



SGSP (AUSTRALIA) ASSETS PTY LTD

ABN 60 126 327 624

FINANCIAL REPORT

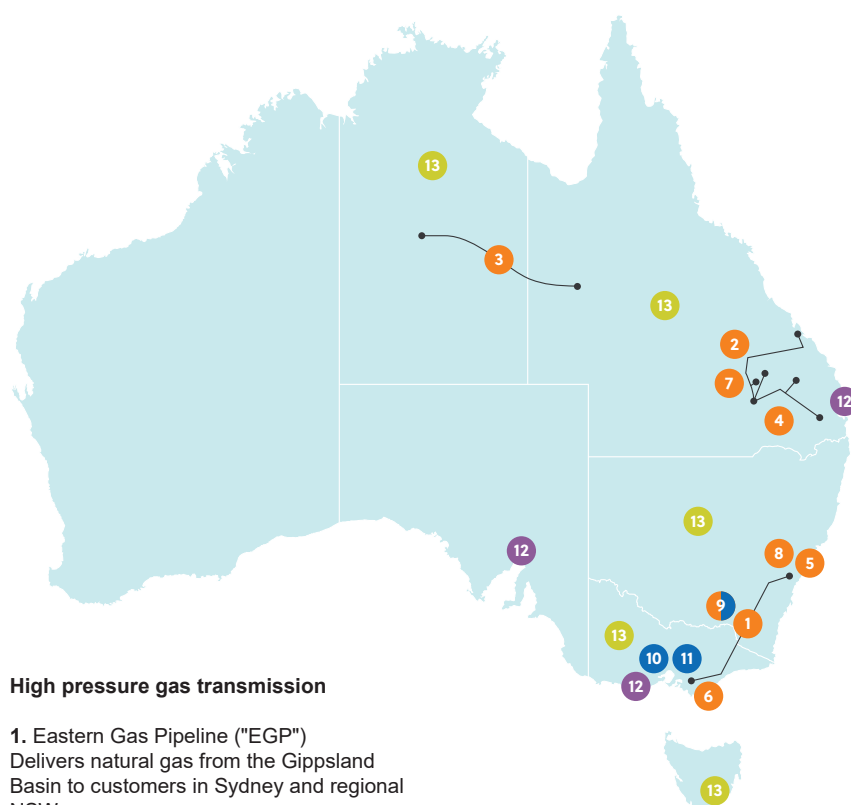
For the year ended 31 December 2021



PRINCIPAL ACTIVITIES

For the year ended 31 December 2021

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



High pressure gas transmission

- 1. Eastern Gas Pipeline ("EGP")**
Delivers natural gas from the Gippsland Basin to customers in Sydney and regional NSW.
Statistics: 18 inch diameter, 797 kilometres in length, approximate capacity of 350 terajoules ("TJ") per day.
- 2. Queensland Gas Pipeline**
Delivers natural gas from the Surat Basin, Denison Trough and Bowen Basin to large industrial users in Gladstone and Rockhampton.
Statistics: 12 inch diameter, 627 kilometres in length, approximate capacity of 140 TJ per day.
- 3. Northern Gas Pipeline**
Delivers natural gas from Tennant Creek to Mt Isa. Construction was completed and first gas flowed in January 2019.
Statistics: 12 inch diameter, 623 kilometres in length, approximate capacity of 90 TJ per day.
- 4. Darling Downs Pipeline ("DDP") network**
Consists of three integrated pipeline extending from Spring Gully to Wallumbilla through to the Darling Downs Power Station. Statistics: 292 kilometres in length and capacity ranging from 155 TJ per day to 502 TJ per day.
The DDP network also includes the Atlas Gas Processing Facility and pipeline connecting Surat Basin in Queensland to the DDP. Statistics: 60 kilometres in length and capacity of approximately 40 TJ per day.
- 5. Colongra Gas Pipeline**
Stores and delivers natural gas across 9 kilometres to the Colongra peaking power station at Munmorah.
- 6. VicHub** is a pipeline interconnect facility situated at Longford. The facility enables gas

to flow between the EGP, the Tasmanian gas pipeline and the Victorian gas transmission system. The facility has a nominal daily injection capacity of 150 TJ per day and a withdrawal capacity of 135 TJ per day.

- 7. Roma North Pipeline**
Processes and delivers natural gas from the Surat Basin into the GLNG Comet Ridge to Wallumbilla Pipeline.
Statistics: 8 inch diameter, 5 kilometres in length, approximate capacity of 24 TJ per day.

Gas distribution

- 8. Jemena Gas Network** was established in 1837 and is the principal gas distribution business in New South Wales ("NSW"). It typically delivers 90-95 petajoules of natural gas each year to more than 1.4 million homes and businesses throughout NSW.
- 9.** The Group holds a 50% interest in the ActewAGL Distribution Partnership ("ADP"), primarily operating as 'Evoenergy'. The remaining 50% is ultimately held by the Australian Capital Territory ("ACT") government. ADP owns and operates the gas networks in the ACT, Queanbeyan-Palerang and Nowra.

Electricity distribution

- 9.** ADP owns and operates the electricity distribution network in the ACT.
- 10.** Jemena Electricity Network delivers electricity to over 350,000 homes and

Gas

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

Electricity

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

Other businesses

- 12** Ovida

Service business

- 13** Zinfra

businesses through approximately 6,300 kilometres of distribution network covering approximately 950 square kilometres of northwest greater Melbourne.

- 11.** The Group holds a 34% interest in United Energy Distribution Holdings Pty Ltd ("UEDH"). UEDH group delivers electricity to over 700,000 homes and businesses through a distribution network covering approximately 1,472 square kilometres of southeast Melbourne and the Mornington Peninsula.

Other businesses

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

Services business

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

Financial report

For the year ended 31 December 2021

SGSP (Australia) Assets Pty Ltd

ABN 60 126 327 624

Contents

	Page
Directors' report	1
Auditor's independence declaration	3
Financial statements	
Income statement	4
Statement of comprehensive income	5
Balance sheet	6
Statement of changes in equity	7
Cash flow statement	8
Notes to the financial statements	9
Directors' declaration	65
Independent auditor's report	66



Directors' report

SGSP (Australia) Assets Pty Ltd

ABN 60 126 327 624

For the year ended 31 December 2021

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 2021 and the auditor's report thereon.

Directors

The directors of the Company for the year ended 31 December 2021 and up to the date of this report (unless otherwise stated) are listed below:

Mr Jiang Longhua (Chairman)
Mr Frank Anton Tudor (Managing Director)
Mr Peng Sun
Ms Jeanne Gueh Poh Tay
Mr Albert Yeuk Kuk Tse
Ms Yue Joo Chia
Ms Hui Chee Loong
Mr Warwick Leslie Smith

Principal activities

The Group owns or has an interest in a portfolio of energy infrastructure assets and related businesses (operated under three brands, being Jemena, Ovida and Zinfra — with partially-owned interests operated under separate brands, United Energy and Evoenergy). Jemena is an investor in a portfolio of gas and electricity assets which is diversified in terms of geography and markets. Ovida is used for electricity market investments. Zinfra is a services business focused on delivering engineering, design and construction, as well as field based maintenance and operational services across gas and electricity utility infrastructure assets.

Refer to the inside of the cover page for detailed description of the Group's principal activities.

Review of operations

	Consolidated	
	2021	2020*
	\$'000	Restated \$'000
Net profit after tax	217,051	220,021
Dividends		
	2021	2020
	\$'000	\$'000
Dividends paid by the Company to its shareholders	210,800	227,800

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

Significant changes in the state of affairs

In 2021, the Group continued to implement various measures to support its customers, clients and employees throughout the ongoing challenges caused by COVID-19. A strong focus on protecting the health and safety of our people was in place, which mitigated the impact of the pandemic on operations. This ensured business objectives continued to be delivered and regulatory and financial commitments to be met.

Management continue to assess the potential impacts of COVID-19 on the business, however do not expect significant impacts on the Group's operations or the results of those operations.

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

Directors' report

For the year ended 31 December 2021

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

Matters subsequent to 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.

Likely developments and expected results of operations

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

Environmental regulation and performance

The Group is subject to environmental regulations under both Commonwealth and State legislation relating to assets in which the Group has an ownership interest and end services provided by the Group to third parties. The directors are not aware of any significant breaches during the year ended 31 December 2021 or to the date of signing this report.

Insurance of directors and officers

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

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under *section 307C of the Corporations Act 2001*, is set out on page 3 and forms part of the Director's report for the year ended 31 December 2021.

Rounding of amounts

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

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

Director: 

Name: FRANK TABOR

Director: 

Name: JIANG LONGHUA

Date: 24 March 2022



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

To the Directors of SGSP (Australia) Assets Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of SGSP (Australia) Assets Pty Ltd for the financial year ended 31 December 2021 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.

A stylized signature of the KPMG firm, consisting of the letters 'KPMG' in a cursive, handwritten style.

KPMG

A handwritten signature of Gordon Sangster, written in black ink.

Gordon Sangster

Partner

Melbourne

24 March 2022

Income statement

For the year ended 31 December 2021

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

	Notes	2021 \$'000	2020* Restated \$'000
Revenue and other income	B1,B2	1,624,475	1,705,622
Share of net profits of associate and joint venture	C3,C4	66,511	61,528
Employee benefits expense	B6	(477,021)	(483,306)
Depreciation and amortisation expense	C1,C2,D7	(307,346)	(306,489)
Materials and services expense	B3	(322,392)	(355,111)
Operating profit		584,227	622,244
Finance income	D2	4,709	5,287
Finance costs	D2	(277,673)	(311,671)
Net finance costs		(272,964)	(306,384)
Profit before income tax		311,263	315,860
Income tax expense	B4	(94,212)	(95,839)
Profit for the year		217,051	220,021
Attributable to:			
Owners of the Company		217,051	220,021

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

Refer to note B1 for operating segment information.

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

Statement of comprehensive income

For the year ended 31 December 2021

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

	Notes	2021 \$'000	2020* Restated \$'000
Profit for the year		217,051	220,021
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Defined benefit superannuation plan actuarial gain before tax	B6	22,448	9,612
Tax on defined benefit superannuation plan actuarial gain		(6,734)	(2,884)
Defined benefit superannuation plan actuarial gain after tax		15,714	6,728
Items that are or may be reclassified to profit or loss			
Movement in hedging reserve before tax		282,549	(97,718)
Share of movement in associate hedging reserve		29,880	(7,776)
Tax on movement in hedging reserve		(93,729)	31,648
Movement in hedging reserve after tax	D3	218,700	(73,846)
Other comprehensive income for the year		234,414	(67,118)
Total comprehensive income for the year		451,465	152,903
Attributable to:			
Owners of the Company		451,465	152,903

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

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

Balance sheet

As at 31 December 2021

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

	Notes	2021 \$'000	2020* Restated \$'000
Current assets			
Cash at bank and in hand		37,852	19,723
Receivables	B7	222,306	220,137
Inventories		58,541	54,860
Derivative financial instruments	D3	65,151	46,217
Prepayments and deposits		20,409	21,423
Total current assets		404,259	362,360
Non-current assets			
Property, plant and equipment	C1	7,761,869	7,684,846
Intangible assets	C2	1,769,022	1,761,455
Investments in associate and joint venture	C3,C4	1,316,033	1,252,762
Right of use assets	D7	81,431	90,016
Lease receivable		70,285	67,179
Derivative financial instruments	D3	368,455	353,975
Defined benefit superannuation plans	B6	53,277	33,826
Total non-current assets		11,420,372	11,244,059
TOTAL ASSETS		11,824,631	11,606,419
Current liabilities			
Payables	B8	177,216	186,374
Provisions	B8	160,956	168,039
Interest bearing liabilities	D1	788,830	795,856
Contract liabilities	B2	121,720	62,591
Derivative financial instruments	D3	2,169	2,467
Lease liabilities		20,669	18,212
Total current liabilities		1,271,560	1,233,539
Non-current liabilities			
Interest bearing liabilities	D1	5,639,328	5,664,422
Provisions	B8	102,000	92,192
Deferred tax	B4	876,189	691,035
Lease liabilities		92,728	104,466
Contract liabilities	B2	5,550	2,600
Derivative financial instruments	D3	135,387	356,941
Total non-current liabilities		6,851,182	6,911,656
TOTAL LIABILITIES		8,122,742	8,145,195
Net assets		3,701,889	3,461,224
Share capital	D5	3,200,000	3,200,000
Hedging reserve	D3	(71,894)	(290,594)
Retained earnings		573,783	551,818
TOTAL EQUITY		3,701,889	3,461,224

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

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

Statement of changes in equity

For the year ended 31 December 2021

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

	Notes	Share capital \$'000	Hedging reserve \$'000	Retained earnings \$'000	Total \$'000
2021					
Balance at 1 January 2021		3,200,000	(290,594)	551,818	3,461,224
Profit for the year		-	-	217,051	217,051
Other comprehensive income					
Hedging reserve movement, net of tax	D3	-	218,700	-	218,700
Defined benefit superannuation plan actuarial gain, net of tax		-	-	15,714	15,714
Total other comprehensive income		-	218,700	15,714	234,414
Total comprehensive income for the year		-	218,700	232,765	451,465
Transactions with the owners of the Company recognised directly in equity					
Dividends paid to shareholders: \$0.07 per share		-	-	(210,800)	(210,800)
		-	-	(210,800)	(210,800)
Balance at 31 December 2021		3,200,000	(71,894)	573,783	3,701,889

	Notes	Share capital \$'000	Hedging reserve \$'000	Retained earnings \$'000	Total \$'000
2020 Restated*					
Balance at 1 January 2020, as previously reported		3,200,000	(216,748)	557,228	3,540,480
Change in accounting policy upon adoption of IFRIC Agenda Decision		-	-	(4,359)	(4,359)
Adjusted balance at 1 January 2020		3,200,000	(216,748)	552,869	3,536,121
Profit for the year		-	-	220,021	220,021
Other comprehensive income					
Hedging reserve movement, net of tax	D3	-	(73,846)	-	(73,846)
Defined benefit superannuation plan actuarial gain, net of tax		-	-	6,728	6,728
Total other comprehensive income			(73,846)	6,728	(67,118)
Total comprehensive income for the year		-	(73,846)	226,749	152,903
Transactions with the owners of the Company recognised directly in equity					
Dividends paid to shareholders: \$0.07 per share		-	-	(227,800)	(227,800)
		-	-	(227,800)	(227,800)
Balance at 31 December 2020		3,200,000	(290,594)	551,818	3,461,224

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

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

Cash flow statement

For the year ended 31 December 2021

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

	Notes	2021 \$'000	2020* Restated \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		1,849,756	1,950,460
Payments to suppliers and employees		(962,390)	(1,023,989)
Income taxes paid (net of refunds)		(2,415)	(9,077)
Interest received		-	47
Net cash inflow from operating activities	B5	884,951	917,441
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment and intangibles		(385,223)	(385,432)
Proceeds from sale of property, plant and equipment and intangibles		16,677	4,895
Dividends and distributions received from investments		32,610	57,348
Net cash outflow from investing activities		(335,936)	(323,189)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	D6	2,014,502	1,797,548
Repayment of borrowings	D6	(2,019,776)	(1,853,000)
Payment of lease liabilities	D6	(28,631)	(29,463)
Interest paid		(280,793)	(297,391)
Dividends paid		(210,800)	(227,800)
Debt issuance costs		(5,388)	(3,896)
Net cash outflow from financing activities		(530,886)	(614,002)
Net increase/(decrease) in cash and cash equivalents		18,129	(19,750)
Cash and cash equivalents at the beginning of the year		19,723	39,473
Cash and cash equivalents at the end of the year		37,852	19,723

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

Cash and cash equivalents comprise cash deposits at call.

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

Notes to the financial statements

For the year ended 31 December 2021

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

Contents

	Page
Section A About this report	
A1 Basis of preparation	10
A2 Significant accounting policies	12
A3 Critical accounting estimates and judgements	12
Section B Operations and performance	
B1 Operating segments	13
B2 Revenue and other income	15
B3 Materials and services expense	16
B4 Taxation	17
B5 Reconciliation of result for the year to net cash flows from operating activities	19
B6 Employee costs and defined benefit superannuation plans	20
B7 Receivables	24
B8 Payables, provisions and contingent liabilities	26
Section C Our assets	
C1 Property, plant, and equipment	28
C2 Intangible assets	30
C3 Investment in associate	32
C4 Investment in joint venture	33
C5 Impairment testing	35
C6 Capital commitments	38
Section D Financing our business	
D1 Interest bearing liabilities	39
D2 Finance income and costs	40
D3 Derivative financial instruments and hedging reserve	41
D4 Financial risk management	45
D5 Share capital	51
D6 Reconciliation of movements of assets and liabilities to cash flows arising from financing activities	52
D7 Leases	54
Section E Group structure	
E1 Parent entity information	56
E2 Subsidiaries	58
E3 Deed of cross-guarantee	59
E4 Related party transactions	62
Section F Other disclosures	
F1 Fair value measurement	64
F2 Remuneration of auditors	64
F3 Events occurring after balance date	64

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION A ABOUT THIS REPORT

A1 Basis of preparation

SGSP (Australia) Assets Pty Ltd ("the Company") is a for-profit company domiciled in Australia. The address of the Company's registered office and principal place of business is Level 16, 567 Collins Street, Melbourne VIC 3000. These consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (collectively "the Group"). The comparative figures are for the year ended 31 December 2020.

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

(a) Going concern basis of accounting

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

The Group's current liabilities exceed its current assets by \$867.3 million, mainly due to the classification of two debt facilities that are set to mature in 2022. The Group's working capital, investing and financing requirements are being actively managed through operating cashflows and utilisation of committed facilities. The Group has access to unused committed facilities of \$1,254.2 million (refer to note D4 (d)), \$1,100.0 million of which are available for more than 12 months from the date of authorisation of these financial statements.

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

In 2021, the Group continued to implement various measures to support its customers, clients and employees throughout the ongoing challenges caused by COVID-19. A strong focus on protecting the health and safety of our people was in place, which mitigated the impact of the pandemic on operations. This ensured business objectives continued to be delivered and regulatory and financial commitments to be met.

Management continue to assess the potential impacts of COVID-19 on the business, however do not expect significant impacts on the Group's operations or the results of those operations.

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 24 March 2022.

(c) Basis of measurement

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

(d) Functional and presentation currency

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION A ABOUT THIS REPORT

(e) Accounting policies

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

Change in accounting policy

In April 2021, the IFRS Interpretation Committee ("IFRIC") published its final agenda decision 'Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)' which addresses whether configuration or customisation costs relating to Software-as-a-Service ("SaaS") arrangements can be recognised as an intangible asset and if not, over what time period the costs are expensed.

The Group's accounting policy has historically been to capitalise certain costs related to cloud computing arrangements as an intangible asset. The adoption of the above agenda decision has resulted in the Group changing its accounting policy and a reclassification of these intangible assets in the Balance Sheet to an expense in the Income Statement, impacting both the current and prior period presented. The new accounting policy and historical financial information that has been restated to account for the change are presented below.

New accounting policy

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Costs incurred for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset are recognised as intangible software assets and amortised over the useful life of the software on a straight line basis. Judgement is required to determine whether the additional code meets the definition of an intangible asset.

Where the SaaS arrangement supplier provides both the configuration and customisation services, and the SaaS access over the contract term, judgement is required to determine whether these services are distinct or not from each other. Distinct configuration and customisation costs are expensed as incurred as the software is configured or customised (i.e. upfront). Non-distinct configuration and customisation costs are expensed over the SaaS contract term (i.e. as a prepayment).

Non-distinct customisation activities significantly enhance or modify a SaaS cloud-based application. Judgement is required in determining whether the degree of customisation and modification of the SaaS cloud-based application is significant or not.

Impact on financial statements

The impact of this change in accounting policy on the previously reported comparative numbers is presented below:

	Previously reported	Adjustments	Restated
	\$'000	\$'000	\$'000
Income statement for the year ended 31 December 2020			
Depreciation and amortisation expenses	(308,557)	2,068	(306,489)
Materials and services expenses	(352,966)	(2,145)	(355,111)
Profit before tax	315,937	(77)	315,860
Income tax expense	(95,862)	23	(95,839)
Profit for the year	220,075	(54)	220,021
Balance Sheet as at 31 December 2020			
Intangible assets	1,767,760	(6,305)	1,761,455
Deferred tax liabilities	692,927	(1,892)	691,035
Net assets	3,465,637	(4,413)	3,461,224
Retained earnings	556,231	(4,413)	551,818
Total equity	3,465,637	(4,413)	3,461,224
Cash flow statement for the year ended 31 December 2020			
Payments to suppliers and employees	(1,021,844)	(2,145)	(1,023,989)
Net cash inflow from operating activities	919,586	(2,145)	917,441
Payments for property, plant and equipment and intangibles	(387,577)	2,145	(385,432)
Net cash outflow from investing activities	(325,334)	2,145	(323,189)

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION A ABOUT THIS REPORT

A2 Significant accounting policies

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

(a) Comparative figures

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

(b) New accounting standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however the Group has not early adopted the new or amended standards in preparing these financial statements. These changes are not expected to result in any material changes to the Company's financial performance or financial position.

A3 Critical accounting estimates and judgements

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

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

B1 Operating segments

(a) Accounting policy

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

(b) Operating segments

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

(i) Electricity distribution

The electricity distribution network delivers electricity from the high voltage transmission network to end users. The Group charges retailers and some large customers regulated rates for the use of the distribution network. The electricity distribution segment does not purchase or sell electricity in the ordinary course of business. This segment includes the Group's investment in the associate and interest in the joint venture (as proportionate to electricity distribution activities).

(ii) Gas distribution

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

Revenue from one major customer of the Group's gas distribution segment represents \$180.0 million (year ended 31 December 2020: \$201.6 million) of the Group's total revenue for the year.

(iii) Gas transmission

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

(iv) Services business - Zinfra

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

(v) All other segments

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

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION B OPERATIONS AND PERFORMANCE

(c) Segment performance

	Notes	Electricity distribution		Gas distribution		Gas transmission		Services business - Zinfra		All other segments		Inter-segment eliminations		Total	
		2020*		2020*		2020*		2020*		2020*		2020*		2020*	
		2021 \$'000	Restated \$'000	2021 \$'000	Restated \$'000	2021 \$'000	Restated \$'000	2021 \$'000	Restated \$'000	2021 \$'000	Restated \$'000	2021 \$'000	Restated \$'000	2021 \$'000	Restated \$'000
Operating profit		233,949	244,774	219,458	251,841	134,381	130,766	35,563	27,559	(29,586)	(18,966)	(9,538)	(13,730)	584,227	622,244
Revenue and other income	B2(c)	457,862	461,728	483,970	522,420	303,692	303,893	736,956	738,867	30,482	36,352	(388,487)	(357,638)	1,624,475	1,705,622
Gas and electricity distribution revenue		364,711	378,595	434,202	473,136	-	-	-	-	-	-	-	-	798,913	851,731
Gas transmission revenue		-	-	-	-	303,692	303,893	-	-	-	-	-	-	303,692	303,893
Infrastructure services revenue		67,405	57,317	48,895	47,998	-	-	736,919	738,838	30,219	31,432	(388,487)	(357,638)	494,951	517,947
Other income		25,746	25,816	873	1,286	-	-	37	29	263	4,920	-	-	26,919	32,051
Share of net profits of associate and joint venture	C3 C4	49,616	47,954	16,895	13,574	-	-	-	-	-	-	-	-	66,511	61,528
Depreciation and amortisation expense	C1 C2 D7	(85,419)	(83,317)	(104,937)	(107,493)	(84,785)	(81,185)	(19,868)	(21,927)	(13,884)	(13,951)	1,547	1,384	(307,346)	(306,489)
Finance income	D2	69	68	42	50	3,324	3,795	316	318	958	1,056	-	-	4,709	5,287
Finance costs	D2	(92,420)	(105,692)	(108,209)	(124,021)	(70,716)	(80,104)	(4,167)	(769)	(2,161)	(1,085)	-	-	(277,673)	(311,671)
Acquisition of property, plant and equipment and intangibles	C1 C2	190,641	158,169	177,277	188,037	22,657	40,963	4,581	5,187	5,066	9,447	(10,239)	(12,479)	389,983	389,324

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION B OPERATIONS AND PERFORMANCE

B2 Revenue and other income

(a) Accounting policy

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

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

Revenue is recognised for customer contracts as follows:

(i) Gas and electricity distribution revenue

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

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

(ii) Gas transmission

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

(iii) Infrastructure services revenue

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

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

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

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

Revenue from other income is described as follows:

(i) Dividends and distributions

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

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

(ii) Other income

Other income includes interest from redeemable preference shares recognised using the effective interest method.

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

(b) Critical accounting estimates and judgements

(i) Energy delivery

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

(ii) Infrastructure services

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

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

(c) Disaggregation of revenue and other income

Refer to operating segment note B1(c).

(d) Timing of revenue recognition

	2021 \$'000	2020 \$'000
Goods/services transferred at a point in time	1,192,997	1,236,086
Goods/services transferred over time	404,559	437,485
Revenue	1,597,556	1,673,571

(e) Contract balances

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

	31 December 2021 \$'000	31 December 2020 \$'000
Invoiced trade receivables (refer to note B7(c))	69,870	76,393
Contract assets	144,370	131,126
Contract liabilities	(127,270)	(65,191)

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

The contract liabilities primarily relate to the advance consideration received from customers for which revenue is recognised when the performance obligation is satisfied. The amount of \$62,591 thousand recognised in contract liabilities at the beginning of the year has been recognised as revenue for the year ended 31 December 2021. The amount of revenue recognised in the year ended 31 December 2021 from performance obligations satisfied (or partially satisfied) in previous years is nil.

B3 Materials and services expense

(a) Significant items disclosure

	2021 \$'000	2020 \$'000
Materials and services includes:		
Net loss on disposal of property, plant and equipment and intangible assets	(4,687)	(8,037)
Efficiency program costs	(18,774)	(9,571)

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

B4 Taxation

(a) Accounting policy

(i) Tax consolidation

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

(ii) Income tax expense or benefit

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

(iii) Current tax

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

(iv) Deferred tax

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

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

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 derecognised to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the tax group intends to settle its tax assets and liabilities on a net basis.

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

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

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

(b) Critical accounting estimates and judgements

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

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

(c) Income tax expense

	2021 \$'000	2020* Restated \$'000
Current tax expense		
Current year	(897)	(19,937)
Adjustments for prior years	(8,624)	4,681
Deferred tax expense		
Origination and reversal of temporary differences	(93,312)	(75,410)
Adjustments for prior years	8,621	(5,173)
Total income tax expense	(94,212)	(95,839)

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

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

	2021 \$'000	2020* Restated \$'000
Profit before income tax	311,263	315,860
Prima facie tax expense at the Australian tax rate of 30% (2020 - 30%)	(93,379)	(94,758)
Tax effect of amounts which are not assessable / (deductible) in calculating taxable income:		
Non-deductible expenses:		
- Other	(830)	(589)
Under provision in respect of prior year	(3)	(492)
Total income tax expense	(94,212)	(95,839)

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

(e) Franking credit account

The franking credit balance as at 31 December 2021 is \$0.8 million (2020 franking deficit: \$1.6 million).

(f) Deferred tax liability / (asset)

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

	Opening Balance \$'000	IFRIC Agenda Decision* \$'000	Charged to Income \$'000	Charged to Equity \$'000	Closing Balance \$'000
2021					
Property, plant and equipment	872,913	-	59,339	-	932,252
Financial assets	(100,771)	-	13,667	93,729	6,625
Other items**	(81,107)	-	11,685	6,734	(62,688)
	691,035	-	84,691	100,463	876,189

	Opening Balance \$'000	IFRIC Agenda Decision* \$'000	Charged to Income \$'000	Charged to Equity \$'000	Closing Balance \$'000
2020					
Property, plant and equipment	789,072	-	83,841	-	872,913
Financial assets	(66,263)	-	(2,860)	(31,648)	(100,771)
Other items**	(81,724)	(1,869)	(398)	2,884	(81,107)
	641,085	(1,869)	80,583	(28,764)	691,035

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

Tax effect of unrecognised temporary differences

	2021 \$'000	2020 \$'000
Capital investment in associate	10,705	10,705
Capital losses at balance date	-	-

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

	2021 \$'000	2020* Restated \$'000
Profit before income tax	311,263	315,860
Non-cash flows in profit:		
Depreciation and amortisation	307,346	306,489
Defined benefit superannuation plans - service costs	4,192	4,456
Non-operating activities:		
Share of profit of associate and joint venture	(66,511)	(61,528)
Finance income	(4,709)	(5,287)
Finance costs including economic hedges	277,673	311,671
Loss on disposal of property, plant and equipment	4,687	8,037
Exchange differences - unrealised	80	120
Changes in assets and liabilities:		
(Increase)/decrease in receivables and other current assets	(4,261)	62,378
Increase in inventories	(3,681)	(6,822)
Increase/(decrease) in payables, provisions, contract liabilities and lease liabilities	61,287	(8,903)
Interest received	-	47
Income taxes paid	(2,415)	(9,077)
Net cash inflow from operating activities	884,951	917,441

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

B6 Employee costs and defined benefit superannuation plans

(a) Employee benefits expense

	2021 \$'000	2020 \$'000
Defined benefit superannuation plans - service costs	(4,192)	(4,456)
Defined contribution superannuation expenses	(32,315)	(31,394)
Other employee benefit expenses	(440,514)	(447,456)
Total employee benefits expense	(477,021)	(483,306)

(b) Accounting policy

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

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

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

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

(ii) Long service leave

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

(iii) Superannuation plans

Defined benefit superannuation plans:

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

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

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

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

Defined contribution superannuation plans:

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

(iv) Incentive plans

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

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

(v) Termination benefits

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

(vi) Employee benefit on-costs

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

(c) Critical accounting estimates and judgements

(i) Annual leave and long service leave

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

(ii) Defined benefits

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

(d) Defined benefit superannuation plans

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

Actuarial valuations of the funds as at 31 December 2021 and 31 December 2020 were performed resulting in the information set out below:

(e) Balance sheet amounts

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

	2021 \$'000	2020 \$'000
Present value of funded defined benefit obligations	(153,308)	(163,840)
Fair value of plan assets	206,585	197,666
Present value of net assets	53,277	33,826

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

(f) Categories of plan assets

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

	2021 %	2020 %
Australian equities	18.9	20.5
International equities	20.0	22.9
Fixed income	10.5	12.7
Property	7.0	8.2
Cash	13.3	12.5
Growth alternatives	10.9	15.3
Defensive alternatives	19.4	7.9
	100.0	100.0

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

(g) Reconciliations

	2021 \$'000	2020 \$'000
<i>Present value of funded defined benefit obligations</i>		
Opening defined benefit obligation	(163,840)	(172,975)
Transfer to/(from) related party	-	(17,607)
Service cost	(4,192)	(4,456)
Interest cost	(2,706)	(3,858)
Contributions by plan participants	(1,654)	(1,541)
Actuarial gains	3,997	10,176
Benefits paid by the plan	15,087	27,098
Past service costs/curtailments	-	(677)
Closing defined benefit obligation	(153,308)	(163,840)
<i>Fair value of plan assets</i>		
Opening fair value of plan assets	197,666	201,102
Transfer from/(to) related party	-	17,607
Interest income	3,186	4,342
Return on plan assets less interest income	18,451	(564)
Contributions from the employer	715	736
Contributions by plan participants	1,654	1,541
Benefits paid	(15,087)	(27,098)
Closing fair value of plan assets	206,585	197,666

The actual return on plan assets for the year was a gain of \$21.6million (year ended 31 December 2020: gain of \$3.8 million)

(h) Amounts recognised in the income statement

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

	2021 \$'000	2020 \$'000
Service cost	(4,192)	(4,456)
Net interest income	480	484
Past service costs/curtailments	-	(677)
Total expense included in the income statement	(3,712)	(4,649)

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

(i) Amounts recognised in other comprehensive income

The amounts recognised in other comprehensive income are as follows:

	2021 \$'000	2020 \$'000
Actuarial (loss)/gain before tax recognised in other comprehensive income	22,448	9,612
Cumulative actuarial losses before tax recognised in retained earnings	(8,523)	(30,971)

(j) Principal actuarial assumptions

The principal actuarial assumptions are set out below:

	Russell		Equipsuper	
	2021 %	2020 %	2021 %	2020 %
Discount rate (active members)	2.7	1.6	3.1	1.8
Discount rate (pensioners)	N/A	N/A	2.0	2.0
Expected long term salary increase rate	2.8	2.0	2.8	1.6 for First Year, 2.0 pa thereafter
Expected pension increase rate	N/A	N/A	2.0	2.0
Weighted average duration of the defined benefit obligation (in years)	4.7	5.0	9.0	9.0

(k) Risks

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

Investment risk - the risk that investment returns will be lower than assumed and the Group will need to increase contributions to offset this shortfall.

Salary growth risk - the risk that wages or salaries (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit obligations and thereby requiring additional employer contributions.

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

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

(l) Sensitivity analysis

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

	Increase/(decrease) to defined benefit obligation	
	2021 \$'000	2020 \$'000
Defined benefit obligation		
Discount rate (0.5% higher)	(4,037)	(4,504)
Discount rate (0.5% lower)	4,292	5,536
Salary increase rate (0.5% higher)	2,989	3,682
Salary increase rate (0.5% lower)	(2,853)	(3,518)

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

(m) Employer contributions

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

Per the actuaries' 2021 reports, total minimum employer contributions to be paid by the Group for the year ending 31 December 2022 are nil. However, the Group may continue to contribute to assist in protecting the financial position.

B7 Receivables

(a) Accounting policy

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

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

(b) Critical accounting estimates and judgements

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

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

Monitoring of contracted retailers (Gas and Electricity), Pipelines and major contract debtors via an external consumer and credit risk registry continued throughout 2021, with the Group receiving updates within 24 hours of changes in ownership, directors or any adverse impacts on particular debtors. A secondary process including notifying relevant parts of the business about negative notifications, reviewing and following up all outstanding debts (if needed) is in place.

There was no increase in default rates or bad debt write offs during the year and receivable balances continue to be within expectation. The retailer relief support offered by Jemena in response to COVID-19 is closely monitored and managed and as at balance date no defaults have been seen from the debtors who qualified for the relief packages.

(c) Summary

	2021 \$'000	2020 \$'000
Trade receivables	50,581	59,426
Trade receivables from related parties	19,289	16,967
Total invoiced trade receivables	69,870	76,393
Allowance for impairment loss	(818)	(342)
Contract assets	108,577	103,965
Contract assets due from related parties	35,793	27,161
Total contract assets	144,370	131,126
Allowance for impairment loss	(972)	(1,080)
Total trade receivables	212,450	206,097
Income tax receivable	885	7,992
Other receivables from related parties	2,064	1,554
Other receivables	6,907	4,494
Total receivables	222,306	220,137

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

(d) Terms and conditions

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

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

(e) Ageing of total invoiced trade receivables

	2021 \$'000	2020 \$'000
Not past due	49,835	47,402
Past due not impaired: 0 - 30 days	8,906	11,951
Past due not impaired: 31 - 60 days	1,309	6,948
Past due not impaired: more than 61 days	9,002	9,750
Past due considered impaired	818	342
Total invoiced trade receivables	69,870	76,393

Total invoiced trade receivables past due not considered impaired are \$19.2million (2020: \$28.6 million). Payment terms on these amounts have not been renegotiated.

(f) Impairment of receivables

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

	2021 \$'000	2020 \$'000
Opening balance	1,422	2,574
Additional allowance recognised	585	632
Write-back of allowance	(77)	-
Amounts utilised	(140)	(1,784)
	1,790	1,422

Fair value and credit risk

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

Significant changes in credit risk since initial recognition of contract assets generally arise when claims are subject to negotiation or in dispute with customers. Total contract assets subject to negotiation or in dispute as at 31 December 2021 is \$2.5 million (2020: \$4.1 million).

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

B8 Payables, provisions and contingent liabilities

(a) Payables accounting policy

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

Foreign currency transactions

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

(b) Payables summary

	2021 \$'000	2020 \$'000
Trade and other payables	59,633	67,155
Payables to related parties	103	514
Accrued expenses	42,065	36,707
Interest payable	34,078	40,661
Interest payable to related parties	41,337	41,337
Total payables	177,216	186,374

(c) Provisions accounting policy

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

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

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

(d) Provisions related critical accounting estimates and judgements

(i) Environmental provisions

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

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

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

(ii) Decommissioning provisions

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION B OPERATIONS AND PERFORMANCE

(e) Provisions summary

	Current		Non-current	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Employee benefits	121,488	114,696	8,923	8,965
Environmental and restoration	6,675	15,273	9,483	9,696
Decommissioning	-	-	83,594	73,531
Other	32,793	38,070	-	-
Total provisions	160,956	168,039	102,000	92,192

(f) Movements in provisions (excluding employee benefits)

	Decommissioning \$'000	Environmental and restoration \$'000	Other \$'000	Total \$'000
2021				
Current and non-current				
Opening carrying amount	73,531	24,969	38,070	136,570
Additional provisions recognised	8,462	6,778	10,879	26,119
Unused provisions reversed	-	(4,937)	-	(4,937)
Utilised during the year	-	(10,652)	(16,156)	(26,808)
Discounting of provisions	1,601	-	-	1,601
Closing carrying amount	83,594	16,158	32,793	132,545

Decommissioning

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

Environmental and restoration

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

Other

Other provisions include restructuring, onerous contracts, legal, defect, contract claims and other miscellaneous provisions. Provision for defect and contract claims are made for the estimated liability on the known liquidated damage or contract claims arising under service and construction contracts.

(g) Contingent liabilities

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION C OUR ASSETS

C1 Property, plant, and equipment

(a) Accounting policy

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

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

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

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

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

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

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

(b) Critical accounting estimates and judgements

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

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION C OUR ASSETS

(c) Property, plant and equipment

	Freehold land \$'000	Freehold buildings \$'000	Easements \$'000	Leasehold improvements \$'000	Infrastructure assets \$'000	Other property, plant and equipment \$'000	Leased plant and equipment \$'000	Construction in progress \$'000	Total \$'000
Useful life (years)	Indefinite	2 - 70	15 - 40	1 - 25	1 - 120	1 - 23	1 - 20	n/a	
Year ended 31 December 2021									
Opening carrying amount - 1 January 2021	72,394	87,832	16,820	29,754	6,934,507	17,403	279	525,857	7,684,846
Additions	2	956	-	140	152,003	5,280	-	183,099	341,480
Impairment loss	-	-	-	(7,205)	(928)	-	-	-	(8,133)
Transfers from/(to) other asset classes	30	2,185	-	63	357,321	4,655	-	(365,523)	(1,269)
Depreciation charge	-	(2,856)	(666)	(3,895)	(227,654)	(7,017)	(65)	-	(242,153)
Disposals	(11,516)	(1,776)	-	(4)	(7,422)	(509)	(137)	-	(21,364)
Decommissioning provision	-	-	-	-	8,462	-	-	-	8,462
Closing carrying amount - 31 December 2021	60,910	86,341	16,154	18,853	7,216,289	19,812	77	343,433	7,761,869
At 31 December 2021									
Cost	60,910	107,779	21,421	59,546	9,547,997	138,084	602	343,433	10,279,772
Accumulated depreciation	-	(21,438)	(5,267)	(40,693)	(2,331,708)	(118,272)	(525)	-	(2,517,903)
Carrying amount	60,910	86,341	16,154	18,853	7,216,289	19,812	77	343,433	7,761,869
Year ended 31 December 2020									
Opening carrying amount - 1 January 2020	63,855	77,218	6,928	33,970	6,854,413	21,244	2,390	511,947	7,571,965
Additions	3,400	9,491	10,546	241	198,451	1,181	-	135,715	359,025
Reversal of impairment loss	4,658	-	-	-	-	-	-	-	4,658
Transfers from/(to) other asset classes	481	3,865	12	-	103,195	2,748	(1,757)	(121,805)	(13,261)
Depreciation charge	-	(2,742)	(666)	(4,203)	(228,438)	(7,585)	(89)	-	(243,723)
Disposals	-	-	-	(254)	(11,392)	(185)	(265)	-	(12,096)
Decommissioning provision	-	-	-	-	18,278	-	-	-	18,278
Closing carrying amount - 31 December 2020	72,394	87,832	16,820	29,754	6,934,507	17,403	279	525,857	7,684,846
At 31 December 2020									
Cost	72,394	105,436	21,421	65,652	9,051,525	135,251	1,023	525,857	9,978,559
Accumulated depreciation	-	(17,604)	(4,601)	(35,898)	(2,117,018)	(117,848)	(744)	-	(2,293,713)
Carrying amount	72,394	87,832	16,820	29,754	6,934,507	17,403	279	525,857	7,684,846

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION C OUR ASSETS

C2 Intangible assets

(a) Accounting policy and critical accounting estimates and judgements

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

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

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

(i) Goodwill

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

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

(ii) Electricity distribution licence

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

(iii) Software

Computer software includes the cost of software licences purchased by the Group and other additional software development costs. Refer to Note A1(e) for a change in accounting policy in relation to accounting for SaaS arrangements.

(iv) Contract intangibles

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

(v) Construction in progress

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

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION C OUR ASSETS

(b) Intangible assets

	Goodwill \$'000	Contract Intangibles \$'000	Electricity distribution licence \$'000	Software \$'000	Construction in progress \$'000	Total \$'000
Useful life (years)	Indefinite	8 - 33	Indefinite	1 - 22	n/a	
Year ended 31 December 2021						
Opening carrying amount - 1 January 2021	1,536,373	53,851	10,516	133,823	26,892	1,761,455
Additions	-	-	-	14,556	33,947	48,503
Transfers from/(to) other asset classes	-	-	-	20,540	(19,271)	1,269
Amortisation charge	-	(4,814)	-	(37,391)	-	(42,205)
Disposals	-	-	-	-	-	-
Closing carrying amount - 31 December 2021	1,536,373	49,037	10,516	131,528	41,568	1,769,022
At 31 December 2021						
Cost	1,536,373	104,158	10,516	706,098	41,568	2,398,713
Accumulated amortisation	-	(55,121)	-	(574,570)	-	(629,691)
Carrying amount	1,536,373	49,037	10,516	131,528	41,568	1,769,022
Year ended 31 December - Restated 2020*						
Opening carrying amount - 1 January 2020	1,536,373	58,458	10,516	120,955	30,422	1,756,724
Additions	-	-	-	7,157	23,142	30,299
Transfers from/(to) other asset classes	-	-	-	39,933	(26,672)	13,261
Amortisation charge	-	(4,607)	-	(33,386)	-	(37,993)
Disposals	-	-	-	(836)	-	(836)
Closing carrying amount - 31 December 2020	1,536,373	53,851	10,516	133,823	26,892	1,761,455
At 31 December - Restated 2020*						
Cost	1,536,373	104,158	10,516	671,002	26,892	2,348,941
Accumulated amortisation	-	(50,307)	-	(537,180)	-	(587,487)
Carrying amount	1,536,373	53,851	10,516	133,823	26,892	1,761,455

*The comparative information is restated on account of a change in accounting policy. Refer to Note A1(e).

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION C OUR ASSETS

C3 Investment in associate

(a) Accounting policy

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

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

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

(b) United Energy Distribution Holdings Pty Ltd

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

(c) Reconciliation of movements in investment in UEDH

	Opening \$'000	Share of profit \$'000	Dividends received/ receivable \$'000	Share of Other Comprehen- sive Income \$'000	Closing \$'000
2021					
Ordinary shares	78,769	15,314	(6,663)	29,880	117,300
Redeemable preference shares	205,243	-	-	-	205,243
	284,012	15,314	(6,663)	29,880	322,543
2020					
Ordinary shares	83,950	32,648	(30,053)	(7,776)	78,769
Redeemable preference shares	205,243	-	-	-	205,243
	289,193	32,648	(30,053)	(7,776)	284,012

The following table summarises the balance sheet information of UEDH:

	2021 \$'000	2020 \$'000
Current assets (including cash and cash equivalents - 31 December 2021: \$54.3 million; 31 December 2020: \$104.7 million)	236,312	165,080
Non-current assets (including financial assets - 31 December 2021: \$93.1 million, 31 December 2020: \$105.5 million)	3,446,011	3,363,639
Current liabilities (including financial liabilities - 31 December 2021: Nil, 31 December 2020: Nil)	(502,670)	(135,200)
Non-current liabilities (including financial liabilities - 31 December 2021: (\$2,695.4) million, 31 December 2020: (\$3,082.9) million)	(2,946,330)	(3,267,482)
Net assets (100%)	233,323	126,037

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

	2021 \$'000	2020 \$'000
Payable within one year (34%)	4,482	2,745
Payable later than one year but not later than five years (34%)	597	796
Later than five years (34%)	-	-
	5,079	3,541

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION C OUR ASSETS

The following table summarises the income statement information of UEDH:

	2021 \$'000	2020 \$'000
Revenue	638,979	716,828
Depreciation and amortisation	(142,632)	(144,038)
Interest income	111	927
Interest expense	(148,359)	(162,988)
Net profit after tax	46,790	96,212
Total comprehensive income for distribution	134,672	73,342

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

	2021 \$'000	2020 \$'000
Group's share of net assets (34%)	79,330	42,853
Consolidation adjustments	243,213	241,159
Carrying amount of interest in UEDH	322,543	284,012
Group's share of:		
- Profit	15,314	32,648
- Other comprehensive income (hedging reserves)	29,880	(7,776)
- Interest on redeemable preference shares held by the Company, included within UEDH group's interest expense	25,746	25,816
Group's total recognised comprehensive income from UEDH	70,940	50,688

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

C4 Investment in joint venture

(a) Accounting policy

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

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

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

(b) ActewAGL Distribution Partnership

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

(c) Critical accounting estimates and judgements

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION C OUR ASSETS

(d) Reconciliation of movements in investment in ADP

	Opening \$'000	Share of profit \$'000	Dividends received/ receivable \$'000	Closing \$'000
2021				
ActewAGL Distribution Partnership	968,750	51,197	(26,457)	993,490
	968,750	51,197	(26,457)	993,490
2020				
ActewAGL Distribution Partnership	960,434	28,880	(20,564)	968,750
	960,434	28,880	(20,564)	968,750

The following table summarises the balance sheet information of ADP:

	2021 \$'000	2020 \$'000
Current assets (including cash and cash equivalents - 31 December 2021: \$60.2 million; 31 December 2020: \$28.0 million)	193,210	145,358
Non-current assets (including financial assets - 31 December 2021: \$42.0 million; 31 December 2020: \$32.3 million)	1,465,224	1,440,606
Current liabilities (including financial liabilities - 31 December 2021: (\$8.7) million, 31 December 2020: (\$8.3) million)	(134,466)	(117,277)
Non-current liabilities (including financial liabilities - 31 December 2021: (\$33.7) million, 31 December 2020: (\$24.1) million)	(36,819)	(29,504)
Net assets (100%)	1,487,149	1,439,183

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

	2021 \$'000	2020 \$'000
Payable within one year (50%)	9,552	4,477
Payable later than one year but not later than five years (50%)	197	788
	9,749	5,265

The following table summarises the income statement information of ADP:

	2021 \$'000	2020 \$'000
Revenue	454,668	408,748
Depreciation and amortisation	(71,743)	(70,942)
Interest income	619	1,041
Interest expense	(1,761)	(1,988)

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

	2021 \$'000	2020 \$'000
Group's share of net assets (50%)	743,575	719,592
Consolidation adjustments	249,915	249,158
Carrying amount of interest in ADP	993,490	968,750
Total comprehensive income for distribution	100,108	55,807
Group's share of total comprehensive income	51,197	28,880

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION C OUR ASSETS

C5 Impairment testing

(a) Accounting policy

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

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

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

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

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

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

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

(b) Impairment testing

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

	2021 \$'000	2020 \$'000
Carrying amounts of goodwill by CGU		
Jemena Gas Network ("JGN")	502,738	502,738
Jemena Electricity Network ("JEN")	148,144	148,144
Jemena Eastern Gas Pipeline ("EGP")	760,982	760,982
Jemena Queensland Gas Pipeline ("QGP")	10,939	10,939
Jemena Darling Downs Pipeline Network ("DDPN")	25,272	25,272
Jemena Colongra	-	-
Jemena Northern Gas Pipeline ("NGP")	-	-
Roma North	-	-
Zinfra	88,298	88,298
50% of ActewAGL Distribution Partnership ("ADP")	-	-
34% of United Energy Distribution Holdings Pty Ltd ("UEDH")	-	-
Total	1,536,373	1,536,373

CGU impairment testing was carried out at 31 December 2021 resulting in no impairments being recognised (2020: nil).

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION C OUR ASSETS

(c) Critical accounting estimates and judgements

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

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

CGU	Cash Flow Horizon (years) ^a	Terminal Value Assumptions ^b	Post Tax Discount WACC 2021 ^c	Post Tax Discount WACC 2020 ^c	Comments on critical estimates and assumptions
Regulated Assets					
JGN	10 (2020: 10)	RAB 1.4 x	4.42%	4.02%	- For regulated assets where terminal values are a significant driver of recoverable value, the Group monitors risks on an ongoing basis in relation to any change including cross checking with implied market multiples of peers and recent market transactions for recent changes in RAB multiples. In 2021, the RAB multiples and the free cash flow horizons were maintained at the same level from 2020 as a result of no fundamental changes identified.
JEN	10 (2020: 10)	RAB 1.4 x	4.42%	4.02%	
UED	5 (2020: 5)	RAB 1.5 x	4.02%	3.42%	- Additional specific risk premiums were included in the discount rates for JGN and JEN. These premiums reflect the differences in the underlying regulatory revenue assumptions relating to the risk-free rate.
ADP	5 (2020: 5)	RAB 1.5 x	4.02%	3.42%	- JGN's market and commercial dynamics continue to evolve in 2022 and Management is focussed on further scenario testing with consideration given to JGN's strategy involving the commercial landscape, renewable gas transition, future access arrangements and capital programme optimisation. These focus points will therefore, underpin JGN's future cash flows and recoverable value in a net zero environment by 2050. - Increase in Post Tax Discount WACC reflects a higher long term risk-free rate outlook.

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION C OUR ASSETS

CGU	Cash Flow Horizon (years) ^a	Terminal Value Assumptions ^b	Post Tax Discount WACC 2021 ^c	Post Tax Discount WACC 2020 ^c	Comments on critical estimates and assumptions
Gas Transmission					
EGP	10 (2020: 10)	Perpetual Growth (0.50%) - 1.0% (2020: Perpetual Growth (0.50%) - 1.0%)	4.30% - 5.88%	3.69% - 5.09%	- The Group monitors risks on an ongoing basis for any change in the assumptions supporting the growth rates and forward profile of cash flows for these CGUs, including key elements of the discount rate which can have a material impact on the recoverable amount. The main change for 2021 is driven by an increase in the market wide risk free rate.
QGP	10 (2020: 10)				- The perpetual growth assumption is largely determined by demand/supply dynamics, alternate energy supplies, recontracting and the projected Australian Consumer Price Index. While inflation in the short term is high due to COVID-19 and its impact on supply costs, the Group expects inflation to normalise in the long-term.
DDPN	10 (2020: 10)				- Additional specific risk premiums were included in the discount rates for the pipeline CGU's namely, EGP, QGP, NGP and DDP. These premiums reflected market outlook and other potential risks not fully captured in the cash flow forecasts including, but not limited to, regulatory, supply side risk and changes in the energy mix from trends towards decarbonisation.
Roma North	10 (2020: 10)				- In 2021, the Vichub was subsumed into the EGP CGU reflecting their geographic closeness and cash generation dependency.
NGP	10 (2020: 10)				
Colongra	8 (2020: 9)				
Services					
Zinfra	5 (2020: 5)	Contract Growth 1.0% (2020: Contract Growth 1.0%)	9.01%	8.47%	- The market continues to be highly competitive and volatile and may potentially impact revenue and EBITDA margin growth rates. The ability to maintain competitive margins as well as managing re-contracting risk for key customers remains a focus for the business. - Growth is driven mainly by revenue growth project and services contracts supported by identified opportunities, realistic win rates and historical trends.

Notes:

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION C OUR ASSETS

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:

- The market and commercial dynamics particularly pertaining to NGP, EGP and JGN CGUs continue to evolve and Management is focussed on their strategy involving the commercial landscape, renewable gas transition, future access arrangements and capital programme optimisation. These considerations are set in a backdrop of a market trend toward decarbonisation that may negatively impact long-term gas demand and growth rates.

-NGP: Management continues to work to secure additional long-term revenues on the NGP through the Northern Gas Strategy. Negotiations continue with multiple counterparties and the cash flows included are based on the best information at reporting date. The uncertainties pertaining to these cash flows are factored into the discount WACC and the terminal value growth rate.

- EGP: Management continues to work to further secure long-term revenue on the EGP through the Southern Gas Strategy. The Southern Gas Strategy involves among other things the construction and connection of the EGP to the Port Kembla Energy Terminal. Negotiations continue with multiple counterparties and the cash flows included are based on the best information at reporting date on the most current view of demand and supply factors. Further, the cash flow assumptions also assume that, where relevant, re-contracting will be performed in accordance with any Gas Market Reform rules. The uncertainties pertaining to these cash flows are factored into the discount WACC and the terminal value growth rate.

- JGN: Management continues to monitor risk pertaining to volume relating to residential, industrial and commercial customers. On a broader lens, Management has committed to invest in developing renewable gas technologies and continue to perform scenario testing as part of the long-term strategy to plan for the future of the portfolio.

C6 Capital commitments

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

	2021 \$'000	2020 \$'000
Payable within one year	6,147	10,492
Payable later than one year but not later than five years	-	9
	6,147	10,501

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

D1 Interest bearing liabilities

(a) Accounting policy

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

(b) Interest bearing liabilities

			Current		Non-current	
			2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
	Maturity date	Issue rate				
Unsecured						
Bank loans - Syndicated Facility Agreements			-	-	250,000	220,000
Bank loans - Bilateral Facility Agreements			-	-	315,000	150,000
Less: borrowing costs			(128)	-	(4,813)	(4,918)
Debt securities						
- GBP 250m MTN	22-Feb-21	5.125%	-	446,002	-	-
- USD 500m MTN	09-Apr-23	3.300%	-	-	698,269	672,831
- AUD 350m MTN	12-Mar-21	5.500%	-	350,000	-	-
- EUR 500m MTN	30-Jun-22	2.000%	789,428	-	-	814,084
- AUD 350m MTN	28-Jun-23	3.750%	-	-	355,394	362,497
- USD 500m MTN	29-Jul-26	3.250%	-	-	691,517	683,166
- HKD 875m MTN	21-May-27	3.300%	-	-	160,857	160,954
- USD 500m MTN	07-Jul-27	3.500%	-	-	719,626	718,111
- AUD 250m MTN	27-Sep-24	3.750%	-	-	250,000	250,000
- HKD 785m MTN	28-Mar-29	2.850%	-	-	138,677	131,592
- AUD 92m MTN	20-Jul-29	2.789%	-	-	92,000	92,000
- HKD 739m MTN	20-Dec-29	2.535%	-	-	130,550	123,881
- AUD 159m MTN	27-Feb-35	2.680%	-	-	159,000	159,000
- AUD 350m MTN	15-Sep-28	1.843%	-	-	342,974	349,552
- HKD 900m MTN	04-Jan-27	1.440%	-	-	156,317	-
- AUD 100m MTN	29-Nov-28	2.525%	-	-	100,509	-
- AUD 300m MTN	17-Dec-29	2.620%	-	-	298,120	-
Less: borrowing costs			(470)	(146)	(14,669)	(18,328)
Convertible instruments			-	-	800,000	800,000
			788,830	795,856	5,639,328	5,664,422
			788,830	795,856	5,639,328	5,664,422

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

D2 Finance income and costs

(a) Accounting policy

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

Borrowing costs that are directly attributable to the construction of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. The capitalisation rate used to determine the amount of borrowing costs to be included in the cost of qualifying assets is the weighted average interest rate of 3.48% for the year applicable to the Group's outstanding borrowings (year ended 31 December 2020: 4%). Generally, the Group's gearing rate is applied to the capitalisation rate to determine the amount of interest to capitalise.

(b) Summary

	2021 \$'000	2020 \$'000
Finance income		
Interest on funds invested	-	63
Interest on lease receivable	4,229	4,740
Defined benefit net interest	480	484
	4,709	5,287
Finance costs		
Interest and finance charges paid/payable on borrowings	(278,705)	(302,101)
(Loss)/gain on the fair value hedging instruments (fair value hedges)	(139,398)	15,282
Gain/(loss) on the fair value hedged items (fair value hedges)	138,978	(17,290)
Other hedging related items	3,297	(3,557)
Capitalised finance charges	4,760	3,892
Interest on leases	(5,004)	(5,828)
Unwinding of discount on liabilities	(1,601)	(2,069)
	(277,673)	(311,671)

SECTION D FINANCING OUR BUSINESS

D3 Derivative financial instruments and hedging reserve

(a) Accounting policy

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

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

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

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

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

(i) Hedge ineffectiveness

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

(ii) Fair value hedges

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

(iii) Cash flow hedges

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

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

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

(iv) Foreign currency basis spreads

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

(b) Critical accounting estimates and judgements

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

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

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

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

(c) Summary

	Current		Non-current	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Assets*				
Fair value hedges				
Cross currency swap contracts	66,112	46,219	255,928	365,762
Interest rate swap contracts	-	-	5,474	12,600
Cash flow hedges				
Cross currency swap contracts	(1,069)	(14)	67,031	(24,734)
Interest rate swap contracts	-	-	40,022	347
Forward foreign exchange contracts	108	12	-	-
Instruments which do not qualify for hedge accounting				
Interest rate swap contracts	-	-	-	-
	65,151	46,217	368,455	353,975

	Current		Non-current	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Liabilities*				
Fair value hedges				
Cross-currency swap contracts	-	-	-	(33,266)
Interest rate swap contracts	-	-	7,950	467
Cash flow hedges				
Cross-currency swap contracts	-	-	591	61,398
Interest rate swap contracts	2,117	2,265	126,846	328,277
Forward foreign exchange contracts	52	202	-	65
Instruments which do not qualify for hedge accounting				
Interest rate swap contracts	-	-	-	-
	2,169	2,467	135,387	356,941

	2021 %	2020 %
Weighted Average Interest Rate		
Cross currency swap contracts	1.98	2.38
Interest rate swap contracts	2.41	2.60

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

(d) Foreign currency risk management

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

	Weighted average exchange rate	Foreign currency contract value FC\$'000	Carrying amount \$'000	Less than 1 year \$'000	1- 5 years \$'000
2021					
Forward foreign currency contracts					
- Buy USD (United States Dollar)	0.7332	2,070	27	27	-
- Buy CAD (Canadian Dollar)	0.9231	4,590	40	40	-
- Buy EUR (Euro)	0.6196	228	(11)	(11)	-
2020					
Forward foreign currency contracts					
- Buy USD (United States Dollar)	0.7198	2,458	(212)	(147)	(65)
- Buy CAD (Canadian Dollar)	0.9581	2,239	(39)	(39)	-
- Buy EUR (Euro)	0.6191	160	(4)	(4)	-

(e) Hedge accounting

As 31 December 2021, the Group held various types of derivative financial instruments and formally designated them in cash flow and fair value hedge relationships for accounting purposes, in accordance with the requirements of AASB 9. The following table summarises the derivative financial instruments in the consolidated balance sheet and the effects of hedge accounting on the Group's financial position and performance for 2021:

	Nominal amount of hedging instrument \$'000	Change in the value of the hedging instrument used for calculating hedge ineffectiveness \$'000	Change in value of the hedged item used for calculating hedge ineffectiveness \$'000	Change in value of the hedging instrument recognised in hedging reserve \$'000	Hedge ineffectiveness recognised in (profit) and loss \$'000	Amount reclassified from the cash flow hedge reserve to (profit) or loss \$'000
Cash flow hedges						
Interest (up to 11 years)	3,700,000	241,253	(241,253)	241,253	-	-
Capital expenditure (up to 1 year)	8,163	312	(312)	312	-	-
Foreign currency debt (up to 8 years)	3,100,798	44,299	(41,002)	41,002	(3,297)	-
Fair value hedges						
Local Currency debt (up to 8 years)	750,000	(14,590)	15,054	N/A	(464)	N/A
Foreign currency debt (up to 8 years)	2,522,279	(124,808)	123,924	N/A	884	N/A

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

(f) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net changes in the fair value of cash flow hedging instruments related to highly probable forecast transactions. The future periods in which the cash flows associated with derivative financial instruments in the cash flow hedge reserve are expected to impact profit and loss are the same as when the hedged highly probable cash flows are expected to occur.

	2021* \$'000	2020* \$'000
Balance at beginning of the year	(290,594)	(216,748)
Revaluation (cash flow hedge accounting)	177,805	(47,596)
Revaluation (foreign currency basis spreads)**	19,979	(20,807)
Share of associate's hedge reserve	20,916	(5,443)
Balance at end of the year	(71,894)	(290,594)

* The numbers are net of tax.

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

SECTION D FINANCING OUR BUSINESS

D4 Financial Risk Management

Overview

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

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

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

Risk management framework

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

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

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

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

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

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

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

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

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

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

(a) Interest rate risk

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

The objective of hedging activities carried out by the Group in relation to these businesses is to minimise the exposure to changes in interest rates by matching the actual cost of debt with the cost of debt assumed by the regulator when setting the rate of return for the relevant business. The exposure is managed by maintaining an appropriate mix of fixed and floating rate borrowings and by the use of IRS.

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

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

	2021 \$'000	2020 \$'000
Financial assets:		
Cash at bank and in hand	37,852	19,723
	37,852	19,723
Financial liabilities:		
Bank loans and debt securities not designated in an interest rate hedging relationship	565,000	123,738
	565,000	123,738

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

Due to the Group's interest rate risk management policies, the exposure at a corporate level to interest rate risk at any point in time is significantly reduced. At balance date, 91.7% of the Group's borrowings are fixed through either fixed rate debt or pay fixed IRS.

The Group's exposure to changes in interest rates is limited to exposure denominated in Australian dollars due to our policy of mitigating interest rate risk exposure on foreign currency debt. As a result, the sensitivity analysis below has only been performed based on movements in Australian interest rates. As at reporting date, if Australian interest rates had increased and decreased by 86 basis points as at 31 December 2021 (2020: 84 basis points), with all other variables held constant, post-tax profit and equity would have increased/ (decreased) as follows:

Sensitivity Analysis

	2021		2020	
	Net profit/(loss) \$'000	Equity \$'000	Net profit/(loss) \$'000	Equity \$'000
Increase in Australian interest rates	(5,912)	129,344	(4,129)	130,023
Decrease in Australian interest rates	6,257	(137,585)	674	(139,347)

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

(b) Currency risk

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

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

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

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

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

	2021 \$'000	2020 \$'000
Cross currency swaps notional amounts		
USD	1,799,004	1,799,004
GBP	-	399,776
EUR	723,275	723,275
HKD	578,519	429,017
	3,100,798	3,351,072

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

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

	2021 \$'000	2020 \$'000
Financial assets:		
Cash (USD denominated)	1,080	44
	1,080	44

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

(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. 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 utilities. Despite the relatively low risk of bad debts, the Group regularly monitors the financial condition of its accounts receivable balances to ensure the exposure to bad debts is minimised. Refer to note B7 for more information.

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

(d) Liquidity risk

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

	2021 \$'000	2020 \$'000
Floating rate		
Unsecured working capital, reviewed annually:		
- Amounts used - bank guarantees	45,749	57,536
- Amount unused	154,251	142,464
Unsecured bilateral facilities with various maturity dates and which may be extended by mutual agreement:		
- Amount used	315,000	150,000
- Amount unused	50,000	200,000
Unsecured syndicated bank loan facilities:		
- Amount used	250,000	220,000
- Amount unused	1,050,000	930,000
Total amount used	610,749	427,536
Total amount unused (refer note A1 (a))	1,254,251	1,272,464

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

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

Liquidity risk is managed by the Group based on expected net cash inflows and outflows from financial assets and liabilities and available banking facilities combined with access to global capital markets.

The Group continues to manage liquidity and refinancing risks in accordance with the Board approved treasury management framework and long term funding principles and no material impact of COVID-19 on liquidity and refinancing risks has been identified. The following table summarises the maturities of the Group's financial assets and liabilities based on the remaining earliest contractual maturities at carrying amount.

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION D FINANCING OUR BUSINESS

(d) Liquidity risk

Undiscounted contractual cash flow

	Carrying amounts \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
As at 31 December 2021						
Financial assets						
Cash and cash equivalents	37,852	37,852	-	-	-	37,852
Receivables (including lease receivable)	292,591	231,391	6,752	20,270	83,531	341,944
Interest rate swaps	45,496	(3,085)	1,190	18,005	33,510	49,620
Cross-currency swaps	388,002					
Cross currency swaps - receive		874,323	754,015	850,371	1,033,711	3,512,420
Cross currency swaps - pay		(774,005)	(537,117)	(849,321)	(973,212)	(3,133,655)
Forward foreign currency contracts	108	109	-	-	-	109
	764,049	366,585	224,840	39,325	177,540	808,290
Financial liabilities						
Variable interest rate loans	245,059	5,116	154,356	417,780	-	577,252
Fixed interest rate loans	5,383,099	928,143	1,150,751	1,202,508	2,411,173	5,692,575
Convertible instruments	800,000	82,000	82,000	246,000	2,741,266	3,151,266
Payables	177,216	177,216	-	-	-	177,216
Lease liabilities	113,397	24,948	20,981	55,773	26,730	128,432
Interest rate swaps	136,913	61,062	35,806	43,353	15,706	155,927
Cross-currency swaps	591					
Cross-currency swaps - receive		(7,262)	(7,262)	(21,785)	(291,012)	(327,321)
Cross-currency swaps - pay		8,187	8,200	24,646	300,387	341,420
Forward foreign currency contracts	52	54	-	-	-	54
	6,856,327	1,279,464	1,444,832	1,968,275	5,204,250	9,896,821
Net maturity		(912,879)	(1,219,992)	(1,928,950)	(5,026,710)	(9,088,531)

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION D FINANCING OUR BUSINESS

Undiscounted contractual cash flow

	Carrying amounts \$'000	Less than 1 year \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Total \$'000
As at 31 December 2020						
Financial assets						
Cash and cash equivalents	19,723	19,723	-	-	-	19,723
Receivables (including lease receivable)	287,316	221,559	1,458	5,647	60,494	289,158
Interest rate swaps	12,947	5,137	4,601	1,639	1,809	13,186
Cross-currency swaps	387,233					
Cross currency swaps - receive		553,117	879,775	806,844	1,522,595	3,762,331
Cross currency swaps - pay		(452,069)	(769,657)	(593,515)	(1,524,848)	(3,340,089)
Forward foreign currency contracts	12	12	-	-	-	12
	707,231	347,479	116,177	220,615	60,050	744,321
Financial liabilities						
Variable interest rate loans	215,082	3,799	3,799	373,409	-	381,007
Fixed interest rate loans	5,445,196	955,410	922,443	1,492,544	2,476,728	5,847,125
Convertible instruments	800,000	82,000	82,000	246,000	2,823,266	3,233,266
Payables	186,374	186,374	-	-	-	186,374
Lease liabilities	122,678	22,986	20,016	54,669	44,320	141,991
Interest rate swaps	331,009	82,968	73,496	150,380	47,376	354,220
Cross-currency swaps	28,132					
Cross-currency swaps - receive		(6,891)	(6,891)	(20,672)	(283,036)	(317,490)
Cross-currency swaps - pay		8,191	8,187	24,656	308,577	349,611
Forward foreign currency contracts	267	201	64	-	-	265
	7,128,738	1,335,038	1,103,114	2,320,986	5,417,231	10,176,369
Net maturity		(987,559)	(986,937)	(2,100,371)	(5,357,181)	(9,432,048)

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

(e) Fair value of financial assets and liabilities

The Group classified the fair value measurements (refer note F1) of its financial instruments using a level 2 fair value hierarchy that reflects the significance of the inputs used in making the measurements. Fair value is measured using valuation techniques and significant market observable data as well as market corroboration based on active quotes. These include industry standard interest rate, foreign exchange and currency basis yield curves sourced directly from the Treasury Management System. 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 the Treasury Management System for each of the relevant counterparties, with the Bilateral Credit Risk applied uniformly across all swap assets and liabilities as at balance date.

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

	Carrying amount		Fair value	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Financial liabilities				
Debt securities (fixed rate)	5,068,099	5,295,196	4,823,980	5,208,960
Debt securities (floating rate)	-	-	-	-

(f) Financial covenants

The terms of certain financing arrangements contain financial covenants.

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

D5 Share capital

(a) Accounting policy

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

(b) Summary

	2021 \$	2020 \$
Fully paid ordinary shares (at \$1 each)	3,200,000,100	3,200,000,100
	3,200,000,100	3,200,000,100

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION D FINANCING OUR BUSINESS

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

	1 January 2021	Cash flows				Non-cash changes			31 December 2021
	Opening Balance \$'000	Proceeds from borrowings \$'000	Repayment of borrowings \$'000	Payment of lease liabilities \$'000	Other \$'000	Fair value changes \$'000	Additions/ (Disposals) \$'000	Other \$'000	Closing Balance \$'000
Interest bearing liabilities									
Bank loans	365,082	1,465,000	(1,270,000)	-	-	-	-	(23)	560,059
Debt securities	5,295,196	549,502	(749,776)	-	-	(30,159)	-	3,336	5,068,099
Convertible instruments	800,000	-	-	-	-	-	-	-	800,000
	6,460,278	2,014,502	(2,019,776)	-	-	(30,159)	-	3,313	6,428,158
Derivative financial instruments - Assets									
Cross currency swap contracts	(387,233)	-	-	-	-	(769)	-	-	(388,002)
Interest rate swap contracts	(12,947)	-	-	-	-	(32,549)	-	-	(45,496)
Forward foreign exchange contracts	(12)	-	-	-	-	(96)	-	-	(108)
	(400,192)	-	-	-	-	(33,414)	-	-	(433,606)
Derivative financial instruments - Liabilities									
Cross currency swap contracts	28,132	-	-	-	-	(27,541)	-	-	591
Interest rate swap contracts	331,009	-	-	-	-	(194,096)	-	-	136,913
Forward foreign exchange contracts	267	-	-	-	-	(215)	-	-	52
	359,408	-	-	-	-	(221,852)	-	-	137,556
Lease liabilities									
Lease liabilities	122,678	-	-	(28,631)	-	-	14,347	5,004	113,397
	122,678	-	-	(28,631)	-	-	14,347	5,004	113,397

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION D FINANCING OUR BUSINESS

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

	1 January 2020	Cash flows				Non-cash changes			31 December 2020
	Opening Balance \$'000	Proceeds from borrowings \$'000	Repayment of borrowings \$'000	Payment of lease liabilities \$'000	Other \$'000	Fair value changes \$'000	Additions/ (Disposals) \$'000	Other \$'000	Closing Balance \$'000
Interest bearing liabilities									
Bank loans	781,614	1,288,000	(1,703,000)	-	-	-	-	(1,532)	365,082
Debt securities	5,078,983	509,548	(150,000)	-	-	(146,025)	-	2,690	5,295,196
Convertible instruments	800,000	-	-	-	-	-	-	-	800,000
	6,660,597	1,797,548	(1,853,000)	-	-	(146,025)	-	1,158	6,460,278
Derivative financial instruments - Assets									
Cross currency swap contracts	(541,327)	-	-	-	-	154,094	-	-	(387,233)
Interest rate swap contracts	(9,796)	-	-	-	-	(3,151)	-	-	(12,947)
Forward foreign exchange contracts	-	-	-	-	-	(12)	-	-	(12)
	(551,123)	-	-	-	-	150,931	-	-	(400,192)
Derivative financial instruments - Liabilities									
Cross currency swap contracts	7,976	-	-	-	-	20,156	-	-	28,132
Interest rate swap contracts	253,758	-	-	-	-	77,251	-	-	331,009
Forward foreign exchange contracts	75	-	-	-	-	192	-	-	267
	261,809	-	-	-	-	97,599	-	-	359,408
Lease liabilities									
Lease liabilities	140,567	-	-	(29,463)	-	-	5,746	5,828	122,678
	140,567	-	-	(29,463)	-	-	5,746	5,828	122,678

SECTION D FINANCING OUR BUSINESS

D7 Leases

(a) Accounting policy

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

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

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

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

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

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

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

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

As a lessor

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

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

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

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

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION D FINANCING OUR BUSINESS

(b) Critical accounting estimates and judgements

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

(c) Right of use asset movements

	Land and Buildings \$'000	Motor Vehicles \$'000	Other Property, Plant and Equipment \$'000	Total \$'000
Year ended 31 December 2021				
Opening carrying amount - 1 January 2021	76,951	10,754	2,311	90,016
Additions	4,494	9,950	133	14,577
Depreciation charge	(12,905)	(9,196)	(887)	(22,988)
Disposals	(166)	(8)	-	(174)
Closing carrying amount - 31 December 2021	68,374	11,500	1,557	81,431
At 31 December 2021				
Cost	108,557	39,925	4,148	152,630
Accumulated depreciation	(40,183)	(28,425)	(2,591)	(71,199)
Carrying amount	68,374	11,500	1,557	81,431
Year ended 31 December 2020				
Opening carrying amount - 1 January 2020	88,817	16,112	3,036	107,965
Additions	2,068	4,875	174	7,117
Depreciation charge	(13,911)	(9,964)	(898)	(24,773)
Disposals	(23)	(269)	(1)	(293)
Closing carrying amount - 31 December 2020	76,951	10,754	2,311	90,016
At 31 December 2020				
Cost	104,296	30,396	4,015	138,707
Accumulated depreciation	(27,345)	(19,642)	(1,704)	(48,692)
Carrying amount	76,951	10,754	2,311	90,016

(d) Extension options

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

Notes to the financial statements

For the year ended 31 December 2021

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

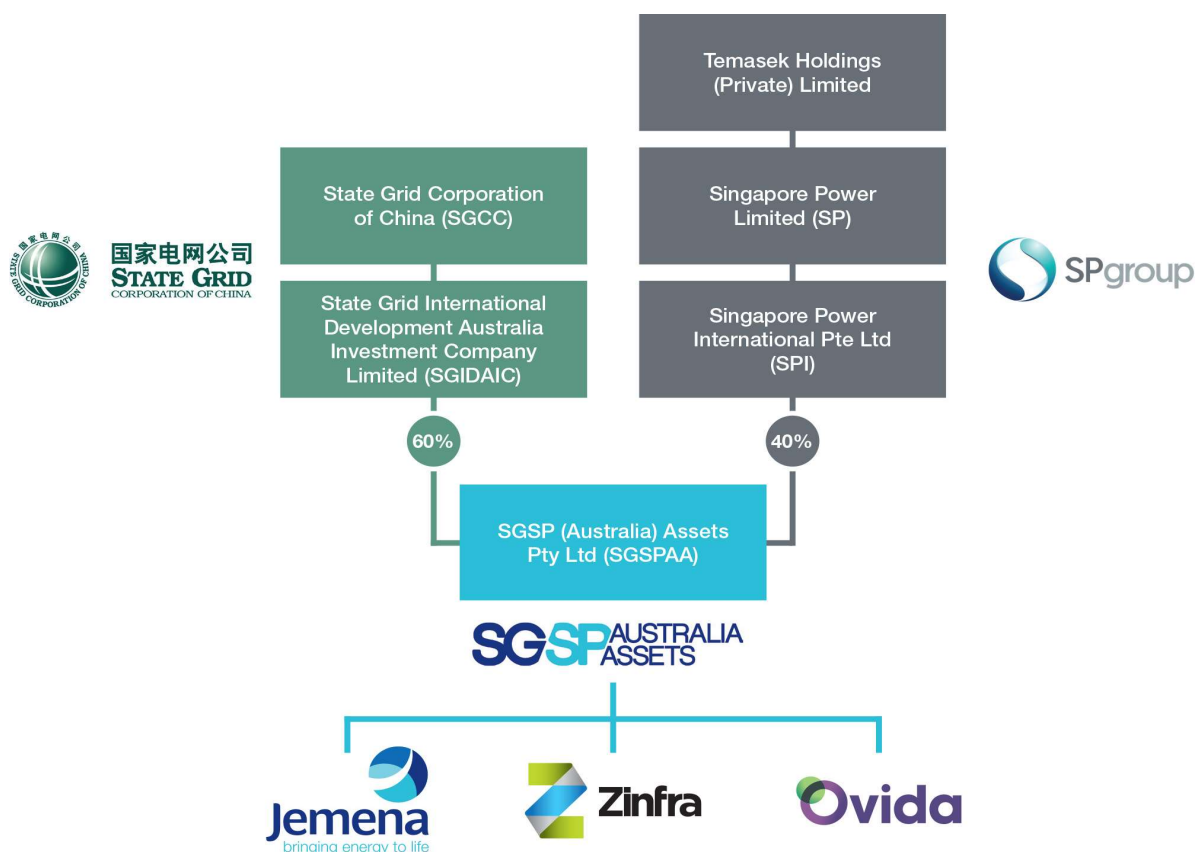
SECTION E GROUP STRUCTURE

E1 Parent entity information

(a) Parent entities

The Company is the ultimate Australian parent of the Group.

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



Notes to the financial statements

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

For the year ended 31 December 2021

SECTION E GROUP STRUCTURE

(b) Financial information of the Company

	2021 \$'000	2020 \$'000
Balance sheet		
Assets		
Current assets	3,898,208	3,425,716
Non-current assets	6,344,920	6,396,293
Total Assets	10,243,128	9,822,009
Liabilities		
Current liabilities	2,799,078	2,308,788
Non-current liabilities	5,382,715	5,629,297
Total Liabilities	8,181,793	7,938,085
Equity		
Share capital	3,200,000	3,200,000
Reserves	(68,175)	(244,596)
Retained earnings	20,142	19,152
Accumulated losses	(1,090,632)	(1,090,632)
Total Equity	2,061,335	1,883,924
Income statement		
Profit for the year	211,790	201,335
Other comprehensive income for the year	197,566	(68,276)
Total comprehensive income for the year	409,356	133,059
Dividends		
Dividends paid to shareholders: \$0.07 per share (year ended 31 December 2020: \$0.07 per share)	210,800	227,800

(c) Disclosures of the Company

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

The Company did not have any contractual commitments for the acquisition of property, plant and equipment as at 31 December 2021 or 31 December 2020.

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION E GROUP STRUCTURE

E2 Subsidiaries

(a) Accounting policy

(i) Business combinations

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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

(iii) Transactions eliminated on consolidation

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

(b) Critical accounting estimates and judgements

Fair value in business combinations

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

(c) Subsidiaries

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

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

Name of entity

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

Name of entity

Jemena Malabar Pipeline Pty Ltd
Pipelines Pty Ltd
Jemena NSGC Pty Ltd
Jemena Colongra Pty Ltd
Jemena Northern Gas Pipeline Pty Ltd
Ovida Infrastructure Pty Ltd
Jemena Darling Downs Pipeline (1) Pty Ltd
Jemena Darling Downs Pipeline (2) Pty Ltd
Jemena Darling Downs Pipeline (3) Pty Ltd
CLM Infrastructure Pty Ltd
Jemena Contracting Services (West) Pty Ltd
Zinfra Contracting Pty Ltd
Jemena EH Pty Ltd
Zinfra Pty Ltd
Jemena Management Holdings Pty Ltd
Jemena Management Services Pty Ltd

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION E GROUP STRUCTURE

Name of entity

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

Name of entity

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

E3 Deed of Cross-Guarantee

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

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

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

The subsidiaries subject to the Jemena closed group Deed are:

Jemena Limited
Jemena Asset Management Pty Ltd
Jemena Management Holdings Pty Ltd
Jemena Management Services Pty Ltd
Jemena Electricity Networks (Vic) Limited
Jemena Gas Networks (NSW) Limited
Jemena Gas Pipelines Holdings Pty Ltd
Jemena Eastern Gas Pipeline (1) Pty Ltd
Jemena Eastern Gas Pipeline (2) Pty Ltd
Jemena Eastern Gas Pipeline (3) Pty Ltd
Jemena Networks (ACT) Pty Ltd
Jemena Eastern Gas Pipeline Holdings Pty Ltd
Jemena Roma North Pipeline Pty Ltd

Jemena Gas Transmission Pty Ltd
Jemena VicHub Pipeline Pty Ltd
Jemena Queensland Gas Pipeline (1) Pty Ltd
Jemena Queensland Gas Pipeline (2) Pty Ltd
Jemena Malabar Pipeline Pty Ltd
Jemena Colongra Pty Ltd
Jemena EH Pty Ltd
Jemena Holdings Pty Ltd
Jemena Group Holdings Pty Ltd
Jemena Northern Gas Pipeline Pty Ltd
Jemena Darling Downs Pipeline (1) Pty Ltd
Jemena Darling Downs Pipeline (2) Pty Ltd
Jemena Darling Downs Pipeline (3) Pty Ltd

The subsidiaries subject to the Zinfra closed group Deed are:

Zinfra Pty Ltd
ZNX(2) Pty Ltd

Zinfra Contracting Pty Ltd
ZNX Pty Ltd

There have been no changes to either the Jemena closed group or the Zinfra closed group during the year ended 31 December 2021.

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION E GROUP STRUCTURE

A consolidated income statement, comprehensive income and balance sheet, comprising the Company and controlled entities which are a party to the ASIC Deeds, after eliminating all transactions between parties to the ASIC Deeds for the year ended 31 December 2021 is set out as follows:

Income statement for the year ended 31 December 2021

	2021		2020* Restated	
	Jemena closed group** \$'000	Zinfra closed group** \$'000	Jemena closed group** \$'000	Zinfra closed group** \$'000
Revenue and other income	1,274,620	1,109,364	1,322,614	1,078,997
Share of net profits of associate and joint venture	66,511	15,314	61,528	32,648
Employee benefits expense	(188,113)	(288,908)	(182,536)	(293,409)
Depreciation and amortisation expense	(287,478)	(19,632)	(284,383)	(22,008)
Materials and services expense	(308,410)	(395,015)	(298,169)	(397,727)
Operating profit	557,130	421,123	619,053	398,501
Finance income	5,676	52,566	6,437	90,102
Finance costs	(277,049)	(276,449)	(310,902)	(308,366)
Net finance costs	(271,373)	(223,883)	(304,465)	(218,264)
Profit before income tax	285,757	197,240	314,588	180,237
Income tax (expense)/benefit	(83,671)	44,225	(91,343)	39,990
Profit for the year	202,086	241,465	223,245	220,227
Other comprehensive income for the year (***)	223,594	229,520	(70,386)	(70,578)
Total comprehensive income for the year	425,680	470,985	152,859	149,649

During the year, the Company paid dividends of \$210.8 million to the shareholders (2020: \$227.8 million)

* The comparative information is restated on account of a change in accounting policy (refer to Note A1(e)) and a change in the elimination methodology.

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

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION E GROUP STRUCTURE

Balance sheet as at 31 December 2021

	2021		2020* Restated	
	Jemena closed group** \$'000	Zinfra closed group** \$'000	Jemena closed group** \$'000	Zinfra closed group** \$'000
Current assets				
Cash at bank and in hand	14,720	21,069	4,439	13,595
Receivables	146,319	3,273,932	175,925	3,616,893
Inventories	9,100	49,430	10,898	43,950
Derivative financial instruments	65,151	65,042	46,217	46,205
Income tax receivable	885	885	-	-
Prepayments and deposits	18,222	2,187	19,949	1,460
Total current assets	254,397	3,412,545	257,428	3,722,103
Non-current assets				
Deferred tax	-	80,520	-	182,324
Property, plant and equipment	7,858,621	13,777	7,769,067	14,796
Intangible assets	1,720,676	48,267	1,709,087	52,368
Investment in subsidiaries	-	4,715,299	-	4,379,299
Investments in associate and joint venture	1,329,343	202,317	1,266,774	163,786
Right of use assets	67,579	13,852	77,555	12,460
Lease receivable	62,818	-	59,183	-
Derivative financial instruments	368,455	368,455	353,975	353,975
Defined benefit superannuation plans	15,647	37,630	13,268	20,558
Total non-current assets	11,423,139	5,480,117	11,248,908	5,179,566
TOTAL ASSETS	11,677,536	8,892,662	11,506,336	8,901,669
Current liabilities				
Payables	243,811	39,137	247,818	39,351
Provisions	94,175	84,492	102,537	78,772
Interest bearing liabilities	788,830	788,830	795,856	795,856
Contract liabilities	111,257	10,608	52,370	11,471
Derivative financial instruments	2,169	2,117	2,467	2,265
Lease liabilities	13,351	7,318	12,100	6,112
Total current liabilities	1,253,593	932,502	1,213,148	933,827
Non-current liabilities				
Interest bearing liabilities	5,639,329	5,639,328	5,664,422	5,664,422
Provisions	100,341	1,660	90,860	1,332
Deferred tax	886,588	-	705,117	-
Lease liabilities	85,846	6,883	96,464	6,753
Contract liabilities	5,550	-	2,600	-
Derivative financial instruments	135,388	135,387	356,941	356,875
Total non-current liabilities	6,853,042	5,783,258	6,916,404	6,029,382
TOTAL LIABILITIES	8,106,635	6,715,760	8,129,552	6,963,209
Net assets	3,570,901	2,176,902	3,376,784	1,938,460
Share capital	3,200,000	3,200,000	3,200,000	3,200,000
Hedging reserve	(259,950)	21,162	(457,506)	(176,176)
Retained earnings	630,851	(1,044,260)	634,290	(1,085,364)
TOTAL EQUITY	3,570,901	2,176,902	3,376,784	1,938,460

* The comparative information is restated on account of a change in accounting policy (refer to Note A1(e)) and a change in the elimination methodology.

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

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION E GROUP STRUCTURE

E4 Related party transactions

(a) Related entities

Following are the Group's related entities which are identified in accordance with AASBs:

AusNet Services was a related entity via the Company's shareholders. The Group engaged in related party transactions with various entities within the AusNet Services Ltd group ("AusNet Services"). The transmission networks of AusNet Services (Transmission) Limited transmits electricity to the Jemena Electricity Network. The Group also engages and provides construction work on network assets to AusNet Services. AusNet Services provides various asset management services to the Group. AusNet Services is no longer a related entity after it was acquired in February 2022 by Australian Energy Holdings No 4 Pty Limited, a company controlled by Brookfield Asset Management

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

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

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

Services between related parties are provided on mutually agreed terms.

(b) Subsidiaries

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

(c) Key management personnel

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

	2021 \$	2020 \$
Short-term and long-term employee benefits	8,674,616	11,346,905
Post-employment benefits	210,456	229,977
Total	8,885,072	11,576,882

(d) Transactions with related parties

The following transactions occurred with related parties:

	2021 \$'000	2020 \$'000
Sales of goods and services		
Associate	139,672	143,093
Joint venture	28,795	29,539
Other related parties	67,890	87,269
Other income		
Associate - interest on redeemable preference shares	25,746	25,816
Associate – directors' fees	30	30
Joint venture – directors' fees	282	262
Purchase of goods		
Administration expenses to shareholders	7	14
Maintenance expenses to other related parties	13,650	9,368
Purchase of goods from other related parties	-	-

Notes to the financial statements

For the year ended 31 December 2021

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

SECTION E GROUP STRUCTURE

	2021 \$'000	2020 \$'000
Finance costs		
Shareholders	82,000	82,000
Dividend payments		
<i>Dividend payments to:</i>		
Shareholders	210,800	227,800
(e) Outstanding balances with related parties		
The following related party balances are outstanding at balance date		
	2021 \$'000	2020 \$'000
Current receivables		
Associate	25,459	21,592
Joint venture	5,350	5,563
Other related parties	26,337	18,527
Current payables		
Other related parties	103	514
Shareholders	41,337	41,337
Non-current payables		
Shareholders	800,000	800,000

Notes to the financial statements

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

For the year ended 31 December 2021

SECTION F OTHER DISCLOSURES

F1 Fair value measurement

(a) Accounting policy

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

The fair value hierarchy has the following levels:

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

F2 Remuneration of auditors

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

(a) Audit services

	2021 \$	2020 \$
Statutory audit	566,000	550,000
Regulatory audits	787,500	697,700
Total remuneration for audit services	1,353,500	1,247,700

(b) Other services

	2021 \$	2020 \$
Taxation services	56,965	11,538
Other assurance services	122,104	132,864
Regulatory advisory services	50,715	124,824
Total remuneration for other services	229,784	269,226

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

F3 Events occurring after balance date

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

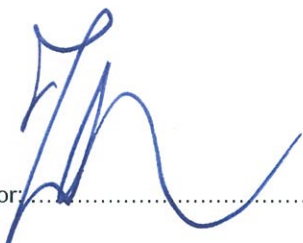
SGSP (Australia) Assets Pty Ltd
ABN 60 126 327 624

For the year ended 31 December 2021

In the directors' opinion:

1. the financial statements and notes set out on pages 4 to 64 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 2021 and of its performance for the year ended on that date; and
 - (b) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
2. there are reasonable grounds to believe that the Company:
 - (a) will be able to pay its debts as and when they become due and payable; and
 - (b) together with the group subsidiaries identified in Note E3, as parties to the Deeds of Cross Guarantee ("ASIC Deeds"), will be able to meet any liabilities to which they are, or may become, subject because of the ASIC Deeds.
3. the directors draw attention to Note A1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

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

Director: 

Director: 

Date: 24 March 2022



Independent Auditor's Report

To the shareholders of SGSP (Australia) Assets Pty Ltd

Opinion

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

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

- giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Balance Sheet as at 31 December 2021
- Income Statement, Statement of comprehensive income, Statement changes in equity, and Cash flow statement for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

Basis for opinion

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

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

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

Key Audit Matters

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

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

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

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

Recoverability of non-current assets, including property, plant and equipment (\$7,762m), intangible assets (\$1,769m) and investments (\$1,316m)

Refer to Note C5 Impairment Testing

The key audit matter	How the matter was addressed in our audit
Recoverability of non-current assets is a key audit matter due to the: • size of non-current assets (being 92% of total assets); • complex nature of the regulatory framework for determining revenue and expenditure applicable to the Group's regulated cash generating units (CGUs). This impacts the Group's ability to forecast cash flows for regulated CGUs. This increases the risk of inaccurate forecasts and a wider range of outcomes for us to consider; • audit effort associated with gathering evidence in relation to forward looking assumptions applied in the Group's discounted cash flow models for each CGU. Key assumptions in the cash flow models included terminal values, expected capital and operating expenditure, contract margins, re-contracting risk, growth rates and discount rates; • the Group uses complex models to perform their impairment testing; and • uncertainty in energy policies and new developments in the Group's industry that are expected to impact the recoverability of the assets, increasing our focus in this area.	Working with our specialists, our procedures included: • using our industry knowledge and publicly available data, such as, regulator information and industry outlooks, to consider the impact of relevant regulatory, technology and other market developments on the Group's discounted cash flow model assumptions; • evaluating key controls over the cash flow models, including review and approval of key assumptions and business unit budgets which form the basis of the cash flow forecasts; • evaluating the Group's sensitivity analysis in respect of key assumptions, including the identification of areas of estimation uncertainty and reasonably possible changes in key assumptions; • assessing the accuracy of previous Group forecasts to inform our evaluation of forecasts incorporated in the models; • assessing the appropriateness of the methodology applied by the Group to perform the impairment testing against the requirements of accounting standards; • assessing cash flow model integrity, including the accuracy of the underlying calculation formulas; • evaluating the Group's key assumptions by: – comparing forecast cash flows to Board approved forecasts. – comparing key events to the Board approved

	plan and strategy. – comparing a sample of cash flows to customer contracts and historical performance, taking into consideration expected changes in the Group and the environment in which it operates; – assessing terminal value multiples and discount rates by considering against publicly available data of a group of comparable entities with the assistance of our valuation specialists. • working with our valuation specialist we compared implied multiples from comparable market transactions to the implied multiple from the Group's discounted cash flow models and CGU carrying values; and • assessing disclosures in the financial report against the requirements of accounting standards.
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Recognition of Revenue (\$1,624m)

Refer to Note B2 Revenue and other information to the Financial Report

The key audit matter	How the matter was addressed in our audit
Revenue recognition is a key audit matter due to the: • complex regulatory framework and billing process for the distribution of electricity and gas, in particular: - inherent complexity in the Group's customer billings processes and systems to estimate energy consumed and determine relevant tariffs; and - judgement required to audit the Group's revenue accrual which estimate the unbilled period between the customer's last bill and reporting date. This estimate includes assumptions as to consumption patterns, weather conditions and tariffs. • judgement required to audit the Group's estimate of revenue relating to infrastructure services. This estimate includes forward looking assumptions for forecast revenue and costs to complete, stage of	Our procedures included: • evaluating the appropriateness of the Group's accounting policies for revenue recognition against accounting standard requirements; • working with our Information Technology specialists to: - test key controls in the revenue process including interfaces between systems, and the timing of revenue recognition used to record and bill revenue over accounting periods; and - assess the unbilled revenue methodology and assumption applied against industry standards and practice. • testing a sample of system tariffs from the Group's billing system to regulatory determinations; • analysing revenue recognised by the Group against historical performance, regulatory determinations, and energy consumption data; • testing a sample of infrastructure services revenue to underlying documentation including customer contracts, variations and claims

project activities and recoverability of unapproved variations and claims.	documentation; • comparing a sample of accrued revenue balances to actual customer billings subsequent to the year-end; • assessing and challenging the Group's assumptions relating to the recoverability of infrastructure services revenue by: - testing key controls such as review and approval of project budgets, variations and actual costs incurred by senior management; and - comparing forecast revenue and cost assumptions used by the Group to estimate revenue relating to infrastructure services against source documents including approved project budgets. We also compared them to actual costs incurred to date and the actual stage of project activities; and • assessing disclosures in the financial report against the requirements of accounting standards.
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Taxation (\$94m Income Tax Expense and \$1m Current Tax Receivables)

Refer to Note B4 Taxation

The key audit matter	How the matter was addressed in our audit
Taxation is a key audit matter due to the additional audit effort we applied resulting from the following: • increased Australian Taxation Office (ATO) compliance activities focused on ensuring taxpayers comply with their Australian tax obligations with respect to international related party transactions and structures. This has led to changes in Australian taxation laws, new ATO guidelines and judicial interpretation of Australia's transfer pricing laws which impact the Group; • the Group currently being subject to an ATO transfer pricing audit in relation to its convertible instruments; and • significant judgement required by us in assessing the Group's application of taxation legislation to tax matters	With the assistance of our taxation and transfer pricing specialists, our procedures included: • inquiring of management and those charged with governance regarding the status of tax matters, including participating in Audit and Compliance Committee meetings; • reading correspondence with the ATO and the Group's external advisers and meeting with the Group's external legal adviser to understand the current status of the ATO audit, and the analysis and submissions being prepared by the Group for the ATO; • testing key controls relating to the accounting for and disclosure of tax related transactions, including review and approval of key tax matters by senior management; • assessing the Group's treatment of tax matters against accounting standard requirements, including: - comparing areas of key judgement in the



and associated provisions. The Group engages external advisors to assist them in assessing application of tax law to the Group's specific circumstances. We involved our taxation and transfer pricing specialists in assessing this Key Audit Matter.	Group's estimation of tax matters, against information such as tax legislation, rulings and case law; - comparing the Group's basis for measurement of tax provisions against the requirements of the accounting standards and challenged the provisioning methodologies and underlying assumptions; and • assessing the Group's taxation disclosures against the requirements of accounting standards and our understanding of the matters.
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Other Information

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

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

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

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

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

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



Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

KPMG

Gordon Sangster

Partner

Melbourne

24 March 2022