty Ltd	Australia	Ordinary	100	100
Jemena NSGC Pty Ltd	Australia	Ordinary	100	100
Jemena PG Pty Ltd**	Australia	Ordinary	-	100
AquaNet Sydney Pty Ltd	Australia	Ordinary	100	100
Jemena Colongra Pty Ltd	Australia	Ordinary	100	100

SGSP (Australia) Assets Pty Ltd

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Notes to the financial statements**For the year ended 31 December 2015****35 Subsidiaries (continued)**

Name of entity	Country of incorporation	Class of shares/units	Equity holding	Equity holding
			December 2015	December 2014
			%	%
Jemena Northern Gas Pipeline Pty Ltd	Australia	Ordinary	100	-
SGSP (Australia) RE Pty Ltd*	Australia	Ordinary	100	100
SGSP Rosehill Network Pty Ltd	Australia	Ordinary	100	100
CLM Infrastructure Pty Ltd	Australia	Ordinary	100	100
Jemena Contracting Services (West) Pty Ltd	Australia	Ordinary	100	100
Zinfra Contracting Pty Ltd	Australia	Ordinary	100	100
Jemena Finance Pty Ltd**	Australia	Ordinary	-	100
Jemena EH Pty Ltd	Australia	Ordinary	100	100
Zinfra Pty Ltd	Australia	Ordinary	100	100
Jemena Management Holdings Pty Ltd	Australia	Ordinary	100	100
Jemena Management Services Pty Ltd	Australia	Ordinary	100	100
Jemena Gas Trust	Australia	Units	100	100
QGP Unit Trust	Australia	Units	100	100

* These entities were placed into members voluntary liquidation on 15 December 2015.

**These entities were deregistered following members voluntary liquidation.

Notes to the financial statements

For the year ended 31 December 2015

36 Investments in associate

The Company owns a 34% interest in United Energy Distribution Holdings Pty Ltd ("UEDH"), the holding company of UED. UED distributes electricity throughout southeast Melbourne and the Mornington Peninsula in Victoria. The network covers approximately 1,472 square kilometres and services over 660,000 end users. The group considered that it has significant influence because it has representation on the board of the investee.

The following table analyses, in aggregate, the carrying amount and share of profit/(loss) and other comprehensive income/(expense) of UEDH.

	2015	2014
	\$'000	\$'000
Carrying amount of interest in UEDH	328,518	288,140
Share of:		
- Profit/(loss)	19,659	(14,688)
- Interest on redeemable preference shares	25,614	17,568
- Other comprehensive (expense)/income	(5,694)	10,979
Total comprehensive income	39,579	13,859

The following table summarises the financial information of UEDH as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in UEDH.

	2015	2014
	\$'000	\$'000
Percentage ownership interest 34%		
Current assets (including cash and cash equivalents - 31 December 2015: \$28.5 million; 31 December 2014: \$22.2 million)	148,587	116,445
Non-current assets	3,173,045	3,030,148
Current liabilities (including financial liabilities - 31 December 2015: (\$281.6) million, 31 December 2014: (\$80.8) million)	(404,338)	(207,740)
Non-current liabilities (including financial liabilities - 31 December 2015: (\$2,476.2) million, 31 December 2014: (\$2,638.5) million)	(2,680,857)	(2,809,219)
Net assets (100%)	236,437	129,634
Group's share of net assets (34%)	80,389	44,076
Consolidation adjustments	248,129	244,064
Carrying amount of interest in UEDH	328,518	288,140
Revenue	678,427	449,509
Depreciation and amortisation	(151,009)	(107,206)
Interest income	770	1,804
Interest expense	(168,244)	(191,414)
Profit or loss	57,777	43,211
Total comprehensive income for distribution	41,031	75,504
Group's share of total comprehensive income	39,579	13,859
Dividends received/receivable by the Group	22,250	17,014

The associate did not have any contingent liabilities as at 31 December 2015 or 31 December 2014.

Notes to the financial statements

For the year ended 31 December 2015

37 Interest in joint venture

The Group holds a 50% interest in the ActewAGL Distribution Partnership ("ActewAGL"). ActewAGL owns, plans, develops, constructs, operates and maintains the electricity network in the Australian Capital Territory ("ACT") and the gas networks in the ACT, Queanbeyan and Nowra. The remaining 50% of the partnership is owned by Icon Distribution Investments Limited, a subsidiary of Icon Water Limited. Icon Water Limited (formerly ACTEW Corporation Limited) is an ACT government owned company with assets and investments in water, wastewater, electricity and gas.

In accordance with the partnership agreement, each partner indemnifies ActewAGL against any claim, action, damage, loss, liability, cost or payment which ActewAGL suffers, incurs or is liable for in respect of a claim by a third party.

The following table summarises the financial information of ActewAGL as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in ActewAGL.

	2015 \$'000	2014 \$'000
Percentage ownership interest 50%		
Current assets (including cash and cash equivalents - 31 December 2015: \$3.8 million; 31 December 2014: \$7.7 million)	141,401	112,320
Non-current assets	1,225,542	1,154,464
Current liabilities (including financial liabilities - 31 December 2015: (\$2.5) million, 31 December 2014: (\$1.3) million)	(94,974)	(90,721)
Non-current liabilities (including financial liabilities - 31 December 2015: (\$13.8) million, 31 December 2014: (\$10.3) million)	(19,278)	(16,805)
Net assets (100%)	1,252,691	1,159,258
Group's share of net assets (50%)	626,345	579,629
Consolidation adjustments	243,902	243,429
Carrying amount of interest in ActewAGL	870,247	823,058
 Revenue	 438,126	 319,608
Depreciation and amortisation	(44,912)	(32,596)
Interest income	1,087	582
Interest expense	(646)	(561)
 Profit	 147,433	 99,393
Total comprehensive income for distribution	147,433	99,393
Group's share of total comprehensive income	75,369	49,758
Dividends received/receivable by the Group	28,180	24,500

ActewAGL had contingent liabilities of \$4.8 million as at 31 December 2015 (as at 31 December 2014: \$5.0 million) relating to bank guarantees.

Notes to the financial statements

For the year ended 31 December 2015

38 Contingent liabilities

Provisions have been created for all known environmental liabilities that can be reliably estimated. For environmental matters where there are significant uncertainties with respect to the Group's obligations or the remediation techniques that might be approved, no reliable estimate can presently be made of regulatory and remediation costs. Refer also Note 4(xi) and Note 21.

In the course of ordinary business, the Group occasionally receives claims and other matters arising from its operations. In the opinion of the directors, there are no claims or other matters that should have a material effect on the financial statements, results of operations or cash flows of the Group.

The parent entity has provided performance guarantees on behalf of the Group including in relation to the NGP.

Other than listed above, the directors are not aware of any other contingent liabilities.

Notes to the financial statements

For the year ended 31 December 2015

39 Reconciliation of result for the year/period to cash flows from operating activities

	Consolidated	
	1 January 2014 -31 December 2015 \$'000	1 April 2014 - 31 December 2014 \$'000
Net profit for the year/period	338,788	239,447
Non-cash flows in profit:		
Income tax expense	144,847	98,593
Depreciation and amortisation	232,324	167,593
Non-operating activities		
Share of profit of associate and joint venture	(95,028)	(35,070)
Finance income	(437)	(590)
Finance costs including economic hedges	272,013	249,803
Loss on disposal of property, plant and equipment	6,588	1,052
Defined benefit superannuation plans - current service costs	5,947	4,558
Exchange differences - unrealised	(239)	(181)
Defined benefit superannuation plans - gain on settlement	-	(710)
Changes in assets and liabilities:		
(Increase)/decrease in receivables and other current assets	31,199	(17,787)
Increase in inventories	(2,126)	(3,208)
Increase/(decrease) in payables, provisions, deferred income and lease liabilities	31,355	(5,886)
Interest received	437	488
Net cash inflow from operating activities	<u>965,668</u>	<u>698,102</u>

Notes to the financial statements

For the year ended 31 December 2015

40 Parent entity financial information

	2015 \$'000	2014 \$'000
Balance sheet		
Assets		
Current assets	2,193,285	2,156,818
Non-current assets	5,480,749	5,499,474
Total Assets	<u>7,674,034</u>	<u>7,656,292</u>
Liabilities		
Current liabilities	645,078	5,013,305
Non-current liabilities	4,908,653	3,679,006
Total Liabilities	<u>5,553,731</u>	<u>8,692,311</u>
Equity		
Share capital	3,200,000	-
Reserves	10,935	7,649
Accumulated losses	(1,090,632)	(1,043,668)
Total Equity	<u>2,120,303</u>	<u>(1,036,019)</u>
Income statement		
Loss for the year/period	(46,964)	(6,511)
Other comprehensive income for the year/period	3,286	36,520
Total comprehensive income for the year/period	<u>(43,678)</u>	<u>30,009</u>

(a) Guarantees entered into by the parent entity

The parent entity has provided performance guarantees on behalf of the Group including in relation to the NGP (refer note 33(a)).

No liability was recognised by the parent entity as the fair value of the guarantees is immaterial.

(b) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 31 December 2015.

(c) Contractual commitments for the acquisition of property, plant and equipment

The parent entity did not have any commitments as at 31 December 2015 or 31 December 2014.

41 Events occurring after balance date

No 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

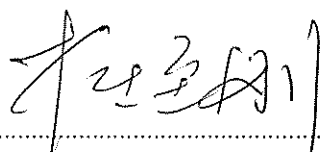
For the year ended 31 December 2015

In the directors' opinion:

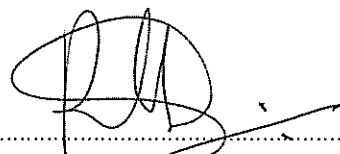
1. the financial statements set out on pages 5 to 83, are in accordance with the *Corporations Act 2001*, including:
 - (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - (b) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The directors draw attention to Note 1 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


MR DU ZHIGANG

Director


MR PAUL JOHN ADAMS

Place: Melbourne

Date: 10 March 2016



Independent auditor's report to the members of SGSP (Australia) Assets Pty Ltd

Report on the financial report

We have audited the accompanying financial report of SGSP (Australia) Assets Pty Ltd (the Company), which comprises the consolidated balance sheet as at 31 December 2015, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 41 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

KPMG

KPMG

Penny Stragalinos
Partner

Melbourne

10 March 2016