

Envestra Limited ACN 078 551 685
ASX Half-year information – 31 December 2011

Lodged with the ASX under Listing Rule 4.2A.
This information should be read in conjunction with the
30 June 2011 Annual Financial Report.

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Envestra Limited
Results for Announcement to the Market
For the half-year ended 31 December 2011
(Previous corresponding period: Half-year ended 31 December 2010)

				\$mill.
Total revenue from continuing operations	up	8 %	to	243.9
Profit before income tax	up	15 %	to	58.1
Net profit after income tax attributable to members	up	16 %	to	40.7
 Dividends				
A dividend of 2.9 cents per fully paid ordinary share (unfranked) was paid on 28 October 2011.				
Envestra Limited continued its Dividend Re-investment Plan ("DRP") for the dividend paid in October 2011.				
Dividend to be paid in April 2012 and Dividend Re-investment Plan ("DRP")				
An unfranked dividend of 2.9 cents per fully paid ordinary share is to be paid on 27 April 2012. The dividend does not contain any foreign-sourced income (Conduit Foreign Income). The Company's DRP will operate on this dividend.				
The relevant dates for the forthcoming dividend payment are:				
19 March		Ex-dividend date		
26 March		Record date		
2 - 17 April		DRP pricing (10-day VWAP)		
27 April		Dividend payment		
The shares to be issued under the DRP will rank equally with existing shares.				

REVIEW OF RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

Revenue / Income

Revenue from continuing operations was \$243.9 million, an 8% increase on the previous corresponding period. Major contributors to the revenue results were:

- Network services revenue was \$18.4 million higher due to annual tariff increases and a full half-year period's revenue from the Country Energy acquisition, offset by lower gas volumes transported (60.8 PJ) which were 6% lower than the previous corresponding period (64.5 PJ);
- Volumes transported to small (<10TJ) customers (mainly domestic) were 10% lower than the previous corresponding period (27.2 PJ in 2011, 30.1 PJ in 2010) due to the warmer winter weather in 2011 as compared with the colder winter experienced in 2010.

Operating Expenses

Operating expenses increased by \$6.3 million to \$69.7 million, mainly as a result of increased marketing, System Use Gas and leak maintenance costs. System Use Gas costs were impacted by a significant increase in the cost of the gas purchased from retailers.

Finance Costs

Net finance costs were \$88.0 million, up \$2.3 million, or 3%, largely reflecting increased debt to fund capital expenditure and the Country Energy acquisition, and higher indexation on the Company's Capital Indexed Bonds arising from increased inflation in the current period.

Cash Flows

Cash generated from operating activities was up \$30.4 million to \$127.3 million due to tariff increases but partly offset by lower volumes. Whilst lower cash finance costs also contributed to the increase, the result was impacted by the deferral of operating and interest payments of \$17.8 million to 3 January 2012, due to 31 December falling on a weekend.

Dividends paid to shareholders on 28 October totalled \$42.5 million, \$4.4 million higher than the dividend payment made in the prior corresponding period as a result of a higher dividend rate (2.9 cents in 2011, 2.75 cents in 2010), and a higher number of shares on issue resulting from the Dividend Re-investment Plan.

The Dividend Re-investment Plan applied to the dividend paid in October 2011, with a total of \$25.6 million of new equity being raised. The Company conducted a Share Purchase Plan in October 2011, with shareholders subscribing for \$25.1 million of new equity.

Treasury

Unused bank credit lines of \$325 million were available at 31 December 2011. Commercial Paper on issue at the end of the period was \$10 million, down \$38 million from June 2011.

Principal debt at 31 December 2011 was \$2,085.9 million (\$2,098.8 million at 31 December 2010) with gearing [net debt/total non-cash assets] being 71%. The average term to maturity of the debt was 11 years.

During the half year, \$437 million of new debt was drawn and used to meet the Group's immediate re-financing, capital expenditure and liquidity obligations.

Growth Opportunities

Steady growth in the Group's core business continued during the first-half, with capital expenditure of \$82.4 million. New mains totalling 127 kilometres were laid during this period and 145 kilometres were replaced. Some 14,500 additional consumers were added to the networks.

Regulation

On 12 January 2012, the Company advised that the Australian Competition Tribunal had handed down its decision on Envestra's appeal in respect of the South Australian and Queensland Access Arrangements for the period 2011 to 2016. The Tribunal upheld Envestra's appeal in respect of management fees paid to the Company's contractor, APA Asset Management and the calculation of the cost of debt used to determine the weighted average cost of capital. The Tribunal dismissed the Company's appeals in respect of the cost of System Use Gas and the cost of equity. The Tribunal's decision is expected to increase Envestra's revenue over the period to June 2016 by around \$80 million. \$6.7 million of this revenue has been recognised in the financial statements for this half year period.

The Company's submission to the Australian Energy Regulator in respect of the next Victorian Access Arrangement which will apply from 1 January 2013, is due to be lodged on 30 March 2012.

REVIEW OF RESULTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011 (CONTINUED)

Outlook

Forecast capital expenditure for the full-year is \$200 million, with \$17 million to be spent on replacement capex and \$183 million on network extensions, new connections, mains and meter replacement, and other growth projects. These extensions and new connections are expected to add some 26,000 consumers to the networks.

The dividend to be paid on 27 April 2012 is 2.9 cents per share, bringing the full year dividend to 5.8 cents.

A net profit after tax of around \$60 million has previously been foreshadowed for the full-year. Due largely to the additional revenue to be recognised in 2011-12 as a result of the South Australian and Queensland regulatory appeal outcome, a profit after tax around \$70 million is now expected, subject to weather conditions, and any other unforeseen circumstances in the second half.

Envestra Limited
Results for Announcement to the Market
For the half-year ended 31 December 2011
(Previous corresponding period: Half-year ended 31 December 2010)

	Half-year ended	
	2011 \$mill.	2010 \$mill.
Cash Flow Statement		
Operating receipts less payments	190.1	174.8
Net cash flow before borrowing costs	190.1	174.8
Net finance costs	(62.8)	(77.9)
Cash flow from operating activities	127.3	96.9
Net proceeds from sale of assets	-	7.6
Replacement capex	(6.6)	(7.4)
Available for dividends	120.7	97.1
Dividends	(42.5)	(38.1)
Available for growth capex	78.2	59.0
Growth capex	(62.5)	(55.4)
Cash flow available pre debt/equity re-financing	15.7	3.6
Debt drawdowns/(repayments)	(70.1)	85.0
Debt and capital raising costs	(2.3)	(1.8)
Acquisition of subsidiary	-	(107.7)
Issue of securities	50.7	21.8
Change in cash	(6.0)	0.9
Opening cash	7.3	6.4
Closing cash	1.3	7.3

Income Statement

Revenue/income	243.9	226.0
Operating costs	(69.7)	(63.4)
Earnings before interest, tax, depreciation and amortisation	174.2	162.6
Depreciation	(28.1)	(26.3)
Earnings before interest and tax	146.1	136.3
Net finance costs	(88.0)	(85.7)
Profit before tax	58.1	50.6
Tax expense	(17.4)	(15.6)
Profit after tax	40.7	35.0

The presentation of the above Cash Flow Statement differs to the Consolidated Cash Flow Statement on page 12 with a view to highlighting "Cashflow available for dividends".

Envestra Limited ACN 078 551 685

Half-year report – 31 December 2011

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This half-year report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2011 and any public announcements made by Envestra Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' Report

The Directors of Envestra Limited present their report on the consolidated entity consisting of Envestra Limited and the entities it controlled at the end of, or during the period 1 July 2011 to 31 December 2011, in accordance with a resolution of the Directors.

Directors

The following persons were Directors of Envestra Limited during the half-year ended 31 December 2011 and up to the date of this report:

John Geoffrey Allpass (Chairman)
Ian Bruce Little (Managing Director)
Eric Fraser Ainsworth AM
Dominic Loi Shun Chan
Ivan Kee Ham Chan
Ross Murray Gersbach
Michael Joseph McCormack
Olaf Brian O'Duill

Review of operations

A review of operations for the Group during the half-year ended 31 December 2011 is set out on pages 2 and 3.

Rounding of amounts

Amounts in the financial statements have been rounded off, in accordance with Class Order 98/100 issued by the Australian Securities and Investments Commission, to the nearest million dollars unless specifically stated otherwise.

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 7.



John G Allpass
Chairman

Adelaide
23 February 2012



Auditors' Independence Declaration

As lead auditor for the review of Envestra Limited for the half-year ended 31 December 2011, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Envestra Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'AG Forman', is written over the printed name.

AG Forman
Partner
PricewaterhouseCoopers

Adelaide
23 February 2012

Envestra Limited
Consolidated Income Statement
For the half-year ended 31 December 2011

	Half-year ended	
Notes	2011 \$mill.	2010 \$mill.
<i>Revenue from continuing operations</i>		
Network services	243.9	225.5
Total revenue from continuing operations	<u>243.9</u>	<u>225.5</u>
<i>Other income</i>		
Net gain on disposal of property, plant and equipment	-	0.5
Total revenue / income	<u>243.9</u>	<u>226.0</u>
Network operating costs	(55.2)	(49.0)
System use gas	(8.0)	(6.7)
Corporate development, property and administration costs	(6.5)	(7.7)
Total operating costs	<u>(69.7)</u>	<u>(63.4)</u>
Earnings before finance costs, tax, depreciation and amortisation	174.2	162.6
Depreciation	(28.1)	(26.3)
Profit before finance costs and tax	<u>146.1</u>	<u>136.3</u>
Finance income	4.0	0.5
Finance costs	(92.0)	(86.2)
Net finance costs	<u>(88.0)</u>	<u>(85.7)</u>
Profit before income tax expense	58.1	50.6
Income tax expense	(17.4)	(15.6)
Net profit after tax	<u>40.7</u>	<u>35.0</u>
	Cents	Cents
Basic and diluted earnings per share attributable to ordinary equity holders of Envestra Limited	2.7	2.5

The above Consolidated Income Statement is to be read in conjunction with the accompanying notes.

Envestra Limited
Consolidated Statement of Comprehensive Income
For the half-year ended 31 December 2011

	Half-year ended	
	2011	2010
	\$mill.	\$mill.
Net profit after tax for the half-year	40.7	35.0
<i>Other comprehensive income</i>		
Changes in the fair value of cash flow hedges	(27.4)	(0.4)
Income tax (expense)/benefit relating to changes in the fair value of cash flow hedges	8.1	0.1
Other comprehensive income for the half-year	(19.3)	(0.3)
Total comprehensive income for the half-year	21.4	34.7
<i>Profit for the half-year is attributable to:</i>		
Owners of Envestra Limited	40.7	35.0
<i>Total comprehensive income for the half-year is attributable to:</i>		
Owners of Envestra Limited	21.4	34.7

The above Consolidated Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

Envestra Limited
Consolidated Balance Sheet
As at 31 December 2011

	31 December 2011 \$mill.	30 June 2011 \$mill.
ASSETS		
Current assets		
Cash and cash equivalents	1.3	7.3
Receivables	38.3	68.5
Other current assets	2.6	3.5
Total current assets	<u>42.2</u>	<u>79.3</u>
Non-current assets		
Receivables	6.1	-
Property, plant and equipment	2,264.8	2,211.0
Intangible assets	606.0	606.0
Other non-current assets	0.1	0.1
Total non-current assets	<u>2,877.0</u>	<u>2,817.1</u>
Total assets	<u>2,919.2</u>	<u>2,896.4</u>
LIABILITIES		
Current liabilities		
Payables	59.5	39.9
Borrowings	91.4	272.2
Provisions	9.8	5.5
Derivative financial instruments	31.1	-
Other current liabilities	47.9	47.0
Total current liabilities	<u>239.7</u>	<u>364.6</u>
Non-current liabilities		
Borrowings	1,895.0	1,686.8
Provisions	9.5	13.7
Derivative financial instruments	79.3	174.5
Deferred tax liabilities	123.0	113.7
Total non-current liabilities	<u>2,106.8</u>	<u>1,988.7</u>
Total liabilities	<u>2,346.5</u>	<u>2,353.3</u>
Net Assets	<u>572.7</u>	<u>543.1</u>
EQUITY		
Contributed equity	633.0	582.3
Reserves	(29.7)	(10.4)
Retained profits	(30.6)	(28.8)
Total Equity	<u>572.7</u>	<u>543.1</u>

The above Consolidated Balance Sheet is to be read in conjunction with the accompanying notes.

Investra Limited
Consolidated Statement of Changes in Equity
For the half-year ended 31 December 2011

	Contributed equity \$mill.	Reserves \$mill.	Retained earnings \$mill.	Total Equity \$mill.
Balance at 1 July 2011	582.3	(10.4)	(28.8)	543.1
Total comprehensive income for the half-year	-	(19.3)	40.7	21.4
<i>Transactions with owners in their capacity of owners:</i>				
Contributions of equity, net of transaction costs and tax (DRP and Share Purchase Plan)	50.7	-	-	50.7
Dividends paid	-	-	(42.5)	(42.5)
	<u>50.7</u>	<u>-</u>	<u>(42.5)</u>	<u>8.2</u>
Balance at 31 December 2011	<u>633.0</u>	<u>(29.7)</u>	<u>(30.6)</u>	<u>572.7</u>
Balance at 1 July 2010	538.0	(21.1)	3.7	520.6
Total comprehensive income for the half-year	-	(0.3)	35.0	34.7
<i>Transactions with owners in their capacity of owners:</i>				
Contributions of equity, net of transaction costs and tax (DRP)	21.8	-	-	21.8
Dividends paid	-	-	(38.1)	(38.1)
	<u>21.8</u>	<u>-</u>	<u>(38.1)</u>	<u>(16.3)</u>
Balance at 31 December 2010	<u>559.8</u>	<u>(21.4)</u>	<u>0.6</u>	<u>539.0</u>

The above Consolidated Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

Envestra Limited
Consolidated Cash Flow Statement
For the half-year ended 31 December 2011

	Notes	Half-year ended	
		2011 \$mill.	2010 \$mill.
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		280.6	263.5
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(90.5)</u>	<u>(88.7)</u>
		190.1	174.8
Net finance costs		<u>(62.8)</u>	<u>(77.9)</u>
Net cash inflow from operating activities		<u>127.3</u>	<u>96.9</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(69.1)	(62.8)
Proceeds from sale of property, plant and equipment		-	7.6
Acquisition of subsidiary		-	(107.7)
Net cash outflow from investing activities		<u>(69.1)</u>	<u>(162.9)</u>
Cash flows from financing activities			
Proceeds from issue of securities		50.7	21.8
Proceeds from borrowings		437.1	298.8
Repayment of borrowings		(507.2)	(213.8)
Dividends paid	4	(42.5)	(38.1)
Debt and capital raising costs		<u>(2.3)</u>	<u>(1.8)</u>
Net cash inflow/(outflow) from financing activities		<u>(64.2)</u>	<u>66.9</u>
Net increase/(decrease) in cash and cash equivalents		(6.0)	0.9
Cash and cash equivalents at the beginning of the half-year		<u>7.3</u>	<u>6.4</u>
Cash and cash equivalents at the end of the half-year		<u>1.3</u>	<u>7.3</u>

The above Consolidated Cash Flow Statement is to be read in conjunction with the accompanying notes.

1 Accounting Policies

This general purpose financial report for the half-year ended 31 December 2011 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an Annual Financial Report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2011 and any public announcements made by Envestra Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the financial year ended 30 June 2011 and the previous corresponding reporting period.

2 Finance costs

	Half-year ended	
	2011 \$mill.	2010 \$mill.
<i>Net finance costs includes the following:</i>		
<i>Finance income</i>		
Interest income	0.5	0.5
Gain on redemption of Capital Indexed Bonds	3.5	-
	4.0	0.5
<i>Finance costs</i>		
Amortisation of borrowing costs	(3.8)	(2.7)
Interest and indexation	(88.2)	(83.5)
	(92.0)	(86.2)
Net finance costs	(88.0)	(85.7)

3 Income tax expense

	Half-year ended	
	2011 \$mill.	2010 \$mill.
Income tax expense		
Deferred tax	17.4	15.6
<i>Deferred income tax expense included in income tax expense comprises:</i>		
Increase in deferred tax assets	(2.6)	(0.6)
Increase in deferred tax liabilities	20.0	16.2
	17.4	15.6
Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	58.1	50.6
Tax at the Australian tax rate of 30%	17.4	15.2
<i>Tax effect of amounts which are not deductible / (taxable) in calculating taxable income:</i>		
Costs associated with acquisition of subsidiary	-	0.4
Total income tax expense	17.4	15.6
Amounts recognised directly in equity		
<i>Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity</i>		
Net deferred tax – debited/(credited) directly to equity	(8.1)	(0.1)

4 Dividends

	Half-year ended	
	2011 \$mill.	2010 \$mill.
Amounts paid in October (cents per share)		
Unfranked dividend: 2.9 cents (2011); 2.75 cents (2010)	42.5	38.1
	42.5	38.1

Dividends not recognised at year end

In addition to the above dividends, since the end of the half-year the directors have resolved to pay an interim unfranked dividend of 2.9 cents per fully paid ordinary share. The aggregate amount of the proposed dividend expected to be paid on 27 April 2012, but not recognised as a liability at half-year end, is \$44.9 million.

5 Events occurring after the balance sheet date

On 12 January 2012, the Company advised that the Australian Competition Tribunal had handed down its decision on Envestra's appeal in respect of the South Australian and Queensland Access Arrangements for the period 2011 to 2016. The Tribunal upheld Envestra's grounds of appeal in respect of management fees paid to the Company's contractor, APA Asset Management and the calculation of the cost of debt used to determine the weighted average cost of capital. The Tribunal dismissed the Company's appeals in respect of the cost of System Use Gas and the cost of equity. The Tribunal's decision is expected to increase Envestra's revenue over the period to June 2016 by around \$80 million. \$6.7 million of this revenue has been recognised in the financial statements for this half year period.

No other significant events have occurred after the balance sheet date.

6 Net tangible asset backing

	Half-year ended	
	2011	2010
Net tangible asset backing per ordinary share	-2 cents	-5 cents
(Net assets less intangibles)		

7 Securities on issue

	Number
Securities on issue at 1 July 2011	1,468,560,201
Issued during the period :	
Dividend Re-investment Plan – 28 October 2011	40,091,603
Share Purchase Plan – 15 November 2011	39,238,228
Securities on issue at 31 December 2011	1,547,890,032

8 Working capital deficiency

The Group had current liabilities in excess of current assets at 31 December 2011 amounting to \$197.5 million. This deficiency largely comprises one extra month of payables (\$36.9 million) due to operating, capital and interest costs held over for payment until the first business day of 2012, Commercial Paper (\$10.0 million) and Capital Indexed Bonds (\$81.4 million) due for repayment prior to December 2012. The market value of derivative financial instruments due to mature in December 2012 of \$31.1 million also contributes to this deficiency although this is a non-cash item. Existing undrawn facilities amounting to \$325 million will be sufficient to cover the debt repayments.

9 Segment information

Description of segments

Operating segments are based on the reports used by Management to assess the performance of, and allocate resources within, the Group. The Group operates gas distribution networks and transmission pipelines in various states and the Northern Territory within Australia. Management considers the business from a geographic perspective and has identified four reportable segments.

Segment information provided to Envestra Management

The segment information provided to Management for the reportable segments for the half-year ended 31 December 2011 is disclosed in the tables below. The measurement of these amounts is consistent with the financial statements.

Half-year 2011	Victoria \$mill.	NSW \$mill.	South Australia and other \$mill.	Queensland \$mill.	Unallocated \$mill.	Consolidated \$mill.
Total revenue from continuing operations	94.8	12.7	100.2	36.2	-	243.9
Other revenue/income	-	-	-	-	-	-
Total segment revenue/income	<u>94.8</u>	<u>12.7</u>	<u>100.2</u>	<u>36.2</u>	<u>-</u>	<u>243.9</u>
Profit before finance costs	53.9	7.3	60.9	24.0	-	146.1
Net finance costs						<u>(88.0)</u>
Profit before income tax						58.1
Income tax expense						<u>(17.4)</u>
Net profit after tax						<u>40.7</u>
Segment assets	1,473.2	160.5	947.6	336.6	1.3	2,919.2
Segment liabilities	40.5	8.5	48.8	6.1	2,242.6	2,346.5
Acquisitions of property, plant and equipment	38.0	2.2	31.5	10.7	-	82.4
Depreciation expense	11.6	1.9	10.4	4.2	-	28.1
Other non-cash expenses	2.3	-	1.5	-	-	3.8
Half-year 2010	Victoria \$mill.	NSW \$mill.	South Australia and other \$mill.	Queensland \$mill.	Unallocated \$mill.	Consolidated \$mill.
Total revenue from continuing operations	100.3	6.0	87.9	31.3	-	225.5
Other revenue/income	0.7	-	0.1	(0.3)	-	0.5
Total segment revenue/income	<u>101.0</u>	<u>6.0</u>	<u>88.0</u>	<u>31.0</u>	<u>-</u>	<u>226.0</u>
Profit before finance costs	64.0	1.9	51.4	19.0	-	136.3
Net finance costs						<u>(85.7)</u>
Profit before income tax						50.6
Income tax expense						<u>(15.6)</u>
Net profit after tax						<u>35.0</u>
Segment assets	1,420.8	159.0	903.7	324.4	8.8	2,816.7
Segment liabilities	25.7	9.0	32.8	1.0	2,209.2	2,277.7
Acquisitions of property, plant and equipment	29.1	1.3	19.9	8.7	-	59.0
Depreciation expense	10.9	1.3	10.0	4.1	-	26.3
Other non-cash expenses	2.2	0.9	0.5	-	-	3.6

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 8 to 15 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulation 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that Envestra Limited will be able to pay its debts as and when they become due and payable.

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



John G Allpass
Chairman

Adelaide
23 February 2012



Independent auditor's review report to the members of Envestra Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Envestra Limited, which comprise the balance sheet as at 31 December 2011, the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Envestra Limited Group (the consolidated entity). The consolidated entity comprises both Envestra Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Envestra Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

PricewaterhouseCoopers, ABN 52 780 433 757
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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Envestra Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'AG Forman'.

AG Forman
Partner

Adelaide
23 February 2012