

TO: ASX Limited
Singapore Exchange Securities Trading Limited

SP AusNet Business Review 2014

Enclosed is an announcement made by SP AusNet which is provided for the information of SPI Electricity & Gas Australia Holdings Pty Ltd noteholders.

Susan Taylor
Company Secretary

13 June 2014

TO: ASX Limited
Singapore Exchange Securities Trading Limited

SP AusNet Business Review 2014

Attached is a copy of SP AusNet's Business Review 2014, which will be published on SP AusNet's website today.

Susan Taylor
Company Secretary

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

SP Australia Networks (Finance) Trust
ARSN 116 783 914

SP Australia Networks (RE) Ltd
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OUR
TRANSFORMATION
POWERSON



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ABOUT THIS REVIEW

This *Business Review* highlights SP AusNet's business performance during the financial year ending 31 March 2014 and provides an overview of the company strategy.

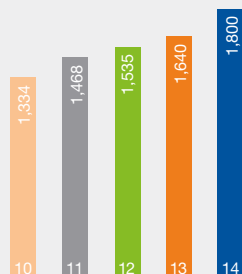
The SP AusNet 2014 *Business Review* is not a concise report prepared under section 314(2) of the *Corporations Act 2001* (Cth).

The information contained in this document is correct as at 31 May 2014, unless otherwise stated. Comprehensive financial information about SP AusNet is available in our *Statutory Annual Report*, which securityholders can either request in hard copy or view on our website: www.sp-ausnet.com.au

ABOUT OUR FRONT COVER

At the close of the 2013/14 reporting period, SP AusNet is progressing through an intensive transformation program, re-modelling our business to meet the future needs of customers. The cover design, depicting a road flanked by electricity and gas lines extending beyond the horizon, symbolises our journey.

FY 2014 at a glance



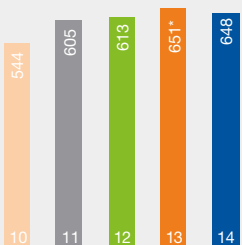
REVENUE GROWTH
A\$ MILLION

↑ 9.8%

TOTAL REVENUE GROWTH
ON PRIOR YEAR

\$8.19_B

REGULATED/CONTRACTED
ASSET BASE



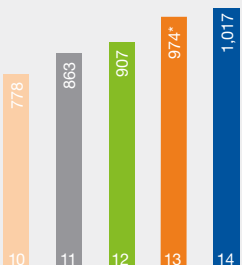
EBIT GROWTH
A\$ MILLION

\$178.3_M

NPAT (ADJUSTED NPAT UP 11.7 PERCENT**
TO 305.4 MILLION)

\$1.7_B

CAPITAL RAISED FROM DEBT AND
EQUITY MARKETS



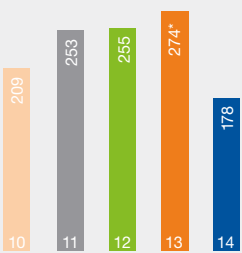
EBITDA GROWTH
A\$ MILLION

↑ 1.95%

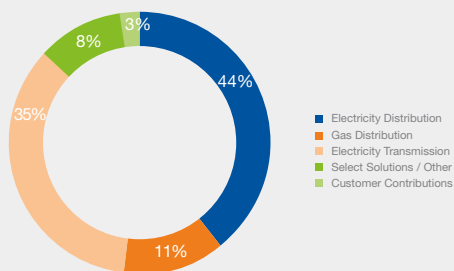
DIVIDEND PER SECURITY
8.36 CENTS – UP FROM 8.2 CENTS

↑ 4.4%

EBITDA GROWTH
ON PRIOR YEAR



NPAT GROWTH
A\$ MILLION



REVENUE BREAKDOWN
A\$ MILLION

*Restated in accordance with AASB 119 Employee Benefits. Refer 2014 Statutory Report.

**Excludes the impact of section 163AA tax impost (\$86.7 million) and adjustments and restructure costs (\$50 million and \$7.7 million) related to the termination deed that SP AusNet and Singapore Power entered into on 31 March 2014.

Who we are

SP AusNet is the largest diversified energy network business in Victoria, owning and operating approximately \$11 billion of electricity and gas transmission and distribution assets.

SP AusNet is committed to the safe, efficient and reliable supply of electricity and gas to more than 1.3 million residential and business consumers.

SP AusNet owns Select Solutions, a commercial utility services company offering utility, electricity, water, gas, telecommunications and asset management solutions.

During the year, SP AusNet acquired Geomatic Technologies, a leading provider of IT integrated solutions and services that leverage advanced mobile and spatial technologies.

Based in Melbourne, SP AusNet employs more than 2,100 people and is listed on the Australian Securities Exchange (ASX: SPN) and the Singapore Exchange (SGX: X04).

OUR ENERGY NETWORKS

Electricity transmission network

SP AusNet owns and operates Victoria's electricity transmission network. This network consists of more than 6,573 km of powerlines that transport high voltage electricity from generation sources into the National Electricity Market and also to Victoria's five lower-voltage distribution networks, which deliver it to homes and businesses.

Electricity distribution networks

In addition to our high voltage transmission network, we own and operate an electricity distribution network with more than 49,816 km of powerlines that supplies lower voltage electricity to more than 668,000 customers in north and eastern Victoria.

Gas distribution network

SP AusNet also owns and operates a gas distribution network that supplies natural gas to more than 633,000 customers in western Victoria via more than 10,000 km of underground pipelines.

668,603

ELECTRICITY CUSTOMERS

49,816 km

ELECTRICITY POWERLINES

633,184

GAS CUSTOMERS

6,573 km

HIGH VOLTAGE POWER
TRANSMISSION LINES

380,000

POWERPOLES

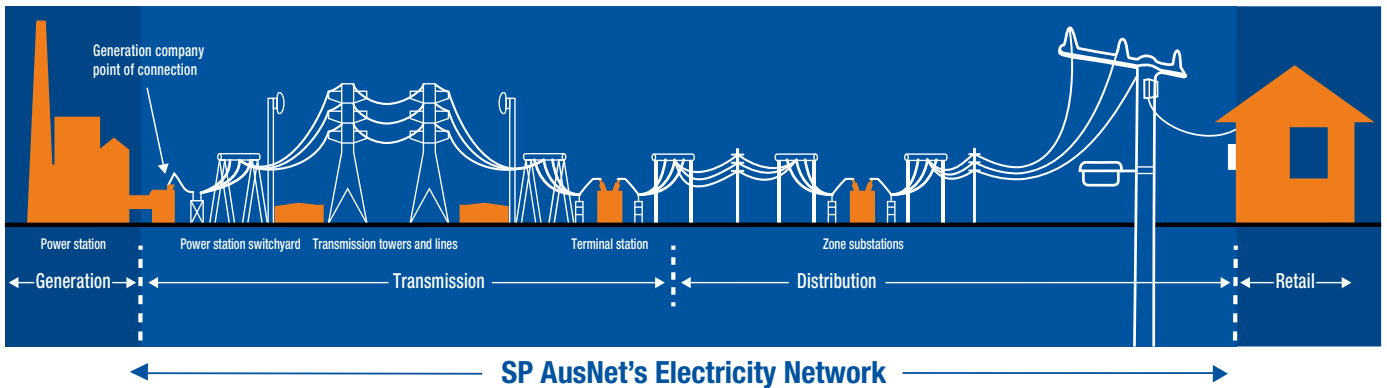
10,478 km

UNDERGROUND GAS PIPELINES

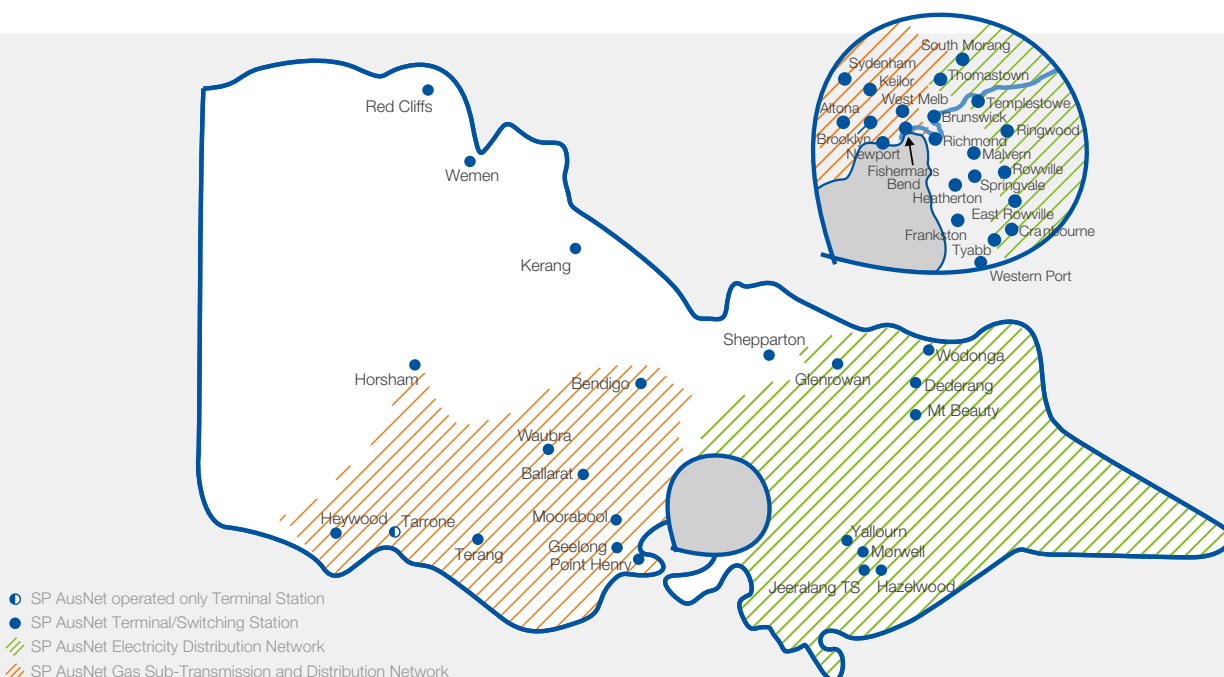
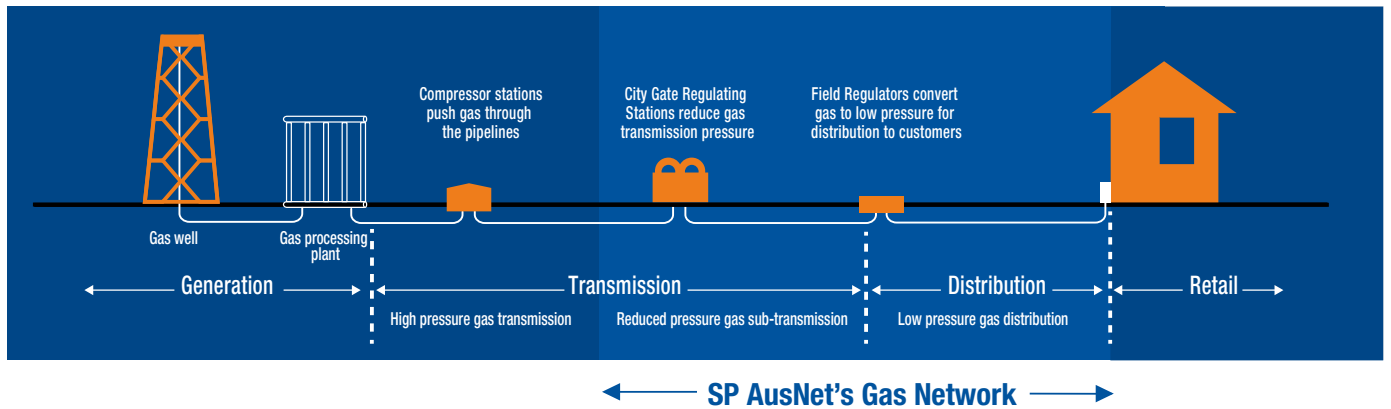
13,000

TRANSMISSION TOWERS

ELECTRICITY NETWORK



GAS NETWORK



Strategy and operational plan

The 2013/14 financial year was Year One of our five-year corporate business plan, which sets out SP AusNet's business direction and strategic objectives across six key business areas.

Performance against strategic objectives

SAFETY PERFORMANCE	FINANCIAL PERFORMANCE	GROWTH
OBJECTIVE › missionZero embedded OUTCOME In line with missionZero, we continued to implement key safety programs during 2013/14. The aim of these programs is to build a culture of continuous improvement in minimising or eliminating safety risk. › Achieved a 5 per cent reduction in our Recordable Injury Frequency Rate (RIFR) to 6.72	OBJECTIVE › Sustainable earnings and securityholder value growth OUTCOME › Total revenue increased 9.8 per cent to \$1,799.4 million – up from \$1,639.5 million › EBITDA increased 4.5 per cent to \$1,017.4 million – up from \$974.0 million* › Net profit before tax \$305.5 million – down from \$315.3 million* › Net profit after tax \$178.3 million – down from \$273.5 million › Adjusted NPAT \$305.4 million – up 11.7 per cent** › Dividend per security 8.36 cents – up from 8.2 cents › Successfully raised more than \$1.7 billion of capital from debt and equity markets *2013 restated in accordance with AASB 119 <i>Employee Benefits</i>. **Adjusted NPAT excludes the after-tax MSA termination and the associated costs (\$40.4 m NPAT impact) and the net change of \$86.7 m for the amount potentially payable at 31 March 2014 in respect of the Section 163AA dispute.	OBJECTIVE › Mix of expansive and value-adding opportunities OUTCOME › Connected 10,142 new electricity and 13,071 gas customers › Select Solutions revenue growth – 8.6 per cent › Unregulated revenue grew by 18 per cent to account for 13 per cent of total revenue



BUSINESS TRANSFORMATION

OBJECTIVE

- › Highly developed customer service capability
- › Efficient operating model
- › Intelligent, integrated processes and systems

OUTCOME

- › Established Program WorkOut, an enterprise-wide program to replace existing systems with integrated processes enabled by a single system
- › Continued to develop unregulated connection projects
- › Acquired Geomatic Technologies, enhancing the service offering of Select Solutions
- › Reduced unplanned outages:
Average time our customers were without gas: reduced by 10.99 per cent to 0.81 minutes
Average time our customers were without electricity: reduced by 1.05 per cent to 133.1 minutes
- › Customer satisfaction: 84 per cent
- › Introduced improved customer satisfaction survey methodology

PEOPLE

OBJECTIVE

- › High performing leadership, workforce and culture

OUTCOME

- › Offered our employees an opportunity to purchase securities in the company via an employee elected salary sacrifice plan – excellent participation rate of 39.9 per cent
- › Increased employee engagement to 62 per cent – just below Best Employer band of 65 per cent and up from 50 per cent in 2011
- › Commenced development of training programs that aim to improve leadership and inclusiveness

BUSINESS AND ASSET PERFORMANCE

OBJECTIVE

- › Safe, resilient and reliable networks
- › Industry leadership role in regulatory development

OUTCOME

- › Regulated/Contracted Asset base \$8.19 billion – up from \$7.56 billion
- › Electricity distribution revenue increase of \$120.7 million
- › Electricity transmission revenue increase of \$24.3 million
- › Gas revenue increase of \$3.4 million
- › Invested \$272 million to inspect, maintain and replace electrical assets
- › Commenced design of hybrid underground elec powerline system to improve reliability and reduce bushfire risk

Chairman and Managing Director's report



**Welcome to the
SP AusNet Business
Review 2014.**

**This review provides
a snapshot of our
business performance
during FY 2013/14, as
well as outlining our
strategy, the challenges
and opportunities
present in our external
environment and our
responses.**

The theme for this review is *Our Transformation Powers On*. This theme focusses on one of our key strategic objectives: *to transform our business to respond to the changing energy landscape*. These changes are reshaping the way we manage our networks, including our response to:

- customer behaviour and greater choice;
- emerging technologies and alternative energy sources;
- new economic and operational regulatory requirements; and
- increased focus on customer energy prices.

Transformation is an imperative for our business. Our transformation program, which began two years ago, includes a range of strategic and tactical initiatives that target improvements in safety, quality and processes.

SAFETY

The safety of our people, our customers and the communities we service is at the forefront of everything we do at SP AusNet.

During the year, we reduced our Recordable Injury Frequency Rate (RIFR) – number of injuries per 1,000,000 hours worked – by 5 per cent to 6.7, down from 7.07 and 10.23 in the previous two years.

Continued improvement has been achieved through our company-wide commitment to safety aligned to our missionZero strategy. We are proud of this achievement but remain focused on our goal of zero injuries.

OWNERSHIP AND OPERATIONAL CHANGES

During the year, there were some key changes to SP AusNet's ownership and operational structure.

In January 2014, a transaction by State Grid Corporation of China to acquire from Singapore Power International Pt Ltd a 19.9 per cent securityholding in SP AusNet was concluded.

Singapore Power remains the largest single securityholder in SP AusNet, with a security holding of 31.1 per cent, while approximately 13,800 institutional and retail securityholders continue to own the remaining 49 per cent.

At the end of the 2014 financial year, SP AusNet and Singapore Power terminated the Management Services Agreement ("MSA") under which management services were provided by SPIMS (a wholly owned subsidiary of Singapore Power) to SP AusNet.

Agreement was also reached between SPIMS and SP AusNet to unwind shared information technology ("IT") services provided to SP AusNet by Enterprise Business Services ("EBS"), a subsidiary of SPIMS. This arrangement was put in place in September 2008.

This agreement has resulted in SP AusNet internalising our management services, transitioning SPIMS employees to employment with SP AusNet and transitioning existing IT service activities into SP AusNet's ICT division.

As part of the transaction, we welcomed two State Grid nominees to SP AusNet's Board: Mr Sun Jianxing and Dr Ralph Craven.

We also welcomed Ms Sally Farrier as an Independent Non-executive Director to the Board and farewelled Dr George Lefroy, who retired from the Board. We thank Dr Lefroy for his eight years' service on the Board and as Chairman of the Remuneration Committee.

We were also pleased to announce the acquisition of Geomatic Technologies, a leading provider of IT integrated solutions and services that leverage advanced mobile and spatial technologies. This business fits well into the existing portfolio managed by our Select Solutions business, enhancing the service offerings of Select Solutions and providing customers with an expanded portfolio of end-to-end specialist services and capabilities.

FINANCIAL PERFORMANCE

Our financial performance for the 2013/14 financial year saw a stable 9.8 per cent rise in revenue to \$1,799.4 million and a net profit after tax of \$178.3 million, down 34.8 per cent.

This decrease in net profit after tax recognises the Section 163AA dispute (\$86.7 million) and the termination fee and restructuring costs associated with the termination deed (\$50 million) which, if excluded, would have resulted in a \$305.4 million net profit after tax, an increase of 11.7 per cent.

Overall, our revenue increase was achieved by regulated price increases, additional Advanced Metering Infrastructure (AMI) revenues, increased solar rebate recovery and higher contestable transmission revenues, such as revenue from the underground transmission line at Victoria's desalination plant.

Importantly, we honoured our full year distribution guidance of 8.36 cents per security (an increase of 2 per cent), and delivered a 12-month securityholder return of 17 per cent.

With regard to our customers, we continued to maintain and modernise our networks, helping to further improve the supply and reliability of gas and electricity to 1.3 million homes and businesses.

As such, we reduced the average time our customers were without gas (10.99 per cent) and electricity (1.05 per cent) to 0.81 and 133.1 minutes due to unplanned interruptions, respectively.

SP AusNet continues to roll out our AMI Program. At the time of publication, SP AusNet had installed approximately 686,000 smart electricity meters, which represents approximately 96 per cent of the total number required in our distribution area. While SP AusNet has substantially completed its smart meter installations, and successfully converted 390,000 smart meters to communicate remotely with the market, it does not expect to convert the remaining smart meters by 30 June 2014.

SP AusNet has encountered periods of significant instability in our AMI systems performance as the number of smart meters connected to our AMI systems has been increased. In light of these issues, SP AusNet is undertaking a technical review of our AMI systems to address that instability, which will entail additional investment.

SP AusNet is undertaking further work to determine options and risks to our program to convert our remaining smart meters and to ensure that our AMI systems will be able to deliver the mandated performance consistently at this scale.

OUTLOOK

SP AusNet recognises that the energy sector is undergoing change in the way electricity and gas are regulated, generated, supplied and consumed.

We are planning for change so we can continue to meet our purpose: *to provide our customers with superior network and energy solutions*, thereby creating and maintaining value for securityholders, customers, employees and the community.

SP AusNet will continue to focus on sound financial results from our regulated networks. We will also seek non-regulatory revenue streams aligned to our business model. A solid balance sheet and organisational efficiency are priorities, as these will enable us to capitalise on future growth and investment opportunities.

In the year ahead, the business will start work on the Electricity Distribution Price Review (EDPR) submission for the 2016–20 period. This will include significant engagement with our customers and stakeholders throughout our regional networks to ensure we achieve the appropriate balance of safety, reliability and costs for customers.

We will maintain our focus on strategy and on strong financial and operational fundamentals. We believe this approach will position our company to embrace further change.

Our results reflect the dedication of our employees. We thank them, our customers and other stakeholders who engage with us on a daily basis.

“ We are planning for change to continue providing value for securityholders, customers, employees and the community. ”



Mr Ng Kee Choe
Chairman



Mr Nino Ficca
Managing Director

Board of Directors

Ng Kee Choe

Chairman – Non-executive Director

BSc (Hons) University of Singapore



Mr Ng serves as Chairman of CapitaLand Ltd and CapitaMalls Asia Limited and as President-Commissioner of PT Bank Danamon Indonesia, Tbk. He is a Director of Singapore

Exchange Ltd and Fullerton Financial Holdings Pte Ltd. He is a member of the Temasek Advisory Panel, International Advisory Council of China Development Bank and Chairman of Tanah Merah Country Club. Mr Ng was formerly the Chairman of NTUC Income Insurance Co-Operative Limited and the Chairman and Director of Singapore Power Limited and Singapore Airport Terminal Services Limited. He was also Vice-Chairman and Director of DBS Group Holdings, retiring from his executive position in 2003 after 33 years' service.

Chairman of the SP AusNet Board, Chairman of the Nomination Committee and Chairman of the Issuing Committee.

Dr Ralph Craven

Non-executive Director

Eng (Elec) (Hons) University of Queensland, PhD, University of New South Wales, GDip (Mgt) Deakin University, GDip (Information Processing) University of Queensland



Dr Craven is currently the Chairman of Invion Limited and a Director of Senex Energy Limited and Mitchell Services Limited. He is also Director of Windlab Systems Pty Ltd

and the International Electrotechnology Commission. He was formerly Chair of Ergon Energy Corporation Limited, Tully Sugar Limited and Deputy Chair of Arrow Energy Pty Ltd. Dr Craven was CEO of Transpower New Zealand Limited and also held senior executive positions in Shell Coal Pty Ltd and NRG Asia Pacific Limited. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Institution of Engineers Australia and a Fellow of the Institution of Professional Engineers New Zealand.

Member of the Audit and Risk Management Committee, the Compliance Committee and the Bushfire Litigation Committee.

Jeremy Guy Ashcroft Davis AM

Non-executive Director

BEd (Hons) University of Sydney, MBA Stanford University, AM (Econ) Stanford University, FAICD



Professor Davis is a Director of Singapore Power Limited and CHAMP Ventures Pty Ltd. He is a former Director of the Transurban Group and a Professor Emeritus

of the University of New South Wales, after retiring from the Australian Graduate School of Management (AGSM). Previously, Professor Davis spent ten years as a management consultant with the Boston Consulting Group and has served as a Director of the Australian Stock Exchange Ltd (now ASX Limited) and Australian Institute of Management.

Member of the Audit and Risk Management Committee and the Bushfire Litigation Committee.

Sally Marie Farrier

Independent Non-executive Director

BEng (Chem) (Hons) University of Canterbury, New Zealand, MBA Victoria University of Wellington, GDip (Finance and Investment Analysis) Securities Institute of Australia



Ms Farrier is currently a Director of Meridian Energy and a founding Director of Farrier Swier Consulting. Past directorships include Manidis Roberts, Hydro Tasmania and Western

Power. In addition, Ms Farrier has served as a National Water Commissioner, and in Victoria she was a Member of the Victorian Water Trust Advisory Council.

Member of the Audit and Risk Committee and the Compliance Committee.

Nino Ficca

Managing Director

BEng (Elec) (Hons) Deakin University, Grad Dip Mgmt, Deakin University, AMP Harvard Business School



Mr Ficca has more than 30 years' experience in the energy industry. He has held numerous senior management roles with SPI PowerNet Pty Ltd, including as Managing Director since

2003. Mr Ficca is a Director of Energy Networks Association Limited. He also served as a Director of SPI Management Services Pty Ltd. Mr Ficca was formerly Deputy Chairman and Director of the Energy Supply Association of Australia.

Managing Director and member of the Bushfire Litigation Committee and the Issuing Committee.

Eric Gwee Teck Hai

Non-executive Director

BEng (Mech) University of Melbourne



Mr Gwee is a former Director of Singapore Power Limited, WorleyParsons Ltd and Melbourne Business School Ltd. He has served as Chairman of the Board of Governors

for the Institute of Technical Education (ITE) and ITE Holding Pte Ltd, both in Singapore. Mr Gwee has also served as Chairman of SP Services Limited, CPG Corporation Pte Ltd and the Public Transport Council.

Member of the Audit and Risk Management Committee and the Remuneration Committee.

Ho Tian Yee

Non-executive Director

BEd (Hons) Portsmouth University



Mr Ho is currently the Managing Director and principal shareholder of Pacific Asset Management (S) Pte Ltd, and an investment advisor to Blue Edge Advisors Pte Ltd. Mr Ho was previously

the General Manager and Managing Director of Bankers Trust Company, Singapore. He currently serves as a non-executive Director of DBS Group Holdings Ltd and Fullerton Funds Management Company. He is also a Board member of Singapore Power Ltd.

Member of the Nomination Committee, the Remuneration Committee and the Issuing Committee.

EXECUTIVE LEADERSHIP TEAM

Tony Mario Iannello

Independent Non-executive Director
BComm University of Western Australia,
AMP Harvard Business School



Mr Iannello is Chairman of Empire Oil and Gas NL, Energia Minerals Ltd, HBF Health Ltd, D'Orsogna Ltd and MG Kailis Group of Companies. He is

also a Director of ERM Power Ltd, Water Corporation of WA and a member of the Murdoch University Senate. Mr Iannello was formerly Managing Director of Western Power Corporation and previously held a number of senior executive roles at the Bank of Western Australia.

Chairman of the Audit and Risk Management Committee and member of the Nomination Committee, the Bushfire Litigation Committee and the Issuing Committee.

Tina Renna McMeckan

Independent Non-executive Director
BLA.Sc San Diego State University, MBA
University of Melbourne



Ms McMeckan is a Director of the Global Carbon Capture and Storage Institute. She is also a Director of Circadian Technologies Ltd and the Cooperative

Research Centre for Spatial Information. She is a former Chair of the Centre for Eye Research Australia and a former Director of Metlink Victoria Pty Ltd and the National Board of Norton Rose law firm. Ms McMeckan was previously an executive manager with GPU PowerNet and the SECV Energy Traders, and a project manager with the Victorian Department of Treasury and Finance on gas industry reform. Ms McMeckan is a Fellow of the Australian Institute of Company Directors.

Chairman of the Compliance Committee and a member of the Remuneration Committee and the Audit and Risk Management Committee.

Ian Andrew Renard AM

Independent Non-executive Director
BA University of Melbourne, LL.M University of Melbourne, LLD (Hons) University of Melbourne



Mr Renard retired as a Director of CSL Ltd in October 2013. He is a Director of Hillview Quarries Pty Ltd and trustee of the R E Ross Trust. He is a former

Chancellor of the University of Melbourne and served as a partner of the law firm Arthur Robinson & Hedderwicks from 1979 to 2001, including as the firm's full-time Managing Partner from 1989 to 1991.

Chairman of the Remuneration Committee and the Bushfire Litigation Committee and member of the Nomination Committee..

Sun Jianxing

Non-executive Director
BEng Northeast Dianli University, China



Mr Sun is a Non-executive Director of ElectraNet and currently holds the role of Head of State Grid Corporation of China Australia Representative

Office. His previous roles include Deputy CEO of State Grid Energy Development Company Ltd, Deputy Director General of Materials & Equipment Supplying Department, State Grid Corporation of China, Chief Engineer of State Grid Shenzhen Energy Developments Ltd and Division Chief of Department of International Affairs, State Grid Corporation of China. In his early years, Mr Sun also worked as a Senior Engineer at the China General Institute for Electric Power Planning and Designing.

Member of the Nomination Committee and the Remuneration Committee.



Nino Ficca
Managing Director

Adam Newman
Chief Financial Officer

Susan Taylor
General Counsel and Company Secretary

John Azaris
General Manager – Service Delivery

Mario Tieppo*
General Manager – Information and Communications Technology

Chad Hymas
General Manager – Strategy and Business Development

John Kelso
General Manager – Select Solutions

Claire Hamilton
General Manager – Risk and Assurance

Geraldine Leslie
General Manager – People and Safety

Alistair Parker
General Manager – Asset Management

*Joined SP AusNet on 15 November 2013.

Forward focus:

future proofing our business

Energy market changes are being driven by shifting customer expectations related to cost, safety, reliability and availability of new technology, as well as evolving regulatory and industry issues.

While our regulated business will remain our key focus, we are transforming business, and enhancing our interactions with customers, to align our organisation with the future business environment.

IMPROVING OUR NETWORK FOR CUSTOMERS

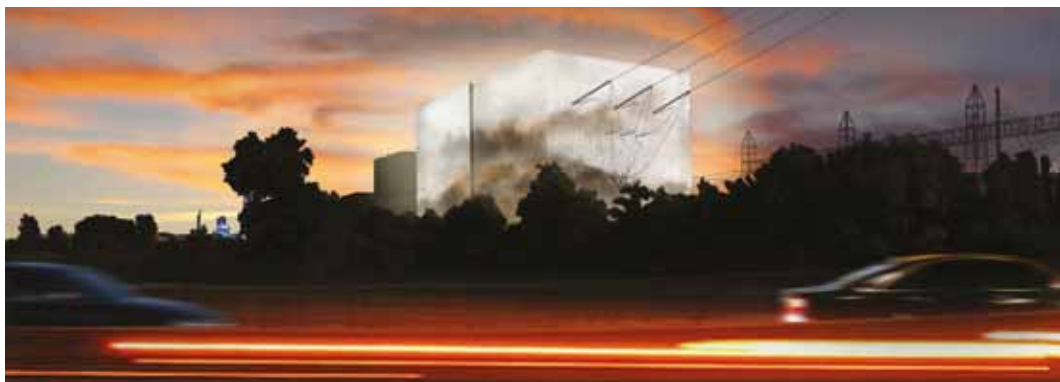
In 2013/14, we also delivered some important projects and programs that will increase customer value by improving the reliability of supply.

These included the rebuild of our Brunswick, Richmond and West Melbourne terminal stations. These three terminal station projects are the largest to be completed over the next five years. At the time of publication, construction work was well underway at Richmond, design work had begun for West Melbourne and planning approval was pending for the Brunswick project.

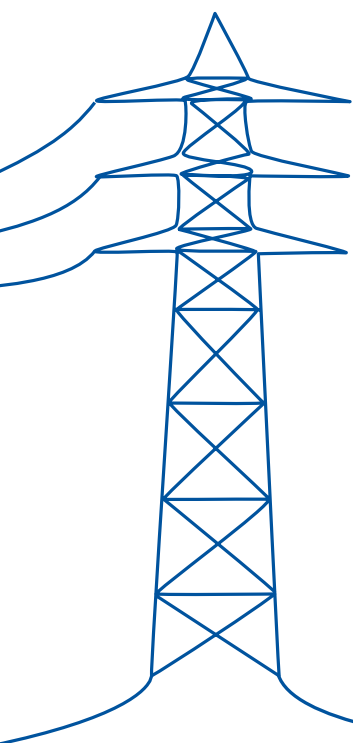
Other significant projects for FY2013/14 included a new zone substation in South Morang, completed November 2013. This facility will improve network capacity and reliability. It features Distribution Feeder Automation (DFA) providing additional network reliability improvements, restoring supply to healthy sections of the network in under one minute during unplanned outages.

We also augmented over 60 distribution substations, which feed our low voltage network at various locations. As a result, approximately 4,000 customers supplied by these substations will experience improved network performance and quality of supply.

In FY2013/14, we marked a number of projects for completion in the following reporting period. These include the new Chirnside Park zone substation. This supply point will deliver electricity to customers in Chirnside Park and Mooroolbark areas, benefiting over 20,000 customers. It will also enable customers in Lilydale, Croydon and Ringwood areas to experience improved network reliability. We also completed a number of major transmission line and terminal station projects.



Artist's impression of Richmond Terminal Station. Smaller, technologically-advanced Gas Insulated Switchgear is housed within architect-designed structures, greatly improving visual impact.



IMPROVING OUR SYSTEMS AND PROCESSES

In FY2013/14, SP AusNet established Program WorkOut, an enterprise-wide process and system improvement program that supports our transformation agenda. This program will enhance business efficiency by replacing a number of existing systems with integrated processes enabled by a single system solution. The redesign will create more logical systems by removing unnecessary layers of work and approvals. It will enable easier access to more accurate and reliable information, leading to better decision making, improved planning, delivery and reporting.

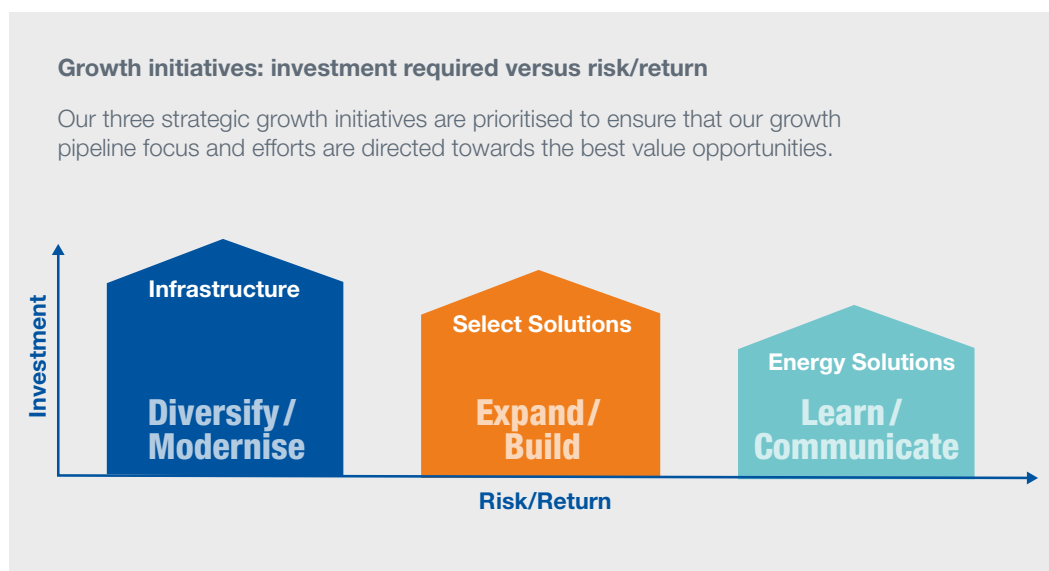
Customer service will improve in areas such as response time to enquiries, while better forward planning of works will reduce supply interruptions.

FUTURE GROWTH OPPORTUNITIES

Sustainable earnings growth is fundamental to the value proposition we offer our securityholders. While growing our regulated networks will remain our key focus, we are pursuing other opportunities.

Our growth initiatives, shown in the annotated graph below, are expressed as three pillars:

1. diversification of unregulated infrastructure,
2. growth of our Select Solutions business and
3. nurturing opportunities for our Energy Solutions initiative.



“ While growing regulated networks will remain our key focus, we are examining other growth opportunities.”

Economics

In the 2013/14 financial year, SP AusNet reported a 9.8 per cent increase in revenues to \$1,799.4 million, a 4.5 per cent increase in earnings before interest, tax, depreciation and amortisation to \$1,017.4 million and a net profit after tax of \$178.3 million.

This was achieved by regulated price increases, additional AML revenues and higher contestable transmission revenues, such as revenue from the underground transmission line at Victoria's desalination plant.

Our net profit after tax was significantly impacted by the recognition of \$86.7 million potentially payable under the Section 163AA impost dispute with the Australian Taxation Office, along with \$50 million recognised as a result of the management internalisation and \$7.7 million in IT restructure costs and other associated management internalisation costs.

Excluding the impact of these one-off items, net profit after tax for the year would have been \$305.4 million, an increase of \$31.9 million or 11.7 per cent compared to the previous year.

Of our three regulated energy networks, we achieved revenue increases of \$120.7 million and \$24.3 million for the electricity distribution and transmission networks, respectively, along with \$3.4 million for our gas distribution network.

Our non-regulated utility service business, Select Solutions, grew its revenue by 8.6 per cent to \$150.7 million, largely due to winning new contracts and additional activity under existing contracts.

Overall, unregulated revenue grew by 18 per cent to account for 13 per cent of total revenue.

The construction of a new terminal station at AGL's wind farm near Macarthur and the commencement of the desalination agreements to operate and maintain the underground electricity transmission line to the Victorian desalination plant in Wonthaggi in December 2012 have both contributed to the unregulated revenue growth.

We continued to grow our customer base, adding 10,142 electricity and 13,071 gas customers, which helped offset decreasing consumption volumes – gas 7.5 per cent, electricity 1.9 per cent – due to another warm winter, challenging economic conditions and the continued up-take of residential solar systems.

SP AusNet has agreement with Regional Development Victoria to extend our gas network to Huntly, Avoca, Bannockburn and Winchelsea under the Victorian Government's Energy for the Regions program.

This program is expected to give thousands of regional homes and businesses access to a reliable and convenient energy supply by mid-2014 in Huntly and during 2016 in Avoca, Bannockburn and Winchelsea.

Importantly, we continued the significant investment on our networks through \$950 million of capital expenditure on major terminal station projects, AML rollout and major upgrade and replacement works. This has increased our regulated/contracted asset base from \$7.56 billion to \$8.19 billion.

SP AusNet's Directors declared a final 2014 distribution of 4.18 cents per stapled security, in line with guidance and up 2 per cent on the previous year.

CAPITAL AND DEBT FUNDING

During the year, we successfully continued funding diversification to raise more than \$1.7 billion of capital from debt markets at competitive prices.

In particular, we raised \$1.25 billion via a 7-year and a 10-year Euro bond issue, an important initiative that enabled us to extend the tenor of the debt portfolio from 4.6 years to 5.4 years.

Our strong investment grade credit rating (Standard & Poor's "A-", Moody's Investors Service "A3") helped us to successfully establish A\$450 million 5-year bank debt facilities to refinance existing debt and to fund growth capital expenditure.

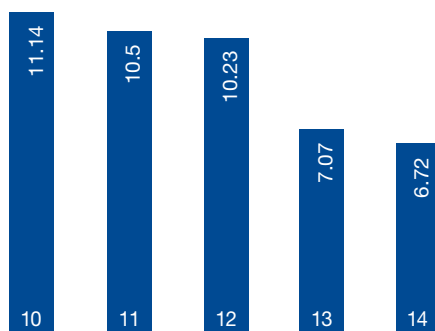
For more detail on our economic performance, please refer to our *Statutory Annual Report* available on our website: www.sp-ausnet.com.au/>investors>companyreports.

Our people

SAFETY

We are committed to the highest standards in health and safety. To keep our employees, contractors and communities safe, we are building a culture of continuous improvement in this area.

FIVE-YEAR RECORDABLE INJURY FREQUENCY RATE, FY10-14



FIVE YEAR RECORDABLE FREQUENCY RATE
FY10-14

As the graph above shows, the 2013/14 Recordable Injury Frequency Rate (RIFR) of 6.72 recordable injuries per million hours worked represents a 5 per cent improvement on the previous year's figure.

We are extremely proud of the leadership activity that has contributed to this improvement. Activities such as missionZero conversations, team safety discussions and risk mitigation activities have all played a part in reducing RIFR.

However, our RIFR result for the year was unfavourable against our rolling 12-month target of 5.7. We are determined to achieve a zero harm state within our organisation. Our RIFR target for FY2015 is 5.4.

In 2013/14, we continued to drive improvement in our safety programs. These included a strong emphasis on near-miss reporting to ensure action is taken before harm occurs. By thorough investigation of near-miss incidents, we have identified a number of high risk areas and introduced procedures to address these risks in our working environment.

MAINTAINING A STRONG TALENT POOL

SP AusNet is committed to diversity, ongoing development and innovation. This means engaging, developing and attracting high quality people. Guided by our Talent and Diversity Council, comprising members of our Executive Leadership Team, we implemented initiatives to strengthen our talent pipeline:

- › We increased the capability of our in-house recruitment function, sharpening our focus on employer branding, talent pipelining, diverse selection methodology and proactive sourcing. This has reduced our dependence and expenditure on external recruitment providers, improved the quality of our hires and supported delivery of our workforce planning strategy.
- › We implemented an external talent engagement model specifically to target key technical and business critical roles within the organisation.
- › We targeted our emerging and high potential employees for professional development. This included the creation of opportunities for employees to work on key projects, such as Program WorkOut.
- › We continued to invest in our technical talent development initiatives. Eight engineering graduates and 24 apprentices and trainees joined SP AusNet in January 2014.
- › We invested in our knowledge base through the progression of knowledge management plans for retiring technical experts and the establishment of a Technical Alumni program for both current and past employees.
- › We implemented a Career Development program in conjunction with Australian Power Institute (API) to provide rotation opportunities for engineers across industry partners.

“ We are extremely proud of the leadership activity that has contributed to safety improvements. ”

GROWING OUR LEADERS

Strengthening leadership accountability was a priority in FY2013/14. During the year, we introduced quarterly forums within each division to build team management skills among our leaders.

Programs such as these help build diverse talent pools and talent “bench strength” for critical roles. During these forums, divisional talent and diversity metrics are measured and monitored by divisional leadership teams.

BUILDING EMPLOYEE ENGAGEMENT

SP AusNet strives to be a safe, customer-focused, high performing organisation that attracts, retains and develops our people. Employee engagement is as a key element in achieving this standard.

Building an engaged workforce requires measurement of employee engagement levels and development and execution of plans to improve engagement where necessary. This process is part of an ongoing dialogue with employees.

In February 2014, we conducted a company-wide survey using an industry-standard research tool to measure employee engagement. The results of this survey were encouraging. Our company achieved an engagement score of 62 per cent, a 12 per cent improvement on our 2011 score. This places SP AusNet just below the level of the “Best Employer” band, which begins at 65 per cent.

Overall, these results further validate our collective efforts to create an environment that encourages our best work, sustains values that work and supports our employees’ contributions to our business.

WORKFORCE DIVERSITY %

Business Support	67	33
Engineering	90	10
Professional Services	66	34
Executive Management	70	30
Frontline Management	83	17
Operational Management	87	13
Strategic Leadership	80	20
Trade/Technical	97	3
Grand Total	80	20

■ Male ■ Female

Key points

- › During 2013/14, the level of female participation was 20 per cent.
- › The number of females increased in all occupational groups except for engineering.
- › Although the number of female employees has increased, the percentage of females within the occupational groups has not increased proportionately as we have experienced significant growth in our total workforce.
- › The majority of females are represented within business support roles (67%) and professional services roles (34%).
- › 42 per cent of our total workforce is represented in the trade/technical occupational group, followed by professional services and business support (15%) and engineering (9%).

“ Strengthening leadership accountability was a priority. Quarterly forums have helped build leadership skills.”

THE VALUE OF DIVERSITY

SP AusNet aims to build consciously inclusive leaders who can harness the benefits of diversity to deliver high performance.

During 2013/14, 350 people leaders participated in Inclusive Leadership training. This development program focused on building awareness of the value of diversity and articulating the benefits of a diverse workforce. A focus for the year ahead is to reinforce these ideas and embed an inclusive leadership mindset across our organisation.

Our aim is to increase female representation in all occupational sub-groups each year. Initiatives to attract, develop, deploy and retain female talent include:

- › SP AusNet's Sponsorships, Donations and Partnership activities. These have continued to support various initiatives to strengthen our female talent pipeline into trade, technical and power engineering professions.
- › Our third Women's Career Development program. This program focused on promoting career development skills, personal networking and career planning. Over FY2013/14, 20 female employees were selected and participated in this program.
- › A focus on gender-diverse candidate shortlists in recruitment activities, and the introduction of proactive sourcing of diverse talent.
- › Approval for the introduction of a General Manager Career Sponsorship program for female talent and the establishment of a Women's Career Development network.



Inclusiveness and diversity are about building a stronger business by valuing the contributions of all employees.

“ We strive to be a safe, customer focused, high performing organisation that attracts, retains and develops its people. ”

Our customers

Every day we work to deliver a safe, reliable energy supply to more than 1.3 million customers across Victoria. As we transform SP AusNet, customers will remain at the forefront of our endeavours.

84%

CUSTOMER SATISFACTION

Delivering energy to these homes and businesses requires significant capital expenditure. In FY 2014, SP AusNet invested \$922.8 million to strengthen and expand our gas and electricity networks.

During the year, our customer base continued to grow, with 10,142 new electricity customers and 13,071 new gas customers connected to SP AusNet networks. For our electricity business, new connections increased by 1.5 per cent on the previous year, indicating a slow-down in customer growth on the previous year. For our gas business, new connections increased by 2.1 per cent, driven by new customer connections in Melbourne's western growth corridor.

The growth trend in solar installation also continued. By the end of March 2014, the total number of solar installations connected to our network was 64,838 – almost 10 per cent of our electricity distribution customers. In order to meet customer demand in this area, we are modernising our network to ensure that we can properly manage this growing energy source.

In FY 2013/14, we improved the reliability of our energy supply to customers. Unplanned interruptions to gas supply totalled 0.81 minutes per customer, a significant improvement of around 11 per cent on the previous year. Unplanned interruptions to electricity supply for the year were equivalent to 133.1 minutes per customer, an improvement of 1.05 per cent on the previous year.

Our customer satisfaction rating for FY2013/14 was 84 per cent.

During the year, we changed the methodology of our customer satisfaction rating. (The previous customer satisfaction survey was field-based and examined five electricity areas of service.) Our new methodology provides a more holistic measure of customer satisfaction that includes areas such as brand recognition, satisfaction with telephone customer service, propensity to use technology and so forth. We have since developed a new overall customer satisfaction measure for our business.

BUILDING SMARTER NETWORKS

Understandably, consumers are demanding more from energy businesses. In response, SP AusNet is working on a number of projects that will deliver greater value to customers by ensuring that their electricity supply is safer, more reliable and more resilient.

During the year, SP AusNet installed more than 230,000 smart meters, reaching a total of approximately 686,000 smart meters installed in our distribution area. Of this 686,000, we have now successfully converted 390,000 meters to remotely provide meter data to the market. While we have more recently encountered periods of system instability, we are working to resolve these issues to deliver the program in full.

Once we have addressed these system issues, we will be able to deliver a range of customer and network benefits across the entire AMI fleet. These include faster power restoration following an outage, more accurate billing, less energy theft and reduced need for new generating capacity, lowering costs recovered from consumers. Customers with remotely read smart meters can also choose a pricing plan called Flexible Pricing. This plan offers customers varying electricity costs at different times of the day – high rates during peak times and lower rates during shoulder and off-peak times.

This provides consumers with a financial incentive to use electrical appliances when it is cheapest and demand is lowest, such as running your dishwasher or washing machine late at night or early in the morning.

Smart meters interact with customer information tools such as our "myHomeEnergy" online customer portal (launched last year), giving customers more visibility and control over their electricity consumption.

Smart meters also provide us with network information, such as five-minute interval measurements of voltages, currents and frequencies. We can use this information to significantly improve customer safety and reliability. An example is the detection of "Loss of Neutral". This innovation, developed by SP AusNet, rapidly determines abnormalities in neutral connections or any deterioration of the service main supply to the customer.



BRINGING GAS TO REGIONAL VICTORIA

Dale retires his axe. Jan buys a wok.

On a winter morning in Huntly, central Victoria, the temperature can get down to minus five degrees. With a wood fire as their main source of heating, Huntly residents Dale and Jan Johnson were careful not to run out of fuel.

For several decades, Dale Johnson (76) hitched his trailer, packed his chainsaw and kept his woodsheds well-stocked. Dale estimates that he and his wife Jan used about five tonnes of firewood each week throughout winter. They stored about 60 tonnes in three large woodsheds. All of it was split by axe.

Jan helped out with a chainsaw of her own. Each winter, she and Dale spent a fair bit of time and energy trying to keep themselves and their two Burmese cats warm.

The Johnson's lives changed considerably when, as part of Victoria's Energy for the Regions program, SP AusNet connected their home to our natural gas network. This enabled Jan and Dale to install ducted heating, a gas hot water service and gas stove.

"We love it," said Jan. "For years, the winter mornings were freezing. But now we wake up around 5am, push a button, and ten minutes later the whole house is warm."

"The bathroom used to be icy cold but now it feels like a sauna. And the hot water is just beautiful," she said.

"Our cats love it too," Dale said. "The older cat gets so comfortable, he just stretches right out and relaxes."

According to Jan, being connected to SP AusNet's natural gas network also means that she and Dale are eating healthier food.

Unlike their old electric hotplates, the high pressure gas stovetop can achieve the temperatures needed for wok cooking. Jan has wanted to cook this way for a long time, to take full advantage of their extensive vegetable, herb and fruit garden.

"It's a much healthier way to eat," Jan said. "We've got a whole garden full of fresh veggies. They make great stir fries and I think we've both lost weight."

"We've been going to House of Kong (a local Chinese restaurant) for nearly 50 years," Dale said with a grin. "But I reckon we can do better at home now."

For Jan Johnson, high pressure gas means a warmer house and a healthy way to cook home-grown produce.

“

We love it. For years, the winter mornings were freezing. But now we wake up around 5am, push a button, and ten minutes later the whole house is warm.

MANAGING DEMAND

In FY 2013/14, SP AusNet continued to strengthen supply through a number of demand management initiatives. For example, mobile generators can improve our capacity at weak spots during high peak periods.

We also incentivise large commercial customers to reduce load during critical peak periods.

Customers consuming more than 160 MWhr per annum are offered a critical peak demand tariff. Under this tariff, the amount of electricity they consume during five nominated peak demand days determines a component of their tariff for the next 12 months.

Around 70 per cent of our large commercial customers now reduce their demand on the five nominated days – usually the hottest summer days when our network is at supply capacity.

SP AusNet currently has an agreement with Regional Development Victoria for the supply and reticulation of natural gas to Huntly, Avoca, Bannockburn and Winchelsea. Construction of the Huntly connection began in October 2013 and is expected to be completed by winter 2014.

In the coming year, SP AusNet will continue to build our customer service capability in both our core networks business and unregulated energy markets.



Laying gas pipe using the direct drilling method reduces the disruption caused by open trenching.

Bushfire mitigation

SP AusNet owns and operates a transmission and distribution network that runs through extensive areas of bushfire-prone vegetation. Therefore, we devote considerable resources and effort to managing bushfire risk through ongoing programs such as asset replacement and maintenance, asset inspection and vegetation management.

In FY2013/14, SP AusNet invested \$347 million to inspect, maintain and replace electrical assets. This included the replacement of approximately 3,200 poles, 610 km of powerlines and 22,000 pieces of pole-top assets. We also inspected 137,000 powerpoles and pole-top assets using helicopters and aerial drones and invested \$39 million to clear vegetation from approximately 220,000 electricity spans.

As well as our annual asset maintenance and specific bushfire mitigation programs (the Victorian Bushfire Royal Commission recommendations and the Powerline Bushfire Safety Program), SP AusNet is implementing a network enhancement program to further improve customer safety, supply reliability and operational efficiency, and mitigate bushfire risk.

Each year, we communicate to stakeholders and customers through advertising, public relations, social media and public notices. We also consult with local and state government bodies and emergency services, while communications programs are run for owners of private overhead electric lines.

“ The Dandenong Ranges underground project will establish the region’s safest and most reliable electricity network to date. ”

IMPLEMENTING VBRC RECOMMENDATIONS

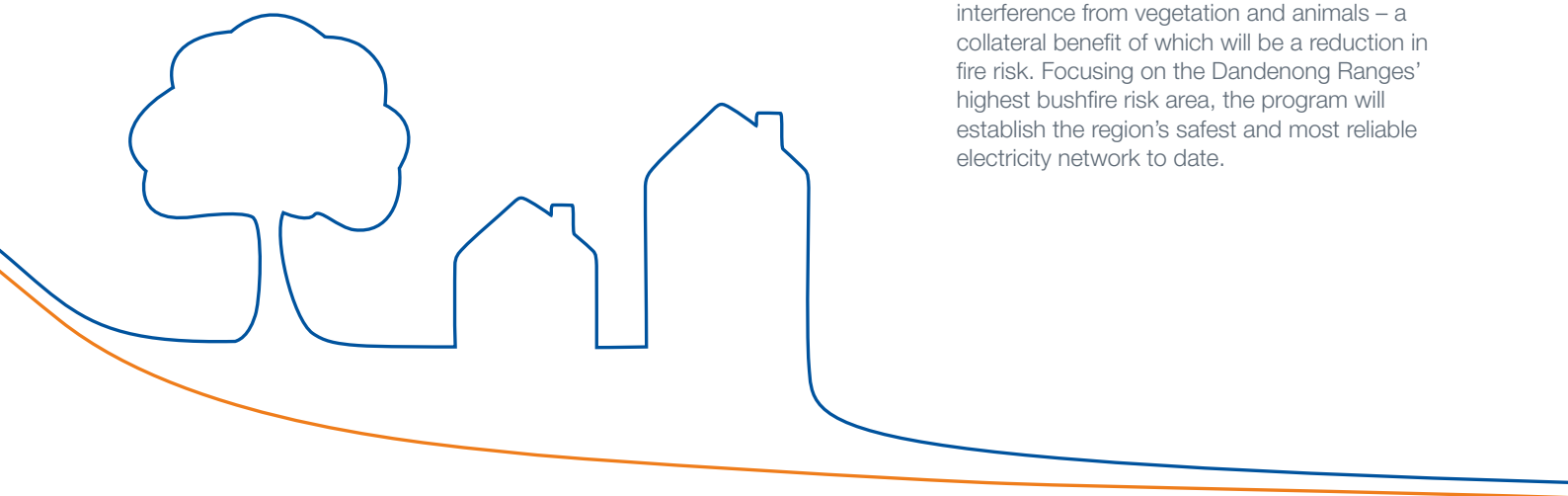
In addition to our annual programs, we continued to implement the Victorian Bushfires Royal Commission (VBRC) recommendations related to electrical assets in high bushfire risk areas. These recommendations include: replacing aerial powerlines in high risk areas with alternatives such as underground cables or aerial bundled cable; increasing the frequency of inspections; reviewing the management of asset inspectors; reducing tree-related risks, modernising automatic circuit reclosers (ACRs) and changing ACR operating procedures; and fitting spreaders and vibration dampers to powerlines where necessary. As part of our ongoing network modernisation, ACRs can now be remotely operated.

UNDERGROUND HIGH VOLTAGE POWERLINE PROJECT

In FY2013/14, SP AusNet commenced the design phase for a \$40 million, two-year program to improve the safety and reliability of the Dandenong Ranges electricity network. The program involves replacement of around 44 km of high voltage (HV) aerial bundled cable (ABC) with a hybrid underground cable system. We will also upgrade an additional 20 km of existing HV ABC cable with new cable.

The large-scale (44 km) undergrounding of powerlines was made possible due to the cost efficiencies of a hybrid system designed by SP AusNet. In this system, powerlines are buried deep below ground along roadways, rising only to connect to transformer poles to supply existing overhead low voltage lines. This approach is aimed at reducing the impact on the environment that traditional methods may otherwise have.

Reliability of supply will be improved by reducing interference from vegetation and animals – a collateral benefit of which will be a reduction in fire risk. Focusing on the Dandenong Ranges’ highest bushfire risk area, the program will establish the region’s safest and most reliable electricity network to date.



Environment

In 2012/13, the primary categories for reporting were as follow:

Direct Emissions (Scope 1)

- Gas Distribution System Emissions and Consumption
- Gas Transmission System Emissions and Consumption
- Electricity Transmission SF6 Emissions
- Electricity Distribution SF6 Emissions
- Motor Vehicles Fuel Consumption
- Non Transport Fuel Consumption
- Contractors/Supplier Emissions

Indirect Emissions (Scope 2)

- Electricity Transmission System Losses
- Electricity Distribution Losses
- Energy Consumption
- Contractor/Supplier Energy Consumption.

The SP AusNet Health, Safety, Environment and Quality policy states our commitment to good corporate citizenship in our management of environmental issues.

In line with this policy, we completed our fifth year of reporting our greenhouse gas emissions and energy usage. This reporting has been completed in accordance with the obligations of the Australian Government's *National Greenhouse and Energy Reporting (NGER) Act 2007*. This Act provides a national framework through which the Federal Government monitors large corporations' greenhouse gas emissions and energy usage.

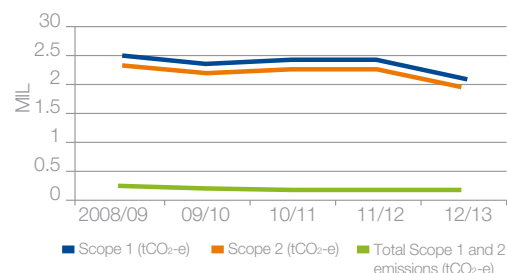
For 2012/13, SP AusNet reported emissions for each of our three corporations: SPI PowerNet Pty Ltd, SPI Electricity and Gas Holdings Pty Ltd, and SPI Management Services.

The above table shows a net decrease in total year-on-year emissions. This was due to a 12.7 per cent reduction in Scope 2 (indirect) emissions, more than offsetting a 4.6 per cent increase in Scope 1 (direct) emissions.

The Scope 1 emission increase was due to greater use of SF6 gas (sulphur hexafluoride, a highly effective insulator that is also a potent greenhouse gas). This result was impacted by more refurbishment work being completed in-house than in previous years when this work was completed by external contractors, with a consequent impact on our reporting obligations. Another factor influencing Scope 1 emission

Two-year CO₂-e emissions

Year	Total emissions	Scope 1 emissions CO ₂ -e	Scope 2 emissions CO ₂ -e
2012/13	2,178,305	197,091	1,981,214
2011/12	2,453,327	188,385	2,268,942
% change	-11.2%	+4.6%	-12.7%



levels was more accurate data collection for motor vehicle emissions and improved allocation between reporting facilities.

The Scope 2 emission decrease was due to lower distribution line losses as a result of a reduction in energy transported and a reduction in reportable energy use by facilities, due in turn to improved data capture and allocation.

Since the first reporting period of 2008/09, we have continually improved data capture and reporting.

Five-year energy consumption and emissions

Year	SPI PowerNet Ltd	SPI Electricity and Gas Holdings	SPI Management Services Pty Ltd	TOTAL
Energy content (GJ)				
2012/13	4,405,554	1,823,498	—*	6,229,052
2011/12	4,853,590	2,150,174	294	7,004,058
2010/11	4,596,309	2,217,962	482	6,814,753
2009/10	4,873,268	2,118,580	1,757	6,993,605
2008/09	4,529,293	2,164,602	659	6,694,554
Scope 1 emissions				
2012/13	39,057	157,064	0	197,091
2011/12	30,666	157,518	0	188,184
2010/11	33,723	152,586	0	186,309
2009/10	29,618	151,296	0	180,914
2008/09	13,503	212,551	0	226,054
Scope 2 emissions				
2012/13	1,458,598	522,616	0	1,981,214
2011/12	1,623,542	645,321	99	2,268,962
2010/11	1,558,077	691,214	-	2,249,291
2009/10	1,522,520	669,007	-	2,191,527
2008/09	1,636,619	666,878	-	2,303,497

The decrease in energy consumption in both networks was driven by reduced line losses, primarily due to decreased customer consumption and increased embedded generation output. Augmentation of lines will also have contributed.

*Data unavailable but not considered material to total energy consumption result.

IMPACT OF CARBON PRICING MECHANISM

As a liable entity under the relevant Australian Government legislation, our carbon price is fixed for the first three years, as follows:

- 2012–13: \$23 per tonne.
- In 2013–14: \$24.15 per tonne.
- In 2014–15: \$25.40 per tonne.

Liable entities can purchase units up to their emissions levels.

Our company's commitment to the payment of a carbon price on emissions is based on a facility under a registered corporation reaching the minimum threshold. Carbon price is calculated at the facility level. At this stage the carbon price liability has been restricted to fugitive gas emissions within the Gas Facility under the SPI Electricity and Gas Holdings Pty Ltd Corporation. The financial impact on SP AusNet for the annual payment for 2012/13 was \$3.199 million.

ANNUAL SECTION 22AA INTERIM EMISSIONS AUDIT

As an organisation with emission levels that exceeds 125,000 tonnes CO₂-e, under section 74AA of the NGER Act, SPI Networks (Gas) is required to submit a reasonable assurance report, prepared by a Category 2 or 3 greenhouse and energy auditor in accordance with the NGER Audit Determination, with its Emissions Report (section 22A Report) to the Clean Energy Regulator.

External audits conducted in May and September 2013 concluded that, for the period 1 July 2012 to 30 June 2013, SPI Networks (Gas) had:

- prepared its liable entity report in accordance with section 22A of the NGER Act, in all material respects, and
- complied with record-keeping requirements under section 22B of the NGER Act, in all material respects.

GAS AND TRANSMISSION SYSTEM IMPROVEMENTS

Fugitive gas emissions from our gas transmission and distribution system are the major component of SP AusNet's carbon tax liability.

FIVE-YEAR FUGITIVE GAS EMISSIONS

Gas system	2008/09	2009/10	2010/11	2011/12	2012/13
Transmission	712	689	675	687	617
Distribution	197,876	140,940	138,771	138,654	138,440
Total	198,588	141,629	139,446	139,341	139,057

This table shows fugitive gas emissions from our transmission and distribution networks between 2008/09 and 2012/13.

The 2012/13 emissions of 139,057 tCO₂-e is a slight reduction on the 2011/12 reporting year. Over the four most recent reporting periods, emission levels have been effectively constant, despite our company adding around 40,000 new customers to our gas network.

The pegging of the total gas system emissions over the last four reporting periods is almost entirely due to our program of replacing cast iron pipes (a high emission asset). This program has offset the increase in customers over this period, thus keeping the emissions at a constant level. Pegging these emissions also impacts on our carbon tax liability.

In FY2013/14, we continued our program to upgrade all low pressure gas mains by 2025, replacing 113.9 km of aged low pressure pipes during the year. We also commenced upgrading the medium pressure gas network, with 10.44 km of medium pressure mains replaced in FY2013/14.

“ Our gas pipe replacement program has kept emissions at a constant level, offsetting an increase in customers. ”

Communities: partnering with stakeholders

In FY2013/14, SP AusNet continued its commitment to its communities through sponsorships, donations, community grant programs and stakeholder engagement.

SP AusNet's Sponsorship and Donation Fund, manages sponsorship and donation activities aligned to our corporate strategy with a focus on creating community benefits through education, volunteering and promoting employment opportunities.

SPONSORSHIPS

In FY2013/14, we were involved in a range of community programs.

Highlights included:

Education: SP AusNet again offered two scholarships – the SP AusNet Women in Engineering Scholarship and the SP AusNet Scholarship, to third-year engineering students through the RMIT bursary program. We continued to support the Victorian Energy Education Training (VEET) program in both the eastern and central regions, creating a channel for new apprentices in the future. We also continued our partnership with the Beacon Foundation, a secondary school level initiative that increases knowledge about employment opportunities.

Business: For the seventh year, SP AusNet retained naming rights sponsorship for the SP AusNet Baw Baw Business Awards. The awards recognise business excellence in the shire. We also partnered with Bass Coast Shire as category sponsors of the Bass Coast Business Awards.

Sport: We were a proud sponsor of the Tour of Gippsland cycling event and were pleased to present the sprint jersey to the winner in each stage of the race. Other sports sponsorship activities included the Gippsland Sports Academy and Latrobe City Energy Basketball Association's healthy lifestyle program in local schools.

DONATIONS

SP AusNet donated \$4,000 to Barrier Breakers, a local Gippsland mental health advocacy organisation committed to providing both systemic and individual advocacy services to improve the quality of life of people who experience mental illness in the region.

EMPLOYEE VOLUNTEERING PROGRAMS

In FY 2013/14, SP AusNet continued our Community Cornerstone grants program, in which employees are invited to apply for individual grants of \$500 for their chosen non-profit organisation if they had volunteered at least 20 hours for their chosen organisation within the past financial year.

Two grant pools of \$20,000 were offered in May 2013 and December 2013 to reward employees who volunteer within their community. Some examples of successful grants have been for a wide range of sporting clubs, emergency services, surf-lifesaving clubs, not for profit radio stations and aid for the underprivileged.

STAKEHOLDER ENGAGEMENT

SP AusNet is dedicated to collaborating with all our stakeholder groups. Our Executive Leadership Team is advised by a small Stakeholder Consultative Committee, consisting of senior representatives of key stakeholder groups, to share their views on current and emerging issues. We engage with a number of stakeholders in our communities to ensure they are informed about key projects such as the Brunswick Terminal Station rebuild.

To meet stakeholder expectations, in FY2013/14 we appointed regional community relationship managers to engage with councils and community groups during the planning stage of projects such as electricity demand management, asset modernisation, future growth, new and ongoing network maintenance.

In addition to this, our regional representatives attend regular meetings with local emergency services groups, including councils, about local network programs, such as bushfire mitigation and vegetation management works.

LOOKING FORWARD

A key SP AusNet community engagement initiative is the Community Development Fund (CDF) program, whereby we partner with councils and shires in our regions to offer a \$20,000 grants pool to local non-profit community organisations, broken down to a maximum of \$3,000 per grant.

In FY 2014/15, we aim to run two CDFs, one in our north region and one in our east region. We will also continue to develop our stakeholder activities to further strengthen the relationships we are building by collaborating with government bodies, community groups and customers.



Programs such as the Cardinia Business Awards help build connections and stimulate business activity in local communities.

Governance and risk management

GOVERNANCE

A high standard of corporate governance is paramount at SP AusNet and a key role of the Board is to represent and serve the interests of securityholders by overseeing and appraising the strategies, policies and performance of the company. To effectively do this, the following standing committees are in place:

- Audit and Risk Management Committee (ARMC) – oversees the adequacy and effectiveness of SP AusNet's audit program, risk management processes and internal control systems, including the monitoring of material business risks (financial and non-financial) and corporate compliance;
- Nomination Committee – responsible for reviewing and making recommendations to the Board in relation to the appointment of new Directors, review of Board and Board Committee membership and performance, Board and CEO succession planning and the appointment of senior managers;
- Remuneration Committee – reviews and advises the Board on matters relating to the remuneration of Directors, and the remuneration and performance of senior executives.
- Compliance Committee – supports and advises the Board on compliance matters relevant to the SP Australia Networks (Finance) Trust and its Responsible Entity.
- Issuing Committee – advises the board on the parameters, amount, price and terms and conditions of SP AusNet's re-financing activities.

Additionally, special purpose Board committees are established where deemed necessary to deal with specific projects or where a potential conflict of interest exists.

During the 2013/14 reporting period, SP AusNet followed all but five of the recommendations contained in the ASX Corporate Governance Council's Principles and Recommendations.

An explanation for each of these departures, as well as further material relating to SP AusNet's corporate governance practices, is included in the full Corporate Governance Statement contained in SP AusNet's *Statutory Annual Report*, which is available online at www.sp-ausnet.com.au.

RISK MANAGEMENT

Risk exists in all aspects of our business. By understanding and managing risk, we provide greater certainty for our securityholders, employees, customers and suppliers and our communities. As stakeholder confidence is essential to the success of our organisation, effective risk management is a vital part of SP AusNet's future growth.

Our approach to risk management involves a structured, consistent process of recognising, understanding and responding to risk. We continually monitor our risks, including emerging conditions, to enable appropriate, pre-emptive actions to be taken.

All employees are responsible for the management of risk in accordance with our company's Risk Management Framework. There are four main elements to this framework. Each element helps us embed a robust risk culture within our business.

1) Intent. Our framework starts with our Risk Management Policy – a mandate from the Managing Director that supports the business strategy and sets expectations for managing risk within SP AusNet. This Policy is communicated throughout the business via risk management standards and guidelines that use a common methodology.

2) Capability. It is critical that all employees have strong risk capability to apply to their daily activities and decision making. The Risk Management team provides training and systems to develop this capability.

3) Accountability. All employees are responsible for managing risk. We apply a "three lines of defence" approach to using accountabilities to manage risk.

Management (1st line) identifies, controls and monitors risks and is accountable for maintaining a sound risk and control environment.

Risk Management (2nd line) develops and maintains risk policies, frameworks and tools and provides challenge, oversight and enterprise risk reporting.

Internal Audit (3rd line) provides independent assurance over the management of key risks and the overall effectiveness of the risk and control framework.

4) Continual Improvement.

An important element is the assessment of whether the risk management framework as a whole is effective and is being implemented correctly. Performance measures, maturity evaluations and assurance by both management and Internal Audit are used to continually improve the framework.

The Risk Management team and the Group Risk Committee (GRC) review the risk profile regularly. The GRC is chaired by the Managing Director and made up of the Executive Leadership team. Its focus is predominantly on strategic and key operational risks. The Board and the Audit and Risk Management Committee oversee the management of key business risks and the effectiveness of the risk management system and internal control environment.

ACHIEVEMENTS FOR FY2013/14

- We continued our risk training program with delivery of risk training to senior leaders during the year.
- We introduced a Conditions Monitoring Tool for the identification of emerging risks that may either prevent the business achieving its long-term objectives or present future opportunities.
- We developed a risk maturity model which will enhance our ability to assess risk culture and capability across the business and inform future training needs.
- We improved risk management on major projects with the implementation of project risk management standards.
- We strengthened our crisis and emergency management capability, including maturing response protocols for information technology events.

Financial performance

FIVE-YEAR FINANCIAL SUMMARY

	2014	2013*	2012	2011	2010
Revenue (\$M)	1,799.4	1,639.5	1,535.4	1,468.0	1,333.6
EBITDA (\$M)	1,017.4	974.0	907.1	863.4	778.3
EBIT (\$M)	647.7	651.2	613.3	605.2	543.8
Profit for the year (\$M)	178.3	273.5	255.0	252.9	209.0
Total assets (\$M)	10,612.3	10,082.2	8,730.9	8,461.1	8,251.0
Total borrowings (\$M)	6,069.2	5,277.2	4,538.5	4,374.2	4,432.0
Total equity (\$M)	3,444.6	3,437.1	2,927.9	2,864.9	2,774.1
Net Debt to Asset Base (%)	68.6%	68.1%	73.1%	71.2%	70.8%
Net gearing (%)	62%	58%	61%	59%	59%
Interest cover (times) ³	2.5	2.5	2.4	2.5	2.3
Dividend (cents)	8.36	8.20	8.00	8.00	8.00
Earnings per stapled security (cents)	5.28	8.37	8.95	9.19	8.09
Capital expenditure (\$M)	950.0	881.4	710.3	650.4	580.7
Operating cash flows (\$M)	730.2	568.6	430.5	472.8	420.6

1 Includes the receivable recognised for the \$250.0 million ten-year Australian bond issue completed on 29 March 2011. These proceeds were received on 1 April 2011 and subsequently used to repay existing debt.

2 Calculated as EBITDA less customer contributions and tax paid divided by net interest expense.

COMBINED INCOME STATEMENT

For the year ended 31 March 2014

	2014 \$M	2013 \$M*
Revenue	1,799.4	1,639.5
Expenses, excluding finance costs and termination expenses	(1,094.0)	(988.3)
Termination expenses	(57.7)	–
Profit from operating activities	647.7	651.2
Finance income	24.7	18.1
Finance costs	(367.0)	(354.0)
Net finance costs	(342.3)	(335.9)
Profit before income tax	305.4	315.3
Income tax expense	(127.1)	(41.8)
Profit for the year	178.3	273.5

The above combined income statement should be read in conjunction with the *Statutory Annual Report 2014*.

*Restated in accordance with AASB119 *Employee Benefits*. Refer *Statutory Annual Report 2014*.

COMBINED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2014

	2014 \$M	2013 \$M
ASSETS		(restated*)
Current assets		
Cash and cash equivalents	409.8	541.0
Receivables	281.7	291.6
Inventories	42.3	46.8
Derivative financial instruments	0.1	6.7
Other assets	25.0	20.3
Total current assets	758.9	906.4
Non-current assets		
Receivables	215.3	224.2
Inventories	17.6	16.7
Property, plant and equipment	8,944.3	8,397.9
Intangible assets	392.8	369.1
Derivative financial instruments	264.2	92.0
Tax receivable	17.1	47.7
Deferred tax assets	-	27.5
Other assets	2.1	0.7
Total non-current assets	9,853.4	9,175.8
Total assets	10,612.3	10,082.2
LIABILITIES		
Current liabilities		
Payables and other liabilities	272.3	242.4
Current tax payable	69.7	9.9
Borrowings	673.6	843.0
Provisions	99.3	80.5
Derivative financial instruments	70.7	207.1
Total current liabilities	1,185.6	1,382.9
Non-current liabilities		
Payables and other liabilities	11.4	2.1
Borrowings	5,395.6	4,434.2
Provisions	35.0	57.3
Derivative financial instruments	235.4	474.6
Deferred tax liabilities	304.7	294.0
Total non-current liabilities	5,982.1	5,262.2
Total liabilities	7,167.7	6,645.1
Net assets	3,444.6	3,437.1
EQUITY		
Equityholders of SP AusNet Distribution		
Contributed equity	0.5	0.5
Reserves	(57.0)	(116.7)
Retained profits	713.1	692.6
	656.6	576.4
Equityholders of SP AusNet Transmission and SP AusNet Finance Trust	2,788.0	2,860.7
Total equity	3,444.6	3,437.1

*Restated in accordance with AASB119 *Employee Benefits*. Refer *Statutory Annual Report 2014*.

COMBINED STATEMENT OF CASH FLOWS

	2014 \$M	2013 \$M
Cash from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,000.3	1,777.2
Payments to suppliers and employees (inclusive of goods and services tax)	(897.3)	(824.1)
Income tax paid	(35.4)	(40.8)
Finance income received	23.1	13.2
Finance costs paid	(360.5)	(356.9)
Net cash inflow from operating activities	730.2	568.6
Cash flows from investing activities		
Payments for property, plant and equipment	(925.2)	(843.8)
Proceeds from sale of property, plant and equipment	0.8	1.2
Payments for acquisition of a subsidiary (net of cash acquired)	(24.2)	–
Payment for desalination licence	–	(235.5)
Repayment of desalination licence receivable	8.8	1.1
Net cash outflow from investing activities	(939.8)	(1,077.0)
Cash flows from financing activities		
Proceeds from issue of new securities (net transaction of costs)	–	426.8
Distributions paid	(257.0)	(214.5)
Proceeds from borrowings	2,162.6	2,057.0
Repayment of borrowings	(1,827.2)	(1,239.0)
Net cash inflow from financing activities	78.4	1,030.3
Net (decrease)/increase in cash held	(131.2)	521.9
Cash and cash equivalents at the beginning of the year	541.0	19.1
Cash and cash equivalents at the end of the year	409.8	541.0

The above combined statement of cash flows should be read in conjunction with the *Statutory Annual Report 2014*.

Company information

FINANCIAL CALENDAR

2014 Annual General Meeting
17 July 2014

2014/15 Financial Half Year end
30 September 2014

2014/15 Half Year Results announced
14 November 2014*

2014/15 Financial Year end
31 March 2015

*Subject to confirmation.

ANNUAL GENERAL MEETING

The Annual General Meeting of SP AusNet will be held on Thursday, 17 July 2014 at 10.00am. The location of the Annual General Meeting is:

The Arts Centre Melbourne
ANZ Pavilion
100 St Kilda Road
Melbourne, Victoria, Australia

ENQUIRIES AND INFORMATION

Enquiries about stapled securities

SP AusNet's register of stapled securities is maintained by Computershare Investor Services Pty Limited ("Computershare"). For enquiries about SP AusNet stapled securities, a transfer of securities or distributions, contact:

Computershare Investor Services
Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067
GPO Box 2957
Melbourne, Victoria 3001 Australia

Telephone: 1300 850 505
(within Australia)
+61 3 9415 4000
(outside Australia)
Facsimile: +61 3 9473 2500

Enquiries about SP AusNet

Contact SP AusNet:
Investor Relations
Telephone: +61 3 9695 6000
Facsimile: +61 3 9695 6666
Email:
investor.enquiries@sp-ausnet.com.au

Or write to:

Investor Relations
SP AusNet
Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006 Australia

Stock Exchange Listing

The stapled securities are listed under the number "SP AusNet" and code "SPN" on the Australian Stock Exchange, and on the Singapore Exchange Limited under the code "SP AUSNET".

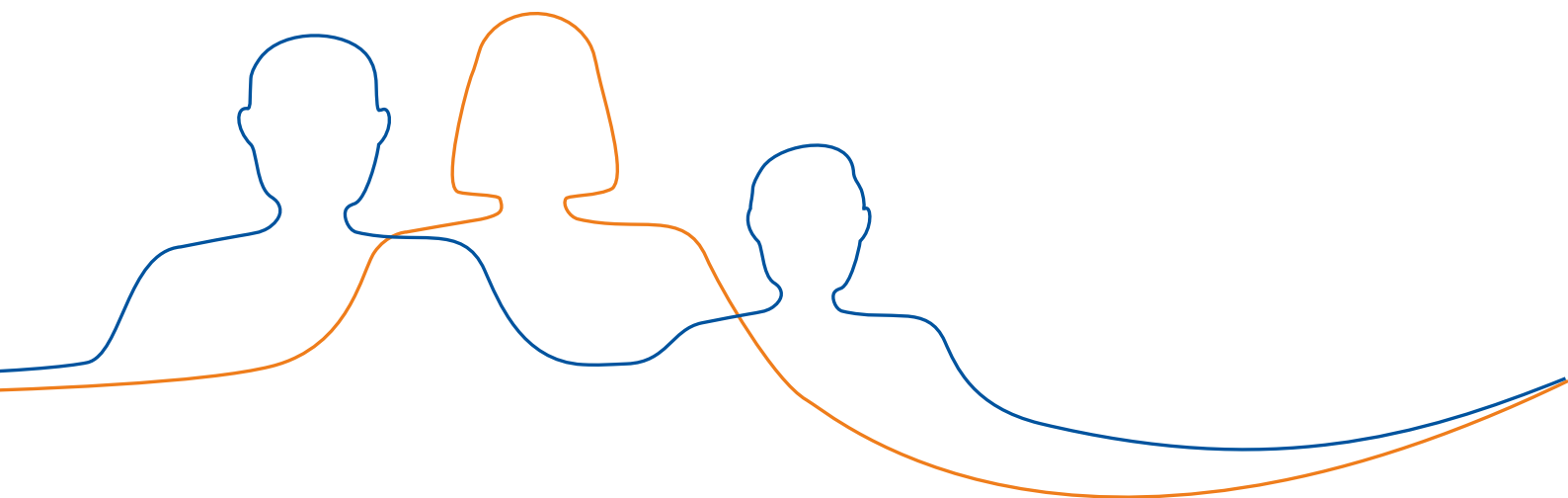
The securities participate in the Clearing House Electronic Subregister System ("CHESS").

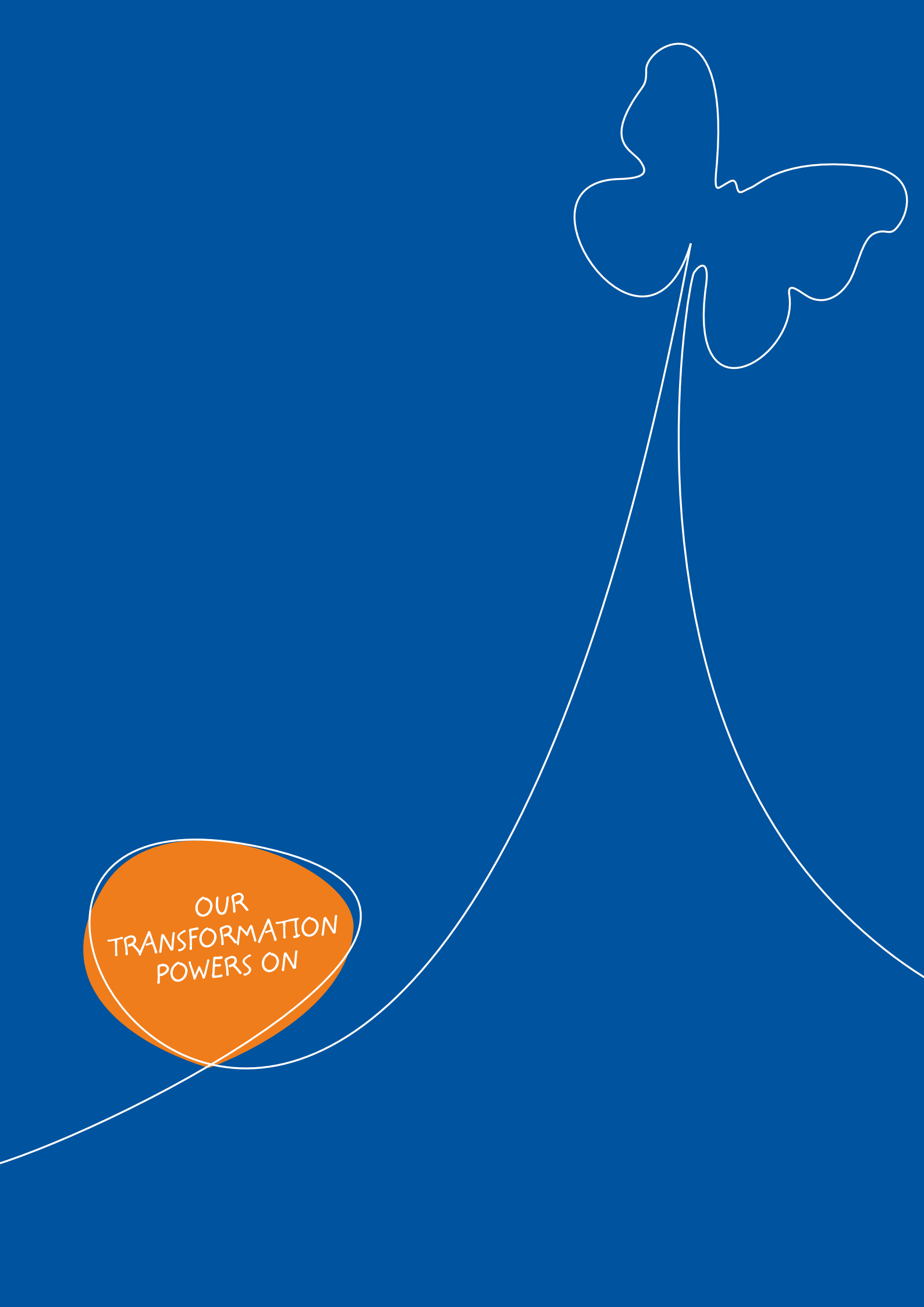
Tax File Number ("TFN") information

While it is not compulsory for securityholders to provide a TFN, SP AusNet is obliged to deduct tax from distributions to holders resident in Australia who have not supplied such information. If you have not already supplied your TFN, you may wish to do so by writing to Computershare.

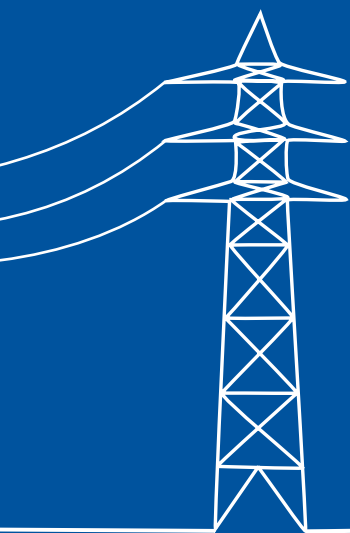
Change of address or name

A securityholder should notify Computershare immediately, in writing, if there is any change in his or her registered address or name.





OUR
TRANSFORMATION
POWERS ON



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