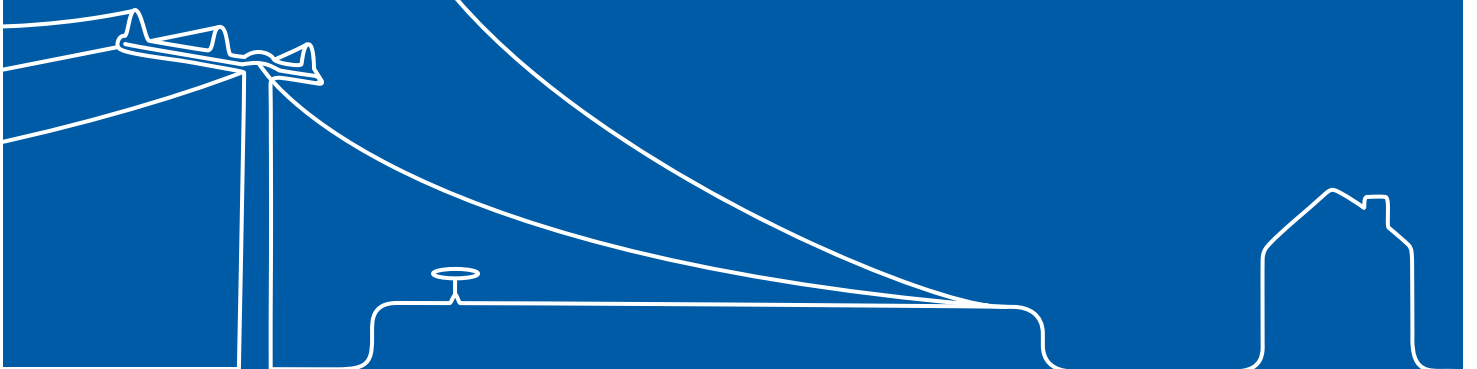


OUR
TRANSFORMATION
TAKES SHAPE



SP AusNet™
A member of Singapore Power Group

**BUSINESS
REVIEW**
2013



ABOUT THIS REVIEW

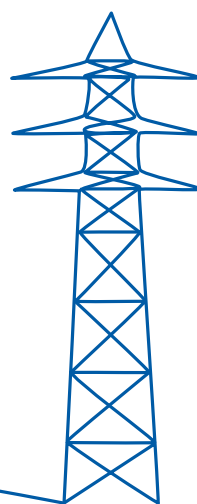
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SP AusNet's *Business Review* presents not only the financial performance for the 2012/13 financial year, but also a holistic view on how we performed with our people, customers, community and the environment as we progress our transformation to achieve sustainable growth. This document is not a concise report prepared under section 314(2) of the *Corporations Act 2001* (Cth).

The information contained in this Business Review is correct as at 31 May 2013 unless otherwise stated.

Comprehensive financial information of SP AusNet is available in our *Statutory Annual Report*, of which securityholders can request hard copies or view on our website, www.sp-ausnet.com.au.



About our front cover

Our transformation journey is underway and is providing a solid platform for sustainable change. During this year, we have embedded a range of strategic and tactical initiatives, with transformation becoming an inherent part of everything we do.

OUR
PURPOSE

**To provide our
customers with
superior network
and energy
solutions**



WHO WE ARE

SP AusNet is proud to be the largest diversified energy infrastructure business in Victoria.

The company is committed to the safe, efficient and reliable supply of energy via our \$7.6 billion dollar networks to more than 1.3 million residential and business consumers.

Based in Melbourne, Australia, SP AusNet employs more than 1,900 people and is listed on the Australian Securities Exchange (ASX: SPN) and the Singapore Exchange (SGX: X04).

SP AusNet also owns Select Solutions, a commercial utility services company that is committed to being the leading provider of specialist utility services throughout Australia. Select Solutions offers utility, electricity, water, gas, telecommunications and asset management solutions.

ELECTRICITY TRANSMISSION AND DISTRIBUTION NETWORKS

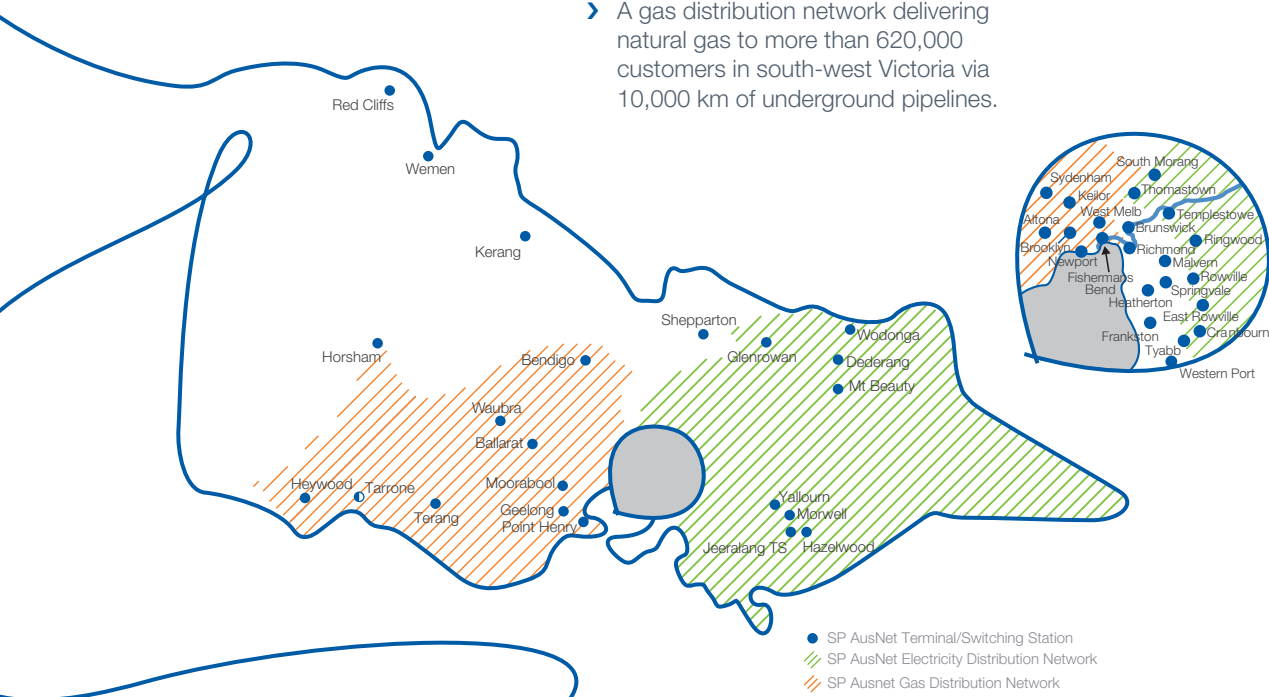
SP AusNet owns and operates Victoria's electricity transmission network and an electricity distribution network in northern and eastern Victoria.

GAS DISTRIBUTION NETWORK

SP AusNet owns and operates Victoria's fastest growing natural gas distribution network in western Victoria, which currently services five of Victoria's eight fastest expanding growth areas.

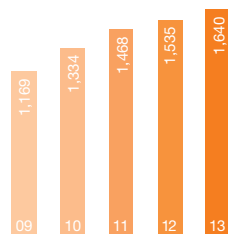
WE PROVIDE

- › More than 6,580 km of high voltage electricity transmission powerlines that deliver electricity from power generators to electricity distributors and large customers throughout Victoria;
- › An electricity distribution network delivering electricity to more than 658,000 customers in north and eastern Victoria via 49,500 km of powerlines; and
- › A gas distribution network delivering natural gas to more than 620,000 customers in south-west Victoria via 10,000 km of underground pipelines.

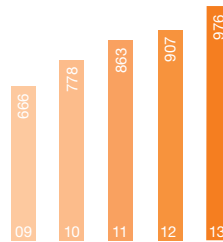


↑ **6.8%**

TOTAL REVENUE GROWTH
ON PRIOR YEAR



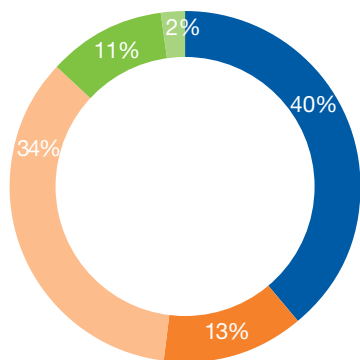
REVENUE GROWTH
A\$ MILLION



EBITDA GROWTH
A\$ MILLION

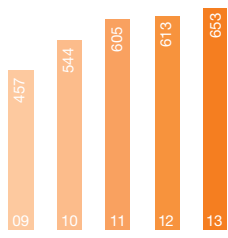
↑ **7.5%**

EBITDA 7.5%
ON PRIOR YEAR

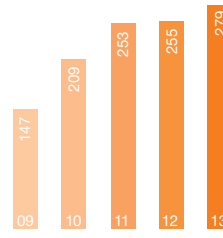


TOTAL REVENUE
A\$ MILLION

- Electricity Distribution
- Gas Distribution
- Electricity Transmission
- Select Solutions / Other
- Customer Contributions



EBIT GROWTH
A\$ MILLION



NPAT GROWTH
A\$ MILLION

\$930M

GROWTH ON PRIOR
YEAR ASSET BASE*

\$7.57B

REGULATED/CONTRACTED
ASSET BASE

\$1.8B

RAISED OVER \$1.8 BILLION
OF CAPITAL FROM DEBT
AND EQUITY MARKETS
AT COMPETITIVE PRICES

↑ **2.5%**

DIVIDEND PER SECURITY
8.2 CENTS – UP FROM 8 CENTS

*Asset Base includes Regulated Asset Base and unregulated assets whose revenues and returns are set through a negotiated or competitive process rather than through regulation.

OPERATING ENVIRONMENT REMAINS CHALLENGING

- The regulatory environment has put pressure on cost recovery and returns
- The continued roll-out of the AMI program
- Managing litigation in respect of the 2009 bushfires
- Changing electricity consumption patterns
- Increased scrutiny of energy prices

CUSTOMER

- Customer satisfaction 84 per cent
- Connected 11,485 new electricity and 13,825 gas customers
- Reduced the time our customers were without electricity (13.70 per cent) and gas (11.65 per cent)
- Launched a Twitter account, disseminating operational and emergency information to customers
- Launched an online portal – myhomeenergy.com.au – to help customers monitor their electricity consumption and potentially reduce costs
- Installed more than 230,000 smart meters

PEOPLE

- Achieved a 31 per cent reduction in our Recordable Injury Frequency Rate
- Offered our employees an opportunity to purchase securities in the company via an employee elected salary sacrifice plan – with an excellent participation rate of 37.1 per cent

COMMUNITY

- Contributed \$150,000 in sponsorship and donations
- Donated \$44,000 to local community groups through our Community Cornerstone program

ENVIRONMENT

- Replaced 126 km of aged and defective gas pipes in order to reduce greenhouse gas emissions
- Significantly increased scrap metal and steel recycling from our sites

CHAIRMAN AND MANAGING DIRECTOR'S REPORT

SAFETY

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

This commitment is driven by our safety strategy, missionZero, which, in its second year, has helped more employees get home safely than ever before.

While we are proud of this year's improvement in our safety performance, our endeavours remain strong to achieve our goal of zero harm through robust safety training programs for our employees and contractors, and initiatives to prioritise safety standards.

PERFORMANCE AND OPERATING ENVIRONMENT

The steady improvement in SP AusNet's financial performance has been achieved in a year when we managed a range of challenges:

- › The regulatory environment has put pressure on cost recovery and returns;
- › The continued roll-out of the AMI program;
- › Managing litigation in respect of the 2009 bushfires;
- › Changing consumer consumption patterns and increased scrutiny of energy prices; and
- › Debt and equity raising activities to fund our capital growth.

Despite these challenges, SP AusNet has delivered:

- › Strong safety results;
- › Strong financial performance;
- › Year one of our Transformation Program, securing underlying operating cost improvements;
- › Growth in our security price; and
- › Growth in distributions to securityholders.

We have also continued to diversify beyond our traditional regulated revenue streams. Our commercial utility services business, Select Solutions, continues to grow and we are expanding into new non-regulated revenue streams, such as contracting to operate and maintain the underground Victorian Desalination Plant transmission line and construction of a new terminal station at the Macarthur Wind Farm.

Our financial performance was strong, with our total revenue increasing 6.8 per cent to \$1,639.5 million and our net profit after tax rising 9.5 per cent to \$279.1 million.

This year delivered a slightly higher gas consumption volume than the previous year due to a colder winter; meanwhile, electricity volumes slightly declined due to soft economic conditions along with more customers drawing power from their solar panels.

However, our ongoing cost management and efficiency strategies helped our earnings before interest, tax, depreciation and amortisation (EBITDA) increase of 7.5 per cent to \$975.5 million, which was very pleasing.

Importantly, during the year we increased our regulated/contracted asset base to \$7.57 billion, extended our distribution networks – gas 126 km, electricity 590 km – and connected approximately 25,000 new gas and electricity customers.

Our non-regulated utility services business, Select Solutions, contributed \$138.8 million in total revenues and \$18.7 million to EBITDA for the period ended 31 March 2013. In addition, we restructured debt facilities to fund our growth capital expenditure.

Our improved financial performance has allowed us to increase securityholder value, paying a final distribution of 4.1 cents per security, bringing the full-year distribution to 8.2 cents (franked at 33.3 per cent).

OUTLOOK

As part of our transformation journey, we continue to build an agile, high performing utility that is responsive to customer, economic and industry change.

Key to adapting to changing environments is making sure we have the right structure, systems and people in place to continue to deliver energy safely, efficiently and reliably to customers in a sustainable way.

Moving into the year ahead, we will have a new operating model in place that helps us best deliver on our strategy to maximise growth opportunities – regulated and non-regulated – to deliver growing securityholder value and improved outcomes for customers and employees into the future.

“The safety of our people, customers and the communities we serve is at the forefront of everything we do at SP AusNet”

On 17 May 2013, Singapore Power Limited announced through its wholly owned subsidiary Singapore Power International Pte Ltd ('SPI') that it had entered into an agreement with State Grid International Development Limited ('SGID') (a subsidiary of State Grid Corporation of China) under which SGID will acquire from SPI a 19.9 per cent stake in SP AusNet.

At the time of publication of this *Business Review*, the transaction is awaiting Australian Government and regulatory approvals.

If approved, SPI will continue to be the largest single securityholder in SP AusNet, with a stake of 31.1 per cent, while approximately 13,800 institutional and retail securityholders will continue to own the remaining 49 per cent. SPI and SGCC have expressed their confidence in the current performance and future prospects of our business.

Our results reflect the commitment of our employees – we would like to thank them, our customers and other key stakeholders who support SP AusNet.

We are excited and ready for the future opportunities for our business. We have retained strong financial and operational fundamentals during a challenging year. This will remain our focus.



Mr Ng Kee Choe
Chairman



Mr Nino Ficca
Managing Director



BOARD OF DIRECTORS



Top from left

Ng Kee Choe

Chairman – Non-executive

BSc (Hons) University of Singapore

Mr Ng is a non-executive Chairman of CapitaLand, non-executive Chairman of SP AusNet, Chairman of NTUC Income Insurance Co-operative Limited and 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 Vice-Chairman and Director of DBS Group Holdings and retired from his executive position in 2003 after 33 years' service.

Mr Ng was conferred the Public Service Star in 2001 for his contributions to public service and the Meritorious Service Medal in 2012.

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 serves as a Director of SPI Management Services Pty Ltd and of Enterprise Business Services (Australia) Pty Ltd. Mr Ficca was formerly Deputy Chairman and Director of the Energy Supply Association of Australia.

George Allister Lefroy

Independent Non-executive Director

BEng (Hons) University of Western Australia, MEngSc University of Western Australia, PhD (ChemEng) Cambridge University

Dr Lefroy is President Commissioner of PT Chandra Asri Petrochemicals Tbk, Jakarta and a Director of Cobar Consolidated Resources Ltd. He was formerly Executive Vice President of Shell Chemicals Ltd and a Director of Singapore Power Limited and Australian Power and Energy Limited (now Monash Energy Holdings Limited).

Ian Andrew Renard AM

Independent Non-executive Director

BA University of Melbourne, LLM University of Melbourne, LLD (Hon) University of Melbourne

Mr Renard is a Director of CSL Ltd and Hillview Quarries Pty Ltd. He is trustee of the R E Ross Trust and former Chancellor of the University of Melbourne. Mr Renard 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.

Jeremy Guy Ashcroft Davis AM

Non-executive Director

BEC (Hons) University of Sydney, MBA Stanford University, AM (Econ) Stanford University

Professor Davis is a Director of Singapore Power Limited, CHAMP Ventures Pty Ltd and Chairman and Director of Very Small Particle Company 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).

Bottom from left

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.

Ho Tian Yee

Non-executive Director

BEC (Hons) Portsmouth University

Mr Ho is the Managing Director and principal shareholder of Pacific Asset Management (S) Pte Ltd, an Investment Management Company. Mr Ho currently serves as a non-executive Director of Fullerton Fund Management Company and DBS Group Holdings Ltd. He is also a Board member of Singapore Power Ltd.

Tony Mario Iannello

Independent Non-executive Director

BComm University of Western Australia, AMP Harvard Business School

Mr Iannello is Chairman of Energia Minerals Ltd, HBF Health Ltd, D'Orsogna Ltd and MG Kailis Group of Companies. He is also a director of ERM Power Ltd and Water Corporation. He is a member of the Murdoch University Senate. Mr Iannello was formerly Managing Director of Western Power Corporation and previously he held a number of senior executive roles at the Bank of Western Australia.



EXECUTIVE LEADERSHIP TEAM*

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 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.

Top from left

Nino Ficca
 Managing Director

Adam Newman
 Chief Financial Officer

Susan Taylor
 General Counsel and
 Company Secretary

John Azaris
 General Manager –
 Operations and Services

Norm Drew
 General Manager –
 Integrated Network
 Services

Bottom from left

Charles Poppo
 General Manager –
 Networks, Strategy
 and Development

John Kelso
 General Manager –
 Select Solutions

Claire Hamilton
 General Manager –
 Risk and Assurance

Geraldine Leslie
 General Manager –
 People and Safety

Ash Peck
 General Manager –
 Information and
 Communication
 Technology

*Financial year 2012/13

| Board Member | Nomination Committee | Issuing Committee | Bushfire Litigation Committee | Audit and Risk Management Committee | Remuneration Committee | Compliance Committee |
|-----------------------|----------------------|-------------------|-------------------------------|-------------------------------------|------------------------|----------------------|
| Mr Ng Kee Choe | Chairman | Chairman | | | | |
| Mr Nino Ficca | | Member | Member | | | |
| Prof. Jeremy Davis | Member | | | Member | | |
| Mr Eric Gwee Teck Hai | Member | | | Member | Member | |
| Mr Ho Tian Yee | | Member | | | Member | Member |
| Mr Tony Iannello | | Member | Member | Chairman | | Member |
| Dr George Lefroy | | | Member | | Chairman | |
| Ms Tina McMeckan | | | | Member | Member | |
| Mr Ian Renard | Member | | Chairman | Member | | Chairman |

OUR STRATEGY

As a diversified energy delivery networks business, SP AusNet plays a vital role in underpinning the economic strength of Victorian communities, while contributing to the wider Australian energy market.

The sustainability of our networks is key to SP AusNet's business decisions and SP AusNet is committed to the safe, reliable and efficient supply of energy through our networks.

The energy industry and network businesses will face significant changes in the next five years and beyond. These changes are driven by advances in technology and changing customer behaviour, which will provide both challenges and opportunities for SP AusNet.

SP AusNet's purpose remains "To provide our customers with superior network and energy solutions."

To successfully realise this purpose and provide increased securityholder value, SP AusNet must excel in both delivering energy with our regulated and unregulated assets as well as responding effectively to changes in the energy value chain.

OUR ONE YEAR OPERATIONAL PLAN

The operational plan to deliver on our strategy was progressed in three focus areas:

Safety performance

- › Year two of missionZero safety strategy, including safety training, employee recognition and incident investigation
- › Continued year on year improvement in safety performance
- › Improved network safety performance by delivering Energy Safe Victoria programs, vegetation management, asset inspection and asset replacement initiatives

Business performance

- › Year one of our Transformation Program was implemented with measurable operational efficiencies and annualised cash savings, embedding transformation into 'business as usual'
- › We accelerated initiatives to improve business, operational and capital efficiency, setting stretch targets on a range of related measures, which we are pleased to have achieved
- › Network performance improvements measured on regulated performance incentive schemes, efficient delivery of capital programs and network maintenance milestones
- › Strengthen our stakeholder relations capability, building a stakeholder strategy and implementation plan

Financial performance

- › Ensure financial performance through maintaining a strong credit metrics, to secure access to competitively priced debt
- › Deliver and grow securityholder returns in line with targets
- › Maintain cost efficiency measures to deliver financial stability

SUSTAINABLE GROWTH

SP AusNet understands that a sustainable infrastructure company is one that delivers today, while anticipating and planning for the future operating environment and the needs and expectations of our stakeholders.

We recognise the increased scrutiny on energy prices and that our customers are becoming increasingly aware of their energy consumption and are seeking ways of monitoring energy usage.

Customers are also connecting photovoltaic (PV) solar systems in SP AusNet's distribution area and, to a lesser extent, purchasing electric vehicles. SP AusNet supports our customers' changing energy needs and is committed to providing innovative ways for customers to monitor and control their energy usage.

Anticipating the change and challenges in our operating environment, we announced changes to our operating model and structure that will best deliver the strategic priorities for the financial year ahead and beyond. Announced in February 2013, these came into effect on 1 April 2013.

BUSINESS SUSTAINABILITY SCORECARD FOR 2013

ECONOMIC

- › Revenue increased 6.8 per cent to \$1,639.5 million
- › EBITDA increased 7.5 per cent to \$975.5 million
- › Net profit after tax – up 9.5 per cent to \$279.1 million
- › Full-year distribution of 8.2 cents per security
- › Regulated/contracted Asset Base – up from \$6.64 billion to \$7.57 billion
- › Strong credit metrics

CUSTOMERS

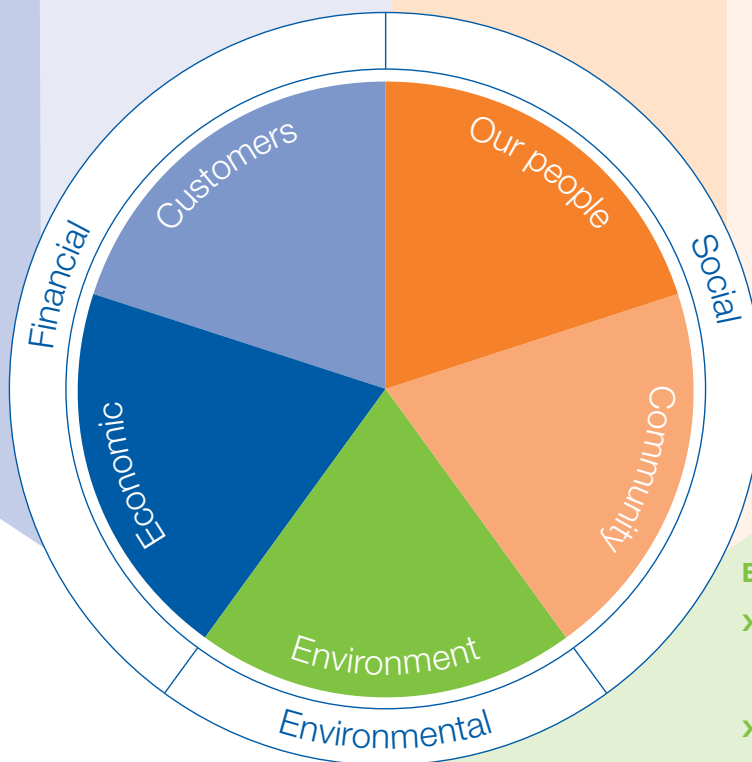
- › Overall customer satisfaction rating at 84 per cent
- › Reduced the time our customers were without electricity (13.70 per cent) and gas (11.65 per cent)
- › Launched an online portal – myhomeenergy.com.au – to help customers monitor their electricity consumption and potentially reduce costs
- › Launched a Twitter account, disseminating operational and emergency information to customers
- › Installed more than 230,000 smart meters

OUR PEOPLE

- › Recordable Injury Frequency Rate (RIFR) significantly down by 31 per cent
- › Offered our employees an opportunity to purchase securities in the company via an employee elected salary sacrifice agreement – with an excellent participation rate of 37.1 per cent

COMMUNITY

- › Invested \$150,000 through our sponsorship and donations program
- › Continued our Community Cornerstone program by contributing \$44,000 to recognise and reward the volunteering efforts of our employees



ENVIRONMENT

- › Significantly increased scrap metal and steel recycling from our sites
- › Replaced 126 km of aged and defective gas pipes in order to reduce greenhouse gas emissions

SECURING A RELIABLE AND EFFICIENT ENERGY SUPPLY

SP AusNet is overseeing the state-of-the-art rebuild and augmentation of inner city Melbourne terminal stations at Richmond, Brunswick and West Melbourne. These projects will help secure a reliable and efficient supply of electricity to Melbourne's Central Business District and inner suburbs for the next 50 years.

The company has also entered into a 27-year licence with the Victorian Government for the right to operate and maintain the 87 km high voltage underground transmission line supplying electricity to the Victorian Desalination Plant in Wonthaggi.

Over the past 12 months, SP AusNet has increased by seven the number of embedded generators connected to the distribution network, with the number now 28. These include Melbourne Water's hydro plants at Silvan, Cardinia, Olinda, Thompson and Upper Yarra dams and a wind turbine at Toora.

On a small generation scale, in the last 12 months SP AusNet has connected more than 20,000 customers with solar photovoltaic panels to the electricity grid. There are now more than 54,000 customers with a total capacity of 130 MW connected to the distribution network.

On a larger scale, SP AusNet has constructed a new terminal station in western Victoria at AGL's wind farm near Macarthur.



Ready for
Victoria's future
energy needs

SP AusNet is focused on transforming our business, in particular, our role in delivering energy safely and efficiently to our customers.

This includes investing in our networks to facilitate the evolution of the energy industry and meet our customers' future energy needs.



BUILDING SMART NETWORKS

At the end of March 2013, we installed approximately 230,000 smart meters as part of the Government's mandated Advanced Metering Infrastructure (AMI) program. Since we started rolling out the AMI program, more than 463,000 analogue meters have been replaced with digital smart meters.

As a result, we are on track to reach our target of installing more than 700,000 digital smart meters over the next 12 months.

Smart meters have the benefit of remotely transmitting data that has been previously inaccessible through accumulative analogue meters via a supporting communications network, enabling SP AusNet to analyse the data in aggregate.

The ability to analyse data provides SP AusNet and our customers some additional benefits. This includes the ability to identify data abnormalities, which enables early identification and repair of defects or failures, such as faulty neutral connections or deteriorated service cables that supply electricity into homes and businesses.

This ensures the safe and reliable supply of electricity to the home or business by identifying underperforming equipment, targeting challenging areas in terms of supply reliability and improves the prioritisation of maintenance work.

As the roll-out progresses, more advanced applications will be developed and deployed, utilising information such as voltage, current and frequency data.

ECONOMIC

This year, broader economic conditions remained challenging for SP AusNet, driven by changing consumption patterns and increased pressure on cost recovery and returns. Our response has been to take a disciplined approach to managing our core networks, whilst pursuing new avenues of growth via Select Solutions and non-regulated revenue streams.

Despite the challenging economic conditions, SP AusNet's total revenue increased 6.8 per cent to \$1,639.5 million, with our three regulated energy networks contributing \$1,433.9 million (87.5 per cent).

Our increase in regulated revenue was driven by additional revenue from our Advanced Metering Infrastructure (AMI) program and network tariff adjustments under the Electricity Distribution Price Review (2011–15).

Compared to the previous period, gas volumes increased by 1.3 per cent while electricity distribution volumes decreased by 1.2 per cent.

Our ongoing focus on cost management, driven by our Transformation Program, helped offset this decline in electricity distribution consumption volumes to achieve an EBITDA increase of 7.5 per cent to \$975.5 million.

In line with our focus on diversifying revenues, our non-regulated utility services business, Select Solutions,

contributed \$138.8 million in total revenues and \$18.7 million to EBITDA for the period ended 31 March 2013.

Select Solutions continued to expand its services throughout Australia with new contracts signed during the year, including City West Water further expanding existing services and Water Corporation Western Australia for the roll-out of smart water metering in the Pilbara region and the H2O Assist program.

Also during the year, SP AusNet entered into a 27-year licence agreement with the Victorian Government for the right to operate and maintain the underground transmission line supplying electricity to the Victorian Desalination Plant.

Concurrently, SP AusNet entered into a 27-year agreement with the desalination plant operator, AquaSure, to operate and maintain the transmission line in return for an annual revenue payment.

During the year, the Australian Energy Regulator made its final decision on our Gas Access Arrangement Review proposal, providing the business with stable and predictable cash flows, linked to CPI for the 2013–17 period.

In addition, higher levels of capital and operating expenditure were approved along with funding for key programs that further improve network safety and consumer access to the gas network.

↑ **6.8%**

TOTAL REVENUE GROWTH
6.8% ON PRIOR YEAR

↑ **7.5%**

EBITDA 7.5%
ON PRIOR YEAR

\$930M

ASSET BASE* GROWTH
ON PRIOR YEAR

*Asset base includes Regulated Asset Base and unregulated assets whose revenues and returns are set through a negotiated or competitive process rather than through regulation.

CAPITAL MANAGEMENT

SP AusNet manages our capital structure to ensure that it continues as a going concern while maximising the return to securityholders as well as providing the flexibility to fund organic growth and other investment opportunities.

An appropriate capital structure is also maintained to ensure a low cost of capital is available to SP AusNet. Through our cash flows from operations and by maintaining an appropriate and prudent mix of debt and equity, SP AusNet ensures that we achieve our targeted credit metrics that support a strong credit rating.

On 17 May 2013, Standard & Poor's and Moody's issued announcements in relation to the credit ratings of SP AusNet Group and SP AusNet's subsidiaries.

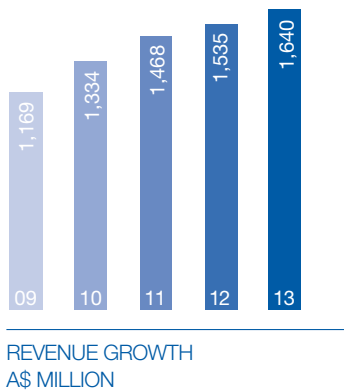
This followed an announcement by Singapore Power Limited that through its wholly owned subsidiary, SPI, it had entered into an agreement with SGID under which SGID will acquire from SPI a 19.9 per cent stake in SP AusNet.

Standard & Poor's lowered its long-term rating on SP AusNet Group and its subsidiaries to BBB+, from A-. Moody's announced that they were placing SP AusNet and SP AusNet subsidiaries' current A1 rating on review for downgrade.

DISTRIBUTIONS

Our securityholders will be paid a final distribution of 4.1 cents per security, bringing the full-year distribution to 8.2 cents (franked at 33.3 per cent), up from 8 cents in 2011/12.

SP AusNet raised \$38.4 million via our Distribution Reinvestment Plan, with an 8 per cent and 22 per cent uptake in June and December, respectively.



OUR PEOPLE

Embedding a strong safety culture for our people, contractors, visitors and in the communities in which we operate is SP AusNet's number one priority.

SAFETY

In the last 12 months, SP AusNet has made significant improvement to our safety performance, underpinned by our missionZero safety strategy.

missionZero has helped increase safety awareness throughout the business and improved our company-wide commitment to performance improvement.

We are pleased to have achieved a 31 per cent improvement in our Recordable Injury Frequency Rate as at 31 March 2013 against the last financial year.

Underpinning these results is the missionZero safety training program completed by 97 per cent of employees throughout the year which maintains a focus on keeping leaders accountable for safety and sets clear safety expectations for our people.

TALENT

We delivered on our 'Talent Roadmap'.

A range of talent and workforce planning activities took place throughout 2012/13 to deliver on our Talent Roadmap.

The aim is to ensure we have skilled and capable resources to strengthen our internal and external pipeline of talent in order for us to achieve our corporate objectives.

SP AusNet also established a Talent and Diversity Forum in which our General Managers focus on leading diversity improvement across the organisation, developing people capability and providing governance for our talent, succession and performance management processes.

Outcomes during the year included:

- › Career opportunities and access to critical experiences for our emerging and high potential employees
- › A focus on female participation across our workforce
- › Approval of numerous capability development initiatives, including frontline leadership for our field workforce and mentoring and coaching programs
- › Continued investment in our Skilling for the Future program, with 31 apprentices and trainees commencing in January 2013
- › Governance of our Technical Talent Council, which focuses specifically on engineering related workplace initiatives, the promotion of the engineering profession and the professional development of our engineers
- › A refresh of our graduate development program

DIVERSITY

SP AusNet aims to increase the diversity of our workforce by focusing on gender diversity.

Each year, SP AusNet conducts a diversity survey of our workforce to gain feedback and understand the diversity challenges within the business. This feedback is used to refresh our diversity objectives.

SP AusNet's workforce is comprised of 20 per cent female and 80 per cent male employees. We aim to increase female representation in all occupational sub-groups year on year.



SP AusNet is committed to the Graduate Development Program, as part of our response to future leadership.

EMPOWERING OUR PEOPLE

SP AusNet's partnerships and sponsorships program has supported three separate initiatives targeted at connecting with secondary and tertiary level students to strengthen our talent pipeline into trade, technical and power engineering professions. These programs include:

- › The Beacon Foundation
- › The Victorian Energy Education and Training (VEET) project
- › The RMIT Electrical Engineering Bursary program

Our Women's Leadership Development program took place in 2012 with 28 female participants across the organisation. This program is structured into two separate groups, one for women in their early careers and another for high potential women occupying mid to senior leadership positions.

Diversity snapshot

- › During 2012/13, the level of female participation was 20 per cent
- › The number of female employees in executive, strategic leader, professional services, engineering and trade and technical roles remained constant
- › The majority of females are represented within the business support roles (62%) and professional services roles (35%)
- › 43 per cent of our total workforce is represented in the trade/technical occupational group, followed by professional services (15%), business support (15%) and engineering (10%)

PERFORMANCE PLANNING

This year, we have overhauled our performance management system to provide greater clarity to our people on how their roles align with SP AusNet's strategic goals. In April 2012, we launched the 'My Accountability Plan' system to directly cascade the company's goals to team and individual goals. As a further step, we aligned fixed and variable reward cycles to a common date, in order to align to the business planning cycle.

LEADERSHIP ACCOUNTABILITY

Over the past year, underpinned by our strategy and values, we have developed and deployed leadership accountability standards that set clear expectations of our people leaders in the following areas: safety, people, business and financial performance and customers.

Next year, we will embed the Performance Accountability plans at all levels in the organisation, supporting and skilling our people in applying these.

EMPLOYEES SHARING A STAKE IN OUR COMPANY

In 2012, SP AusNet offered our employees the opportunity to purchase securities in the company (ASX code: SPN) via an employee elected salary sacrifice plan. The General Employee Exempt Security Plan (GEESP) was an overwhelming success, with 37.1 per cent of employees electing to directly fund their own purchase and ownership in the company. Based on the success of the plan, in March 2013 the SP AusNet Board approved a further invitation to employees to participate in a 2013 GEESP.

CHANGE MANAGEMENT

Comprehensive support has been provided and change management tools developed and implemented to support the roll-out of SP AusNet's new operating model and organisational structure, announced in February 2013.

This has ensured consistency of the change management approach and better equipped people leaders in managing organisational change.

Workforce Diversity %

| | | |
|------------------------|----|----|
| Business Support | 43 | 57 |
| Engineering | 90 | 10 |
| Professional | 67 | 33 |
| Executive Management | 75 | 25 |
| Frontline Management | 76 | 24 |
| Operational Management | 87 | 13 |
| Strategic Leadership | 77 | 23 |
| Trade/Technical | 97 | 3 |
| Grand Total | 79 | 21 |

■ Male ■ Female

CUSTOMERS

SP AusNet is committed to providing more than 1.3 million customers with an efficient, reliable and safe supply of electricity and gas.

NETWORK GROWTH AND RELIABILITY

Over the past year, SP AusNet has invested \$881.4 million in capital expenditure to maintain, strengthen and expand our networks that deliver electricity and gas from generation sources to households and businesses.

On our electricity networks, this included upgrading zone substations and terminal stations, as well as connecting Macarthur Wind Farm, Australia's largest wind farm to the National Electricity Market.

Both our electricity and gas distribution networks saw growth over the past year, to meet a strong increase in customers in growth corridors.

We connected **11,485** new electricity customers over the year. By the end of March 2013, we had also helped connect around 20,987 solar installations to our network with a total capacity for transporting back to the grid of 64.8 MW. The total number of solar installations connected to the network at end March 2013 was **55,653**.

Within our gas network, we replaced **121 km** of low pressure mains nearing their lifecycle end with high pressure mains, improving reliability and safety. We also commissioned **160 km** of new gas mains and connected approximately **13,825** new customers, including extending our gas network to new housing developments.

Additionally, at the end of March 2013, SP AusNet and Regional Development Victoria finalised an agreement for the supply and reticulation of natural gas to Huntly, located north of Bendigo, as part of the Victorian Government's 'Energy for the Regions' Program. Further announcements are expected.

We have also improved supply reliability, reducing the time our customers were without electricity by 13.7 per cent and gas by 11.65 per cent.

11,485

NEW ELECTRICITY CUSTOMERS

13,825

NEW GAS CUSTOMERS

84%

CONSUMER SATISFACTION

**SP AusNet is committed
to providing more than
1.3 million customers
with an efficient, reliable
and safe supply of
electricity and gas.**

463,000

TOTAL SMART METERS INSTALLED
AS AT 31 MARCH 2013

CUSTOMERS

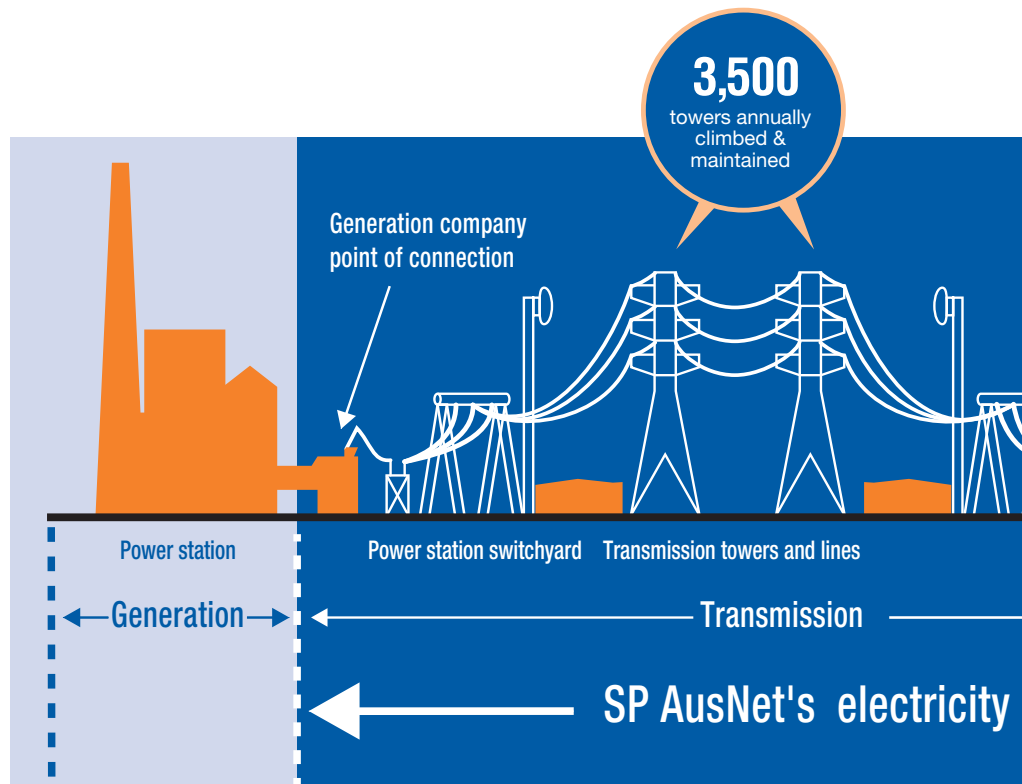
UNDERSTANDING OUR CUSTOMERS

Customer awareness of energy issues, in particular pricing, is increasing. SP AusNet is listening to our customers, and responding in a number of ways.

We are helping customers to find ways of managing their energy consumption and costs.

Following a successful trial, SP AusNet has launched a web portal that enables SP AusNet customers to monitor and manage their electricity consumption and costs. Called *myHomeEnergy*, the portal enables customers with a communicating smart meter to view their energy consumption data in real time, as well as monitor any energy they export to the grid via photovoltaic panels installed at their home. The portal allows customers to estimate their bill costs based on consumption, set up an electricity budget and track progress, as well as compare consumption to similar households in their area.

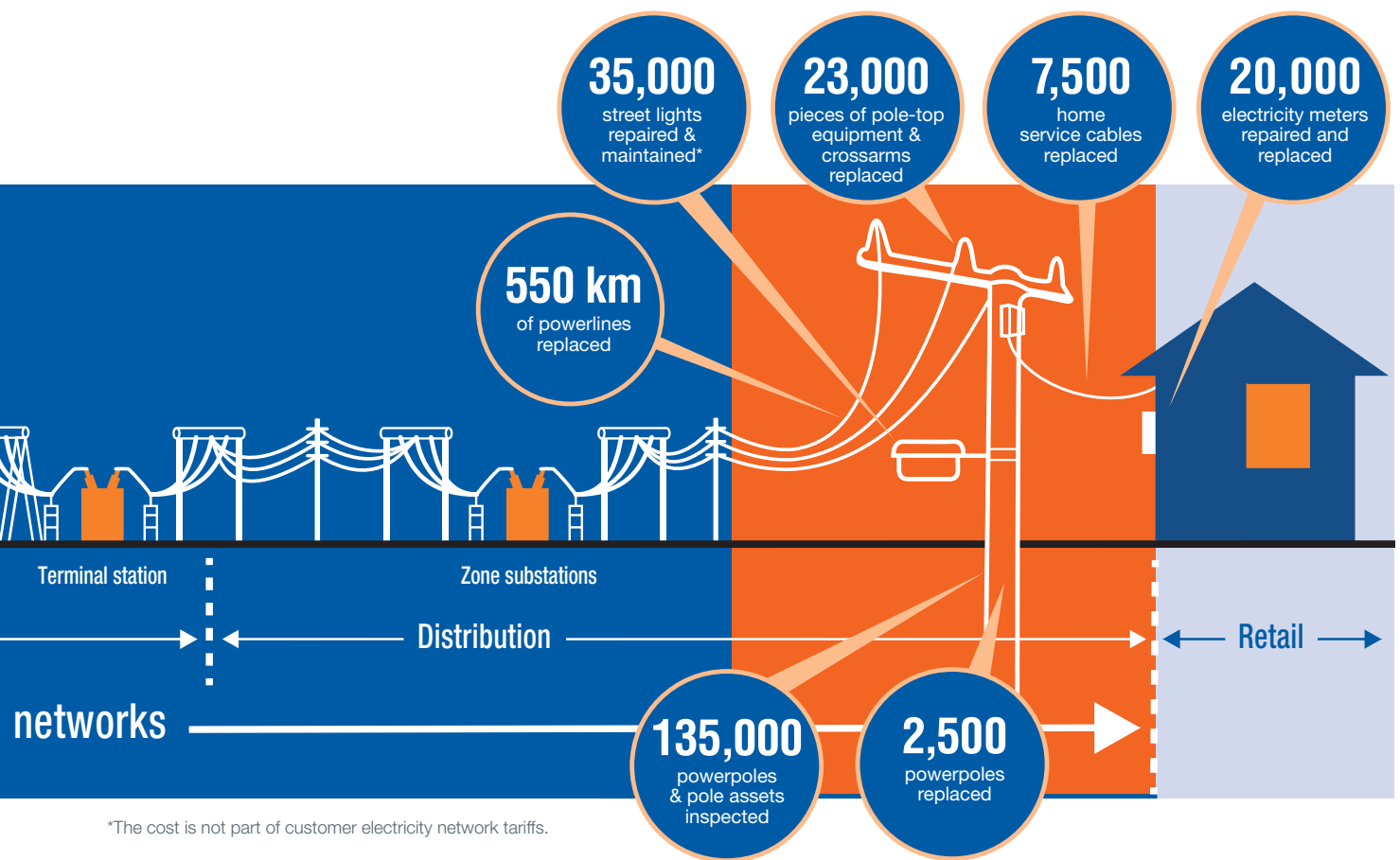
We are also helping customers to understand the factors that determine electricity network tariffs. We recently produced a customer fact sheet, also available on the SP AusNet website, to clearly explain what SP AusNet does, why customers pay electricity network tariffs and what they get for their money. Interesting facts included are: we invest more than \$700 million annually on capital works to maintain and replace infrastructure; repair and maintain 35,000 street lights and replace on average 550 km of powerlines.



COMMUNICATING WITH OUR CUSTOMERS

Following a successful trial, SP AusNet has introduced a Twitter feed to inform customers about important network information, including planned and unplanned outages and safety information during extreme weather events. We are also sharing key company information via LinkedIn.





We are helping customers to find ways of managing their energy consumption and costs.

COMMUNITY

In the past year, SP AusNet continued to actively engage in the communities in which we operate through sponsorships, donations, employee and community grants programs, along with ongoing stakeholder engagement.

SP AusNet's Sponsorship and Donation Fund, consisting of employee members, manages sponsorship and donation activities aligned to our core business focus areas, as follows:

Strengthen – sponsor events that strengthen our future and offer education and employment opportunities

Transform – sponsor activities that enhance our stakeholder relationships

Extend – working with Select Solutions in environmental management

Modernise – opening up an avenue to explore innovation and drivers to our future

SPONSORSHIPS

For the sixth year, we retained the naming rights sponsorship for the SP AusNet **Baw Baw Business Awards**.

Sponsoring these awards has allowed us to partner with the Baw Baw Shire Council to recognise businesses in the shire who promote product and service excellence. We have also worked in collaboration with the local shire offices as category sponsors of the **Cardinia Business Awards** and the **Mitchell Business Awards**.

Our major sporting sponsorships include the **Tour of Gippsland** (cycling), the **Gippsland Sports Academy** and **Latrobe City Energy Basketball Association's** healthy lifestyle program in local schools.

SP AusNet has 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 also continued our support of the **Victorian Energy Education Training (VEET)** program in both the eastern and central regions for the purpose of sourcing new apprentices in the future.

In 2012, we also entered into a new relationship with the **Beacon Foundation**, a secondary level program working with students, schools, business and community through a range of school-based programs aimed at increasing opportunities for students to realise their full potential.

DONATIONS

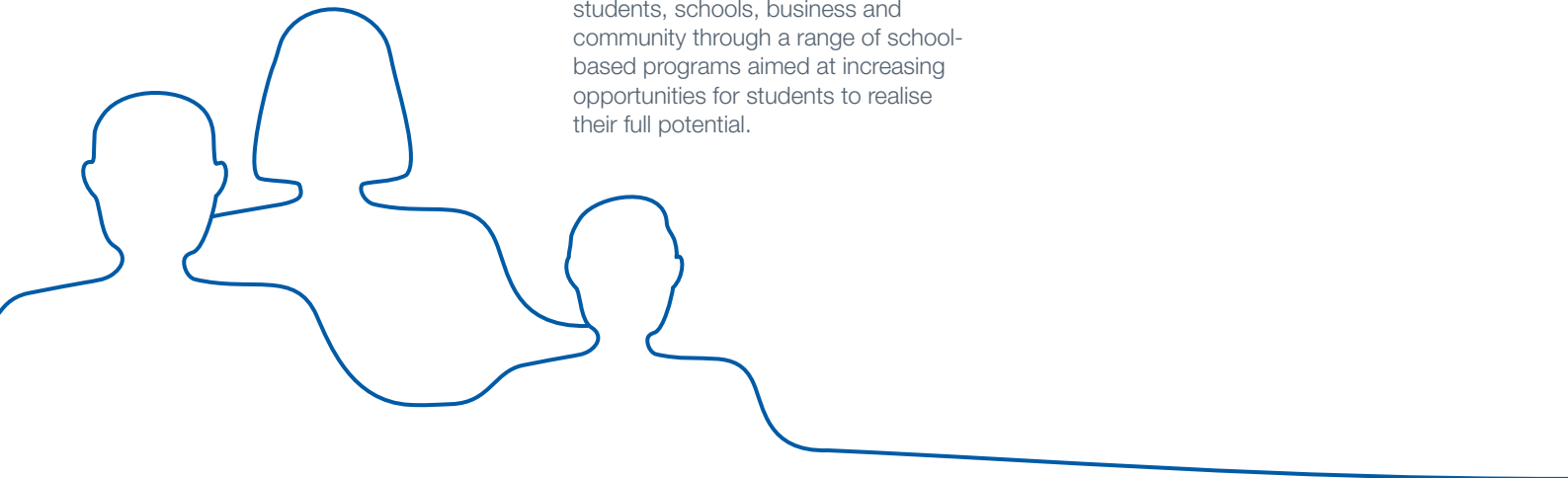
SP AusNet presented a \$10,000 cheque to the **Gippsland Emergency Relief Fund (GERF)** in February 2013 to assist local residents impacted by the Alberfeldy bushfires.

EMPLOYEE GRANTS PROGRAMS

In 2012/13, SP AusNet continued our **Community Cornerstone** grants initiative, under 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 2012 and December 2012 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 and aid for the underprivileged.

The Community Cornerstone program allows our employees to become 'local heroes' and gain recognition for their efforts from submitting the application to handing over a grant cheque.



COMMUNITY ENGAGEMENT

Another key SP AusNet community engagement initiative is the **Community Development Fund (CDF)** program, through which we collaborate 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.

This year, we ran two very successful CDF programs with the **Shire of Towong** and **East Gippsland Shire Council**.

STAKEHOLDER ENGAGEMENT

SP AusNet is dedicated to working with a broad range of stakeholder groups. We engage proactively with a number of stakeholders to ensure they are informed about key projects and issues facing the business and in the communities in which we operate.

For example, we've hosted several information sessions on the Advanced Metering Infrastructure (AMI) program in local communities and continued with our comprehensive community engagement program on the Brunswick Terminal Station upgrade.

SP AusNet also has regular engagement with all levels of government, including members of parliament and departments, business groups and emergency services groups within our network areas. For example, our regional managers attend regular meetings with local emergency services groups, including councils, about local network programs, including bushfire mitigation and vegetation management works.

SP AusNet's Executive Leadership Team is also advised by a small Stakeholder Consultative Committee, consisting of senior representatives of key stakeholder groups, to share their views on current and emerging issues.



SP AusNet presenting a \$10,000 cheque for the Gippsland Bushfire Appeal



ENVIRONMENT

CHANNELLING POSITIVE ENERGY

SP AusNet has completed a fourth year of reporting under the *National Greenhouse and Energy Reporting (NGER) Act 2007 (Cth)*, a national framework used to monitor large corporations' annual greenhouse gas emissions, and energy use and production.

Under the NGER Scheme, SP AusNet is required to report on the following direct emissions (Scope 1 emissions) and indirect emissions (Scope 2 emissions) from our activities since 2008/09.

Direct emissions (Scope 1):

- Gas distribution system losses
- Gas transmission system losses and consumption
- Vehicle fuel consumption

- Electricity transmission SF6 emissions
- Electricity distribution SF6 emissions
- Supplier/contractor emissions
- Fuel for non-transport activities

Indirect emissions (Scope 2):

- Electricity transmission system losses
- Electricity distribution system losses
- Energy used

Information collected through the NGER Scheme provides the basis for assessing liability under the carbon pricing mechanism, which came into effect in July 2012.

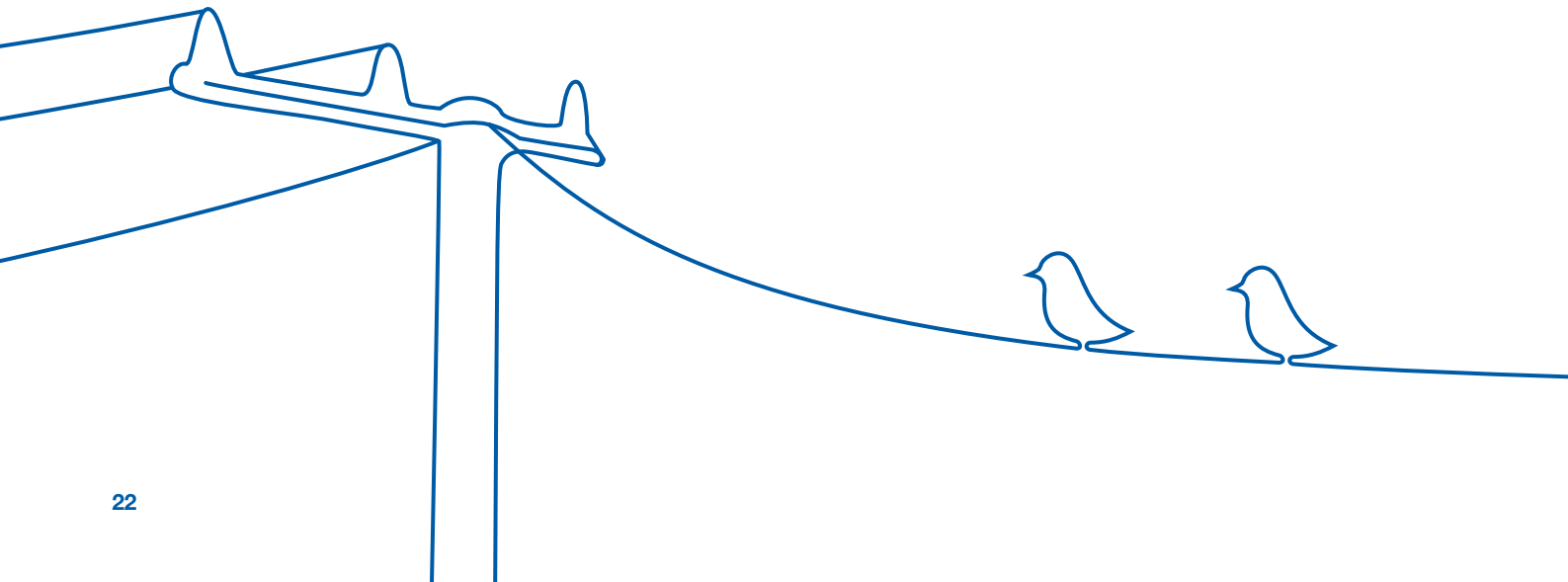
Under the carbon pricing mechanism, SP AusNet is liable to surrender carbon units to cover fugitive emissions associated with the operation of our gas distribution network.

SP AusNet has made initial estimates of the annual cost of the carbon price based on direct emissions and other business impacts. These estimates show that the direct financial impact is unlikely to be material. SP AusNet has made a successful pass through application to the Australian Energy Regulator for the impacts of the carbon pricing legislation on our gas distribution business for the period 1 July to 31 December 2012 and included a mechanism to recover any impost from 1 January 2013 in our Gas Access Arrangement Review proposal. The AER approved SP AusNet's pass through application on 1 June 2012.

The table below provides a summary of SP AusNet's reported data for the past three years per gigajoule (GJ).

| Source | Energy Content (GJ) | | | Scope 1 Emissions CO ₂ -e | | | Scope 2 Emissions CO ₂ -e | | |
|--------------------------------|---------------------|------------------|------------------|--------------------------------------|----------------|----------------|--------------------------------------|------------------|------------------|
| | 2011/12 | 2010/11 | 2009/10 | 2011/12 | 2010/11 | 2009/10 | 2011/12 | 2010/11 | 2009/10 |
| SPI PowerNet Pty Ltd | 4,853,590 | 4,596,309 | 4,873,268 | 30,666 | 33,723 | 29,618 | 1,623,542 | 691,214 | 1,522,520 |
| SPI Electricity & Gas Holdings | 2,150,174 | 2,217,962 | 2,118,580 | 157,518 | 152,586 | 151,296 | 645,321 | 691,214 | 669,007 |
| TOTAL | 7,003,764 | 6,814,271 | 6,991,848 | 188,184 | 186,309 | 180,914 | 2,268,863 | 2,249,291 | 2,191,527 |

SPI Management Services Pty Ltd amounts are immaterial.



INVESTING IN A CLEANER FUTURE

In 2012/13, SP AusNet replaced more than 126 km, an increase of 44 km from last year, of ageing or defective low pressure underground mains with high pressure polyethylene pipes, helping to reduce the incidence of fugitive gas and improve reliability of supply for our customers across south-west Victoria.

SP AusNet has spent more than \$80 million upgrading customers to a high pressure gas pipeline network over the past five years, and is on track to replace the entire low pressure network by 2025.

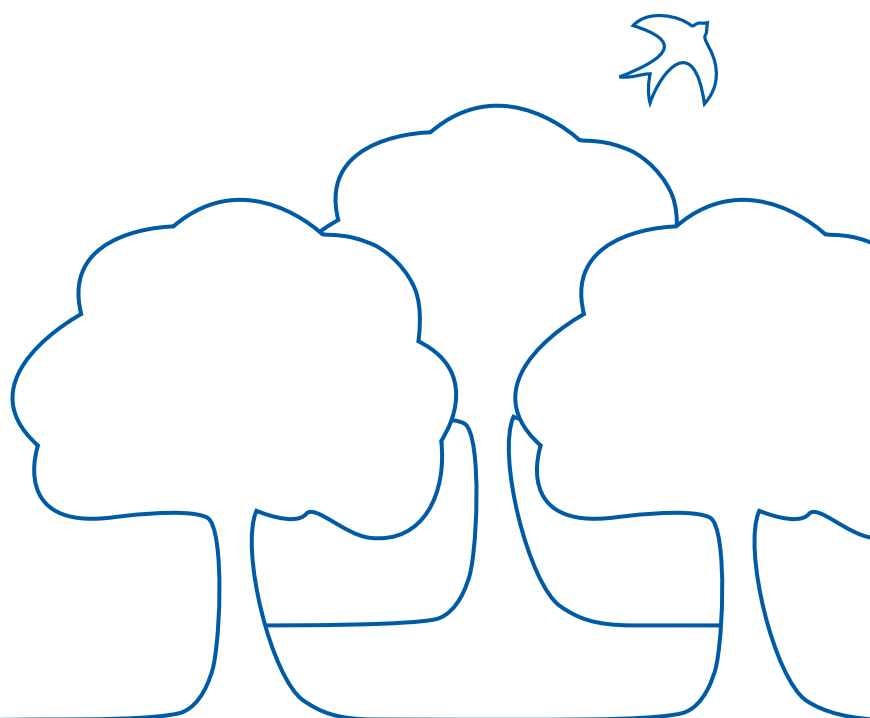
We continue to explore innovative ways to improve the reliability, safety and environmental performance of our energy networks, now and in the future.

SP AusNet invests heavily in our infrastructure, including maintenance and upgrades. We also invest in the introduction of new technologies to enhance and grow our operations, and in response to changing customer expectations, emerging energy sources such as solar and wind power, and the challenges presented by Australia's ever-changing physical environment.

TOTAL SCRAP METAL RECYCLED FROM SP AUSNET SITES

SP AusNet increased the amount of scrap metal recycling during 2012/13 by 14,498 kg. Recycling of hMO Steel also significantly increased from 2011/12 by 149,992 tonnes.

| | Weight kg 2011/12 | Weight kg 2012/13 |
|----------------------|----------------------|----------------------|
| ACSR Wire | 4,632 | 18,888 |
| Aluminium Mixed Iron | 4,445 | 4,902 |
| Aluminium Wire | 5,947 | 4,499 |
| Armoured Copper Wire | 936 | 1,144 |
| Brass Mixed/Plumbers | 3 | 18 |
| Copper Wire | 4,332 | 2,919 |
| PVC Aluminium | 24,024 | 25,747 |
| PVC Copper | 16,481 | 18,400 |
| TOTAL KG | 61,029 | 75,527 |
| hMO steel (tonnes) | 89,908 | 239,900 |



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; and
- **Compliance Committee** – supports and advises the Board on compliance matters relevant to the SP Australia Networks (Finance) Trust and its Responsible Entity.

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 2012/13 reporting period, SP AusNet followed all but four 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

Effective risk management is essential to the continued growth and success of SP AusNet.

By understanding and managing risk, we can provide greater certainty for our securityholders, employees, customers and suppliers and the communities in which we operate.

We adopt a structured and consistent process of recognising, understanding and responding to risk. All employees are responsible for the management of risk in accordance with the company Risk Management Framework (Framework). This responsibility includes ensuring that emerging conditions and key controls are identified and monitored to enable pre-emptive action.

Our approach to risk management:

The Framework is a document that provides a ‘blue print’ for managing risk consistently within SP AusNet.

There are four main elements to the Framework, each assisting with embedding a risk management culture within the business:

- **Intent** – The Risk Management Policy sets the intent and is the means by which SP AusNet determines, and signals to stakeholders, what it aims to achieve in its management of risk and establishes a mandate from the Managing Director. The Policy is supported by a methodology, standards and guidelines.
- **Capability** – The capability and engagement of our people is critical to ensuring effective risk management. To do this the Risk Management function will continue to partner with the business to provide relevant support, training, systems and tools.
- **Accountability** – All employees are responsible for the application of the risk management process to support decision making in both the strategic and day-to-day activities of the company. The Risk Management function is accountable for the delivery of the programs and initiatives associated with establishing or enhancing the Framework. The Internal Audit function is responsible for providing assurance over both

the management of key risks and the overall effectiveness of the Framework.

- **Continual Improvement** – The Framework is largely self-regulating. The focus of the continual improvement strategy provides assurance as to how the Framework as a whole is being implemented.

Oversight of the effectiveness of our risk management processes and internal control system provides assurance to SP AusNet’s Executive Management, Board, Audit and Risk Management Committee and securityholders.

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 and its focus is predominantly on strategic risk and key operational risks. The Board and the Audit and Risk Management Committee oversee the effectiveness the risk management system, internal control systems and the risk profile.

Highlights for 2012/13

- Refreshed the Risk Management Policy and Framework following an independent review of the effectiveness of risk management undertaken against the International Standard of Risk Management ISO 31000:2009.
- Continued to identify ‘emerging risks’ that may either prevent the business achieving its long-term objectives or present future opportunities.
- Enhanced the enterprise risk management model, enabling management to gain a stronger knowledge and understanding of SP AusNet’s risk profile and the interrelationships between risks.
- Continued to improve risk management on major projects with the development of a new Project Risk Management Guide.

ASX Recommendations: 2.1 – majority independent directors on board; 2.2 – independent chairman of board; 2.4 – majority independent directors on nomination committee; 8.2 – majority independent directors on remuneration committee.

FIVE-YEAR FINANCIAL SUMMARY

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|---------------------------------------|-----------------|---------|--------------------|---------|--------------------|
| Revenue (\$M) | 1,639.5 | 1,535.4 | 1,468.0 | 1,333.6 | 1,169.4 |
| EBITDA (\$M) | 975.5 | 907.1 | 863.4 | 778.3 | 666.3 ¹ |
| EBIT (\$M) | 652.7 | 613.3 | 605.2 | 543.8 | 457.2 ¹ |
| Profit for the year (\$M) | 279.1 | 255.0 | 252.9 | 209.0 | 146.9 ¹ |
| Total assets (\$M) | 10,084.3 | 8,730.9 | 8,461.1 | 8,251.0 | 7,712.5 |
| Total borrowings (\$M) | 5,277.2 | 4,538.5 | 4,374.2 | 4,432.0 | 4,492.2 |
| Total equity (\$M) | 3,432.2 | 2,927.9 | 2,864.9 | 2,774.1 | 2,227.8 |
| Net Debt to Asset Base (%) | 68.1% | 73.1% | 71.2% ² | 70.8% | 76.7% |
| Net gearing (%) | 58% | 61% | 59% | 59% | 67% |
| Interest cover (times) ³ | 2.5 | 2.4 | 2.5 | 2.3 | 2.0 ¹ |
| Dividend (cents) | 8.20 | 8.00 | 8.00 | 8.00 | 11.854 |
| Earnings per stapled security (cents) | 8.54 | 8.95 | 9.19 | 8.09 | 6.99 |
| Capital expenditure (\$M) | 881.4 | 710.3 | 650.4 | 580.7 | 471.5 |
| Operating cash flows (\$M) | 568.6 | 430.5 | 472.8 | 420.6 | 348.8 |

1 Includes non-cash impairment of meters to be replaced under the Advanced Metering Infrastructure roll-out program of \$43.3 million pre-tax and \$30.3 million post-tax.

2 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.

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

COMBINED INCOME STATEMENT

For the year ended 31 March 2013

| | 2013 \$M | 2012 \$M |
|---|----------------|----------|
| Revenue | 1,639.5 | 1,535.4 |
| Expenses, excluding finance costs | (986.8) | (922.1) |
| Profit from operating activities | 652.7 | 613.3 |
| Finance income | 32.2 | 14.3 |
| Finance costs | (361.6) | (347.3) |
| Net finance costs | (329.4) | (333.0) |
| Profit before income tax | 323.3 | 280.3 |
| Income tax expense | (44.2) | (25.3) |
| Profit for the year | 279.1 | 255.0 |

The above combined income statement should be read in conjunction with the *Statutory Annual Report 2013*.

COMBINED STATEMENT OF FINANCIAL POSITION

For the year ended 31 March 2013

| | 2013 \$M | 2012 \$M |
|---|-----------------|----------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | 541.0 | 19.1 |
| Receivables | 291.6 | 259.0 |
| Inventories | 46.8 | 39.7 |
| Derivative financial instruments | 6.7 | 1.6 |
| Other assets | 20.3 | 16.6 |
| Total current assets | 906.4 | 336.0 |
| Non-current assets | | |
| Inventories | 224.2 | 15.7 |
| Tax receivable | 16.7 | 47.7 |
| Intangible assets | 369.1 | 370.0 |
| Property, plant and equipment | 8,397.9 | 7,847.0 |
| Deferred tax assets | 29.6 | 38.6 |
| Derivative financial instruments | 92.0 | 75.1 |
| Other assets | 0.7 | 0.8 |
| Total non-current assets | 9,177.9 | 8,394.9 |
| Total assets | 10,084.3 | 8,730.9 |
| LIABILITIES | | |
| Current liabilities | | |
| Payables and other liabilities | 242.4 | 212.6 |
| Borrowings | 843.0 | 975.6 |
| Derivative financial instruments | 207.1 | 40.8 |
| Current tax payable | 9.9 | 13.1 |
| Provisions | 80.5 | 71.9 |
| Total current liabilities | 1,382.9 | 1,314.0 |
| Non-current liabilities | | |
| Payables and other liabilities | 2.1 | 2.7 |
| Borrowings | 4,434.2 | 3,562.9 |
| Derivative financial instruments | 474.6 | 568.0 |
| Deferred tax liabilities | 294.0 | 290.9 |
| Provisions | 64.3 | 64.5 |
| Total non-current liabilities | 5,269.2 | 4,489.0 |
| Total liabilities | 6,652.1 | 5,803.0 |
| Net assets | 3,432.2 | 2,927.9 |
| EQUITY | | |
| Equityholders of SP AusNet Distribution | | |
| Contributed equity | 0.5 | 0.5 |
| Reserves | (116.7) | (131.4) |
| Retained profits | 689.0 | 679.8 |
| | 572.8 | 548.9 |
| Equityholders of SP AusNet Transmission and SP AusNet Finance Trust | 2,859.4 | 2,379.0 |
| Total equity | 3,432.2 | 2,927.9 |

The above combined statement of financial position should be read in conjunction with the *Statutory Annual Report 2013*.

COMBINED STATEMENT OF CASH FLOWS

For the year ended 31 March 2013

| | 2013 \$M | 2012 \$M |
|---|------------------|----------------|
| Cash flows from operating activities | | |
| Receipts from customers (inclusive of goods and services tax) | 1,777.2 | 1,663.1 |
| Payments to suppliers and employees (inclusive of goods and services tax) | (824.1) | (795.5) |
| Income tax paid | (40.8) | (80.5) |
| Finance income received | 13.2 | 3.7 |
| Finance costs paid | (356.9) | (350.3) |
| Net cash inflow from operating activities | 568.6 | 430.5 |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (843.8) | (692.9) |
| Proceeds from sale of property, plant and equipment | 1.2 | 4.0 |
| Payments for acquisition of business | – | (2.4) |
| Payment for desalination licence | (235.5) | – |
| Repayment of desalination licence receivable | 1.1 | – |
| Net cash outflow from investing activities | (1,077.0) | (691.3) |
| Cash flows from financing activities | | |
| Proceeds from issue of new securities (net transaction of costs) | 426.8 | – |
| Distributions paid | (214.5) | (134.6) |
| Proceeds from borrowings | 2,057.0 | 1,538.1 |
| Repayment of borrowings | (1,239.0) | (1,173.5) |
| Net cash inflow/(outflow) from financing activities | 1,030.3 | (230.0) |
| Net increase/(decrease) in cash held | 521.9 | (30.8) |
| Cash and cash equivalents at the beginning of the year | 19.1 | 49.9 |
| Cash and cash equivalents at the end of the year | 541.0 | 19.1 |

The above combined statement of cash flows should be read in conjunction with the *Statutory Annual Report 2013*.

FINANCIAL CALENDAR

2013 Annual General Meeting
18 July 2013

2013/14 Financial Half Year end
30 September 2013

2012/13 Half Year Results announced
12 November 2013*

2012/13 Financial Year end
31 March 2014

*Subject to confirmation

ANNUAL GENERAL MEETING

The Annual General Meeting of SP AusNet will be held on Thursday, 18 July 2013 at 10.00am. The location of the Annual General Meeting is:

Sofitel

The Fitzroy Room
25 Collins Street
Melbourne, Victoria 3000

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 or 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

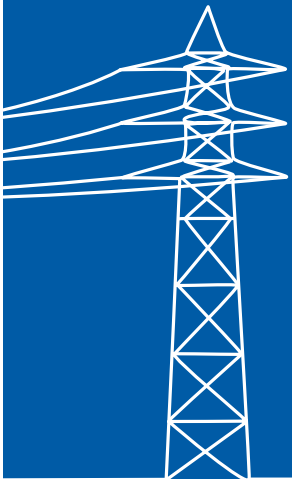
While it is not compulsory for securityholders to provide a TFN, SP AusNet is obliged to deduct tax from distributions to holders resident in Australia who have not supplied such information. If you have not already supplied your TFN, you may wish to do so by writing to Computershare.

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.



This way
forward



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