

CEO'S REPORT

Power Assets is a growing and dynamic participant in the global energy business. The companies in our portfolio, spread across four continents, are viable businesses that combine earnings predictability and steady growth business models. They span the electricity generation, transmission and distribution, and gas distribution businesses, and allow us to achieve our mission of delivering long-term sustainable earnings growth in stable, well-structured international markets.

In 2014 our global portfolio of companies achieved robust results, driven by strong operating performance

achieved by our associates and joint ventures in the UK, Hong Kong, Australia and mainland China as well as Canada, Netherlands, New Zealand and Thailand.

During the year the Group persisted with its strategy of expanding its global footprint through the acquisition of a 27.5% stake in Australian Gas Networks Limited (AGN), formerly Envestra Limited, one of Australia's largest natural gas distribution companies. AGN owns about 23,100 kilometres of natural gas distribution networks and 1,100 kilometres of transmission pipelines, serving 1.2 million consumers across the country.

Legends

-  Generation
-  Transmission & Distribution
-  Gas Distribution
-  Renewables
-  Energy-from-waste

UNITED KINGDOM



-  UK Power Networks
-  Northern Gas Networks
-  Wales & West Utilities
-  Seabank Power



HONG KONG







-   HK Electric



AUSTRALIA



-  Australian Gas Networks
-  SA Power Networks
-  CitiPower and Powercor Australia
-  Transmission Operations Australia



MAINLAND CHINA



-  Zhuhai Power
-  Jinwan Power
-  Siping Cogeneration
-  Dali Wind Power
-  Laoting Wind Power



The Hongkong Electric Company, Limited (HK Electric), our Hong Kong flagship company, is operating as an independent entity following the spin-off in January 2014, delivering improved revenues, efficiencies and customer satisfaction.


Tsai Chao Chung, Charles

Chief Executive Officer



THAILAND




 **Ratchaburi Power**



NETHERLANDS



 **AVR-Afvalverwerking B.V.**



NEW ZEALAND





 **Wellington Electricity Lines**



CANADA



 **TransAlta Cogeneration**
 **Meridian**



CEO'S REPORT



UNITED KINGDOM

UK Power Networks

Power Assets share: 40%

Joined since: Oct 2010

Network length: 186,800 km

No. of customers: 8,162,000

Northern Gas Networks

Power Assets share: 41.29%

Joined since: Jun 2005

Gas pipeline length: 36,100 km

No. of customers: 2,690,000

Wales & West Utilities

Power Assets share: 30%

Joined since: Oct 2012

Gas pipeline length: 35,000 km

No. of customers: 2,500,000

Seabank Power

Power Assets share: 25%

Joined since: Jun 2010

Gas-fired combined cycle gas turbine: 1,140 MW

The UK is the Group's largest market of operations. We have four operating companies in this market operating in the electricity generation, and electricity and gas distribution sectors, serving about 13.3 million customers across the nation. In 2014 all four companies have delivered robust performance and achieved steady contribution and growth despite short-term currency fluctuations.

The power sector in the UK is dynamic and has seen several significant regulatory changes in recent years. To incentivise investment in innovation, efficiency and cost-effectiveness the regulator, Office of the Gas and Electricity Markets (Ofgem), has established a new incentive framework called RIIO (Revenue = Incentives + Innovation + Outputs). With efficient operations and strong records of innovation, our UK companies are favourably positioned to take advantage of the new framework to achieve greater savings and returns.

UK Power Networks (UKPN)

UKPN owns, operates and manages three of the 14 regulated electricity distribution networks in the UK. It serves London, the South East and the East of England, covering over 8.1 million customers via a distribution network measuring about 186,800 km.

During the year, UKPN distributed nearly 80,000 GWh of electricity and maintained its strong operational performance of the past several years. In November 2014 Ofgem released its RIIO ED1 proposals that reviewed price controls for electricity distribution. Under the proposals UKPN will achieve a real increase in the overall levels of revenue received in the next price control period when compared to the current period. It is one of only two UK distribution operator groups able to secure an increase in overall revenue levels: a testament to UKPN's cost-effectiveness and its high levels of reliability and performance.

Network maintenance a priority to maintain reliability at UKPN.





SMART CHARGING WITH SMART METERS

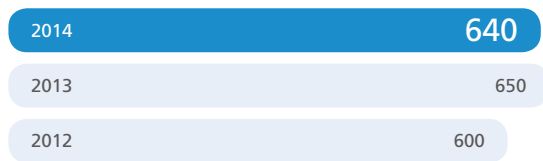
The forthcoming nationwide rollout of smart meters in the UK market will enable dynamic adjustments in the electricity tariff depending on use during peak or non-peak periods. Smart electricity meters can automatically transmit power consumption data in the premises via the Internet and offer benefits to both consumers and suppliers. By running appliances such as washing machines and dishwashers during off-peak hours such as late in the night, consumers can take advantage of cheaper tariffs from their suppliers.

Operators too will benefit. Apart from being able to better balance peak loads on the network, operators can charge more granular tariffs for peak / off-peak usage, as well as for different types of use. Smart meters also give suppliers access to accurate data for billing, removing the need to manually read meters.

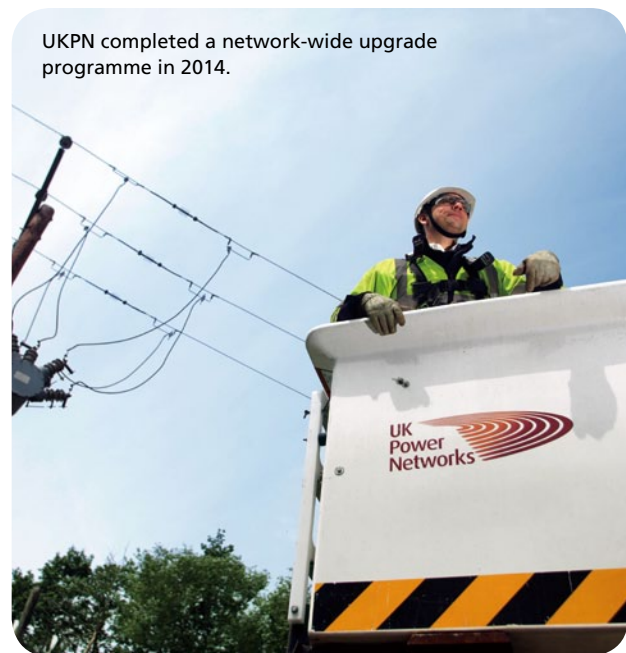
Our operating companies will comply fully with the regulator’s timelines and requirements in the deployment of smart meters in the UK. The main installation stage will start in late 2015. Suppliers are obliged to complete the roll-out by the end of 2020.

In 2014 UKPN continued with the implementation of its business transformation programme, a company-wide initiative to update information systems and streamline business processes with the ultimate goal to enhance efficiency and further improve customer service levels. The project is well on track with the first two of five planned releases going live successfully. A significant proportion of the design and development work for the remaining three releases was also completed during 2014 and these releases are scheduled to go live as planned in 2015.

UKPN Capital Investment (£million)



In addition to the business transformation programme, UKPN invested over £640 million across its networks in 2014 to improve performance and reliability. An important project commissioned during the year was the Smarter Network Storage project at Leighton Buzzard in Bedfordshire, a network innovation project involving the installation of a 6 MW / 10 MWh electrical storage device which incorporates a smart optimisation and control system (SOCS). The SOCS, which was tested during the year, will be able to intelligently forecast demand and optimise the use of storage capacity. Once the technology is proven, these storage devices can be used to enhance network capacity and help to significantly improve the cost and time taken to reinforce distribution networks across the UK.



UKPN maintained its high service standards, reducing the average time its customers were without power and the average number of power outages per customer from last year, outperforming Ofgem targets on both counts. In addition, in line with UKPN’s vision of being the Employer of Choice, the company obtained the Gold Accreditation for Investors in People (IiP) award while also being voted as one of the Top 25 Best Companies to work for by the Sunday Times. UKPN also won the Utility Week ‘Digital Utility’ award in December for its industry leading work in opening up different channels of communication with its customers.



CEO'S REPORT

Northern Gas Networks (NGN)

NGN runs the gas distribution network in the north of England, one of the eight distribution networks in the UK. It supplies gas to 2.69 million customers via 36,100 km of pipelines.



Expanding NGN's network coverage by connecting new customers to the grid.

During 2014, NGN's total gas throughput was 64,917 GWh, with the company meeting and in many cases exceeding all its operational targets and standards of service for the year. NGN remained the most efficient of the eight UK gas distribution networks, and has successfully secured approximately £6 million in performance incentives under the RIIO model, most of which will be collected in two years' time.

NGN invested £40.9 million to implement network improvements for enhanced reliability. This included a network extension programme launched in 2009 to contribute to the alleviation of fuel poverty in the areas it serves. NGN also continued to invest in a large-scale mains replacement programme to improve the future reliability and safety of the network, decommissioning over 500 km of old iron mains. The company's information technology infrastructure was also upgraded.



A RELENTLESS FOCUS ON THE CUSTOMER

Customer service remains central to NGN's ethos and the company emerged as the best gas distribution network for customer satisfaction in statutory Ofgem surveys conducted during the 2014 regulatory period. Building on this success NGN has introduced a number of additional internal processes aimed at improving the customer experience:

- Gold, silver and bronze categories to minimise customer interference
- Customer care and stakeholder officers
- A new connections 'app'

Having achieved the target of resolving 60% of customer complaints in 60 minutes, NGN is now working towards achieving an even higher standard of resolving 90% of customer complaints with 60 minutes.



NGN's award-winning customer service teams at the customer service centre.



Latest infrastructure is key to reliability at WWU.

Wales & West Utilities (WWU)

WWU is a gas distribution business connecting 2.5 million consumers via 35,000 km of gas distribution pipelines in Wales and the South West of England.

WWU's revenues and profits are regulated by RIIO-GD1, the first gas distribution price control review to use Ofgem's RIIO model of network regulation. The RIIO-GD1 price control details the requirements for the UK's eight gas distribution networks in terms of customer services, as well as the associated revenues they are allowed to collect.

In 2014, WWU outperformed its targets in all the categories detailed in the RIIO-GD1 requirements. To increase efficiency the company took advantage of its common ownership with other UK utilities businesses to identify opportunities to reduce costs in the supply chain.

During the year, WWU invested £53.7 million in capital projects aimed at reinforcing its network infrastructure, upgrading its vehicle fleet, improving information technology solutions and depot acquisitions. WWU also continued with its ongoing mains replacement programme, in line with the requirements of the UK Health and Safety Executive and Ofgem. The mains replacement programme focused on the long term replacement of metallic mains in close proximity to dwellings.

WWU is recognised as one of the top performing UK gas distribution networks for customer satisfaction and complaint handling. WWU will strive for further improvement to maintain this position.

Seabank Power (SPL)

SPL is the Group's UK generation business, located near Bristol. The company operates two combined-cycle gas turbine generation units (CCGT's) with an aggregate capacity of approximately 1,140 MW.

SPL continued to operate under long-term power purchase agreements and delivered stable returns despite challenging conditions for gas-fired generators.

BIOMETHANE ENTRY INTO UK GAS NETWORKS

During the year, a research project led by WWU succeeded in removing a major technical barrier to biomethane entry into the UK's gas networks, successfully demonstrating that biomethane would not have an adverse effect on the pipe system. Current gas safety regulations in the UK forbid gases with even small amounts of oxygen from being transported, but the innovative research has demonstrated this restriction can be relaxed. Based on the research findings, the Health and Safety Executive of the UK can now allow biomethane entry without onerous applications for every site. Biomethane could become a significant factor in reducing greenhouse gas emissions in the UK and assist in the long term objective of substantially reducing the carbon impact of heating homes.

WWU has already been able to connect its first biomethane production site and is in the process of making another eleven additional connections during 2014 and 2015.

Performance in the power generation sector as a whole, across the country, was mixed. Mild climatic conditions, combined with shifting cost differentials between the various forms of generation led to continued low generation levels for CCGT's. SPL generated 2,620 GWh of electricity, on par with 2013 levels.



Seabank Power station delivers reliable performance.

CEO'S REPORT



Power Assets share: 49.9%

Year established: 1889

Total installed capacity: 3,737 MW

Network length: 6,120 km

No. of customers: 570,000

HONG KONG

The Hongkong Electric Company (HK Electric)

Founded in 1889, HK Electric is Power Assets' flagship home business and the Group's longest-established company. It generates, transmits, distributes and supplies affordable and reliable electricity to its customer base of 570,000 in Hong Kong.

In 2014, HK Electric continued to fulfill its commitment to maintaining its world-leading standards of affordability, reliability and customer service. As one of the pillars of the Hong Kong community the company also persisted with its corporate social responsibility programme and environmental stewardship.

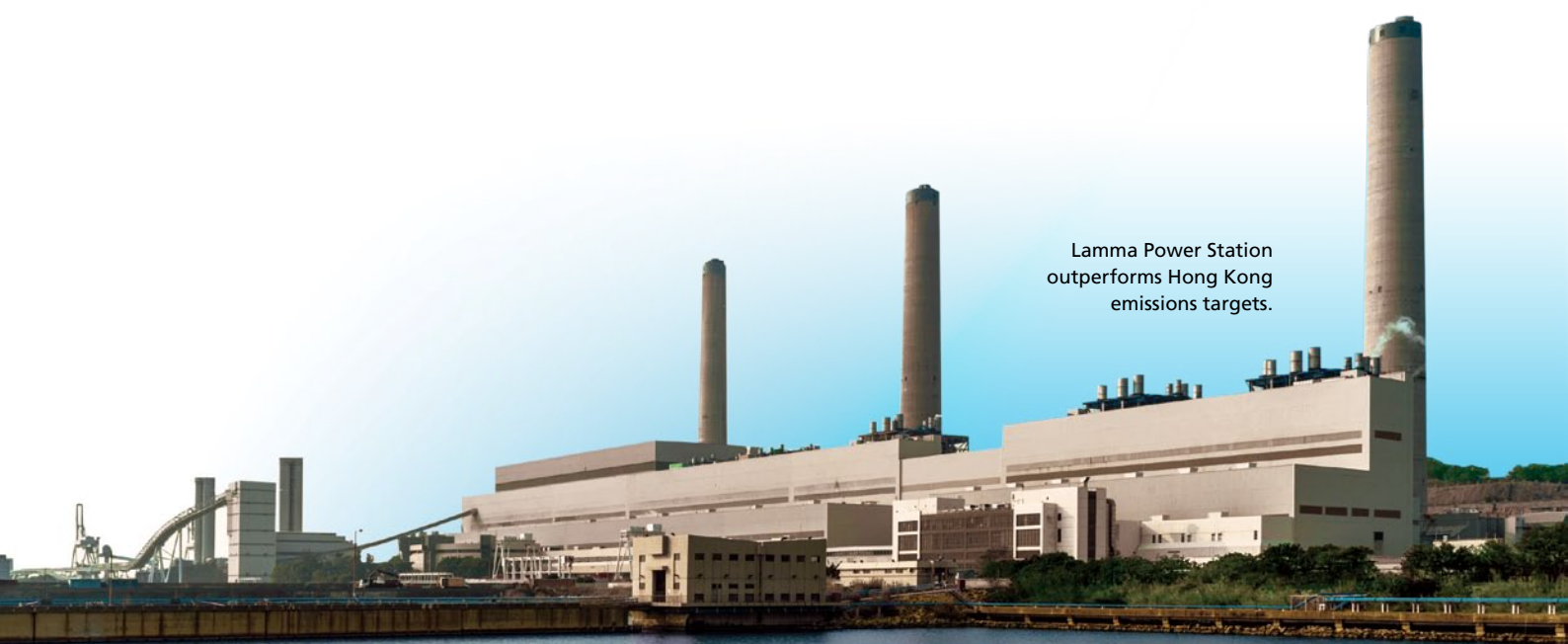
During the year electricity sales increased by 1.7% to 10,955 million kWh (2013: 10,773 million kWh) due to hotter weather during summer months.

Reducing emissions and carbon footprint without compromising reliability or affordability remains one of the primary drivers for the company. To this end

HK Electric continued to increase the use of natural gas for power generation. In 2014 over 30% of power generated came from natural gas.

An extensive maintenance and replacement exercise was carried out across the entire transmission network during the year to ensure reliability. HK Electric has maintained a reliability rating in excess of 99.999% since 1997. In addition, HK Electric customers experienced on average less than one minute of unplanned power interruption per customer in 2014, a record the company has maintained since 2009.

In early 2014, the Hong Kong Government conducted a public consultation to solicit the community's views on the future fuel mix for electricity generation in Hong Kong. HK Electric submitted its views and considerations in favour of keeping electricity generation local while increasing the use of environmentally friendly natural gas in the fuel mix to 60 per cent. We believe this is the best way to maintain reliability,



Lamma Power Station
outperforms Hong Kong
emissions targets.



REDUCING ROADSIDE POLLUTION BY SUPPORTING ELECTRIC VEHICLES

HK Electric plays its part in helping to reduce roadside pollution through supporting the use of electric vehicles (EVs).

By operating 59 environmentally friendly EVs that comprise almost a quarter of its vehicle fleet, HK Electric has reduced its annual petrol consumption by 6% or 12,778 litres in 2014.

The company also supports the wider use of EVs across Hong Kong, operating 11 EV charging stations at various locations on Hong Kong Island, free for public use until the end of 2015.



Electric vehicles help reduce roadside emissions in Hong Kong.

environmental standards and affordability in the electricity sector in Hong Kong. This view was shared by the majority of those who responded as the Government had indicated that local generation is the mainstream opinion of over 80,000 responses expressed by the community during the three-month public consultation.

During the year HK Electric progressed its HK\$13 billion five-year investment plan to improve efficiency and emissions performance. A tender was issued during the year for the construction of a new gas-fired combined cycle generation unit, which will replace an aging gas-fired unit.

HK Electric Units Sold (million kWh)

2014	10,955
2013	10,773
2012	11,036

The company also established a fund to improve energy efficiency in older residential buildings with an initial injection of close to HK\$5 million. The fund will continue to run until end 2018.

In 2014, Lamma Power Station, the primary generation facility, achieved or outperformed all the statutory emissions targets set by the Hong Kong Government

due to increased use of more environmentally friendly fuels, a proactive maintenance schedule, and the installation and upgrade of advanced emissions control equipment. Following a legislative amendment, statutory emissions targets will be further tightened from 2019: emissions allowances will be further reduced by 18% for SO₂, 5% for NO_x and 20% for RSP from their 2017 levels.

The company achieved and surpassed all of its 18 pledged customer service standards in 2014 for the 15th year in a row and secured the financial incentives awarded under the Scheme of Control Agreement for the attainment of three customer performance indices: Average Supply Availability Index, Appointment Punctuality Index and Connection and Supply Performance Index.

HK Electric's dedicated and passionate team of 889 volunteers has been lending a helping hand to Hong Kong's residents for a decade. During the year the team provided over 5,600 hours of community service through a variety of activities. These ranged from programmes designed to help the elderly live more fulfilling and secure lives, to creating opportunities for disadvantaged persons to learn new skills. One of the key focus areas for our community engagement efforts is in encouraging responsible energy use and the promotion of a low-carbon lifestyle.



CEO'S REPORT



AUSTRALIA

Australian Gas Networks

Power Assets share: 27.5%

Joined since: Aug 2014

Gas pipeline length: 24,200 km

No. of customers: 1,199,000

SA Power Networks

Power Assets share: 27.93%

Joined since: Jan 2000

Network length: 88,200 km

No. of customers: 847,000

CitiPower and Powercor Australia

Power Assets share: 27.93%

CitiPower

Joined since: Jul 2002

Network length: 7,300 km

No. of customers: 325,000

Powercor

Joined since: Sep 2000

Network length: 85,900 km

No. of customers: 761,000

Transmission Operations Australia

Power Assets share: 50%

Joined since: Jul 2012

Network length: 22 km

In Australia Power Assets owns four leading companies in the energy transmission and distribution sector: SA Power Networks, CitiPower and Powercor Australia, Transmission Operations Australia and most recently, Australian Gas Networks Limited, formerly known as Envestra Limited. Together the four companies operate networks of over 181,400 km and gas pipelines of over 24,200 km, delivering energy to over 3.1 million customers in Australia.

Australian Gas Networks (AGN)

AGN is one of Australia's largest natural gas distribution companies, serving 1.2 million consumers across the country.

In August 2014, AGN became the latest addition to Power Assets' portfolio through the acquisition of a 27.5% stake. The acquisition was completed as part of a joint venture with Cheung Kong Infrastructure Holdings Limited and Cheung Kong (Holdings) Limited. AGN has a nationwide reach in the well-regulated and attractive Australian natural gas distribution market.

During 2014, AGN continued to operate its gas distribution business safely and reliably while improving the steady growth in customer connections to the networks.

The company delivered 109,000 terajoules of gas during the year. It also continued with its capital expenditure programme during the year focusing on mains replacement. About 500 km of mains were replaced during the year.

SA Power Networks (SAPN)

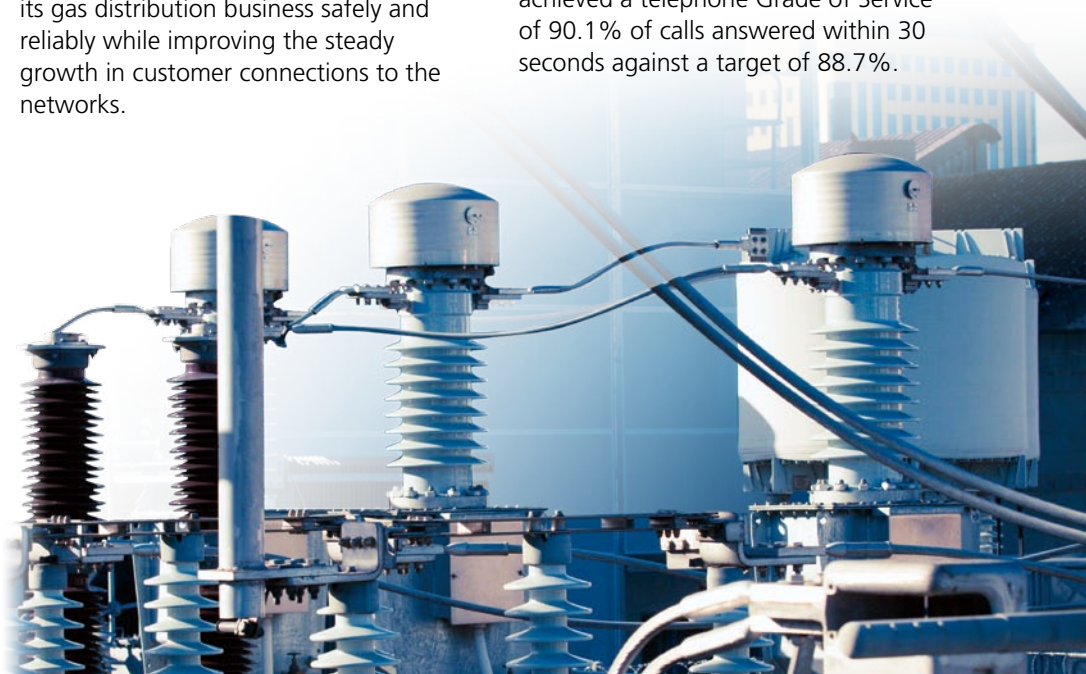
SAPN is South Australia's sole electricity distributor with about 847,000 customers served by a network of 88,200 km.

SAPN distributed 10,586 Gwh of energy during 2014, lower than its performance in the previous year by 2%. An important undertaking during the year was the submission in October of a five-year regulatory proposal to the Australian Energy Regulator for the 2015-2020 regulatory control period.

Severe storms in January, February and June impacted network reliability and service levels. In response to these events a major review of extended outages has been taken with a view to identifying areas of improvement.

In 2014, SAPN improved its other customer service parameters and achieved a telephone Grade of Service of 90.1% of calls answered within 30 seconds against a target of 88.7%.

SAPN powers Adelaide's business district.



A NEW ONLINE PRESENCE FOR IMPROVED CONTACT

CitiPower and Powercor undertook a comprehensive stakeholder engagement programme, involving forums, an online survey and interviews with customers. The business also launched a new customer website providing easier access to information. The website features an interactive map with information on the cause of an outage, the number of customers affected, the specific areas affected, estimated restoration times, and useful tips to employ during an outage.

The website was redesigned with customers in mind, based on feedback from them and expert advice on how to improve the online user experience.

Other key improvements include near real-time updates on power outage information, increased prominence and updates to most-viewed content, and faster content. The website is also integrated with other CitiPower and Powercor technologies, such as SMS updates, mobile sites, and smartphone apps.



SAPN upgraded its network data communication systems during 2014. The enhancement has enabled field services, the control room and management to efficiently and effectively manage the real time operations of SAPN's electricity grid through reduced manual processes, better visibility of unplanned outages and improved efficiency of planned outages and switching.

CitiPower and Powercor Australia

CitiPower and Powercor Australia operate distribution networks of over 93,000 km in Victoria covering an area of over 145,800 sq km and serving 1.1 million customers.

During the year, CitiPower and Powercor continued its focus on Health and Safety and lead indicator reporting. The company also experienced the lowest number of complaints to the Energy and Water Ombudsman of any Victorian distributor and achieved customer satisfaction ratings of 80% and 85% respectively in its annual survey.

While maintaining its focus on reducing underlying cost through improved operational and process efficiency CitiPower and Powercor continued to invest in network improvements. During the year, A\$5.7 million was invested in converting over 19 km of high voltage overhead power lines to underground cable to reduce bushfire risk in the Otway Ranges. The project was implemented under the Powerline Replacement Fund, a Victorian Government funding commitment of over 10 years to reduce the risk of bushfires caused by electrical assets. Investments were also made to convert several private overhead electricity lines to underground cable to improve safety and reliability.

Transmission Operations Australia (TOA)

TOA builds, owns and operates the connection for the Mt Mercer wind farm in Victoria to the state's existing electrical transmission network via a 22 km 132 kV power line and the Elaine Terminal Station in Victoria. The terminal station steps the voltage up from 132 kV to 220 kV allowing the electricity to be transmitted across the national grid. TOA received a high commendation award from the Australian Institute of Project Management for the Elaine Terminal Station project.

During the year, the wind farm achieved full operational capacity allowing TOA to transmit 415 GWh of electricity.

Going forward, TOA will continue to invest in expanding its network to connect more wind farms to the national grid.

CitiPower and Powercor implement network upgrades to reduce risk of fire.



CEO'S REPORT



MAINLAND CHINA

Zhuhai Power

Power Assets share: 45%

Joined since: Apr 2009

Coal-fired: 1,400 MW

Jinwan Power

Power Assets share: 45%

Joined since: Apr 2009

Coal-fired: 1,200 MW

Siping Cogeneration

Power Assets share: 45%

Joined since: Apr 2009

Coal-fired cogeneration: 200 MW

Dali Wind Power

Power Assets share: 45%

Joined since: Dec 2007

Wind turbine: 48 MW

Laoting Wind Power

Power Assets share: 45%

Joined since: Jun 2008

Wind turbine: 49.5 MW

In mainland China, Power Assets has five power generation businesses, two of which are wind farms eligible for carbon credits, alongside three coal-fired plants.

In 2014, demand for coal-fired power in Guangdong and the Pearl River delta region continued to decline due to a combination of factors such as alternative supply from western China including hydro-electric power, new gas-fired units and nuclear reactors coming online. Challenging weather conditions affected the wind farms.

Due to systematic equipment maintenance and improved operating efficiencies, the performance of the mainland China companies remained stable during the year. All emissions targets were achieved or outperformed.

Coal plants – Zhuhai, Jinwan and Siping

The Zhuhai Power Plant in Zhuhai city, the neighbouring Jinwan Power Plant, and Siping Cogeneration Plant in Jilin province in north-eastern China have a combined generation capacity of 2,800 MW.

The three plants sold approximately 13 billion KWh of electricity, 368,200 tonnes of steam and 3 million GJ of heat during the year.

In 2014, newer and tighter national environmental protection standards came into effect, bringing into force more stringent emissions restrictions. To meet these standards the three coal-fired plants undertook equipment maintenance, upgrade and replacement programmes during the year.

The Zhuhai plant completed an extensive series of upgrades to emissions control equipment including expanding the capacity of the flue gas desulphurisation unit, installation of selective catalytic reduction systems and modifications to the electrostatic precipitators to convert them into precipitator / fabric filter units.

In order to meet new nitrogen oxides emissions standards without compromising efficiency, the Jinwan plant conducted an equipment upgrade programme during the year, modifying its current economiser unit to a split type. Additional catalysts were installed onto the existing Selective Catalytic Reduction System. Further upgrades are in progress. Once completed the Jinwan plant will have almost completely eliminated most non-carbon emissions, enabling it to be ranked as an environmental demonstration coal-fired unit in Guangdong by the National Development and Reform Commission and Ministry of Environment.

Local authorities recognised the Jinwan plant's initiative and achievements in upgrading emissions control equipment by approving the plant's power sent out plan of 5.68 billion kWh in early 2014.

The Siping plant's three generating units achieved satisfactory performance during the year. To meet new emissions

Emissions equipment upgrades at Zhuhai Power Station to meet new targets.

control standards for small coal fired units the plant has implemented a complete environmental upgrade scheme for its two 420 tons/hr boilers. Installation and modification work was carried out in 2014. It is expected the plant will be able to reduce emissions significantly from 2015 onwards.

Wind farms – Dali and Laoting

The 48 MW wind farm in Dali, Yunnan province, and 49.5 MW wind farm in Laoting, Hebei province, have been operational since 2009. The projects are eligible to generate carbon credits.

Adverse weather conditions affected the performance of the two wind farms in 2014. Prevalent wind speeds at Laoting were lower than in 2013. Heavy snowfall damaged the transmission lines at Dali wind farm, causing unscheduled plant outages and emergency repairs.



In 2014, the two wind farms generated a total of 193.1 GWh of electricity, cumulatively reducing carbon emissions by 185,534 tonnes. Both wind farms completed major equipment upgrade programmes during the year, including modifications to the blades of the turbines at Dali to increase plant productivity, and upgrades to plant equipment at Laoting to enhance reliability. The Dali wind farm provided educational training and support to disadvantaged young students to cultivate green energy awareness within the local community.



THAILAND

Power Assets share: 25%

Joined since: Oct 2001

Gas-fired combined cycle gas turbine: 1,400 MW

Ratchaburi Power (RPCL)

RPCL is a generation company situated in Ratchaburi province in southern Thailand. The plant operates two 700 MW gas-fired combined cycle units. All the power generated by the plant is sold to Electricity Generating Authority of Thailand under a 25-year take-or-pay power purchase agreement.

With a strong management team RPCL achieved steady operations following equipment maintenance and repair conducted on the Block 1 steam turbine in the first half of the year. The plant generated 6,009 GWh of electricity in 2014 and achieved a high availability factor of 92.8% as a whole.

During the early part of the year, political conditions in Thailand were uncertain. Despite the instability, RPCL has maintained smooth operations. The Thai currency is stable and a regular payment schedule has been maintained through the year. Prospects for the plant are positive in the year ahead.

RPCL plant delivers improved availability and performance.



CEO'S REPORT



Power Assets share: 20%

Joined since: Aug 2013

Waste-to-energy units: 115 MW

Biomass-fired units: 30 MW

Energy-from-waste: 1,680 kt/yr

Biomass energy: 152 kt/yr

Liquid waste treatment: 243 kt/yr

Paper residue incineration: 160 kt/yr

Composting: 50 kt/yr

AVR provides heat to Rotterdam city.



Power Assets share: 50%

Joined since: Jul 2008

Network length: 4,600 km

No. of customers: 166,000

NETHERLANDS

AVR-Afvalverwerking B.V. (AVR)

AVR is the Group's first operating company in continental Europe, as well as the Group's first entry into the 'energy-from-waste' (EfW) business. It operates energy-from-waste power plants in Rozenburg and Duiven and is a market leader in the Dutch EfW market with a capacity of 1.7 million tonnes per annum and about 700 MWh of total installed thermal capacity (heat and steam), of which approximately 60% is classified as renewable energy.

In 2014, AVR generated 667 GWh of electricity, 2,458 TJ of heat and 420 kT of steam. In its first full year of operations as a Group company AVR maintained a favourable rate of return and stable profitability. It has a long-term contract in place for waste supply, being well secured until 2019 and beyond, as well as long-term contracts for steam and electricity sale primarily to nearby industrial plants.

AVR's continued focus is to maintain and strengthen sourcing relationships outside the Netherlands. In pursuit of this strategy, AVR has secured itself through contracts for the supply of sufficient residual waste to fuel the EfW plants in the medium to

long term. It has also been successful in obtaining waste-streams abroad. In 2014 AVR was awarded with approximately 100,000 tonnes of municipal waste from the province of Brabant from 2017 until 2021. The company continues to secure further import volumes of waste streams for the longer term, leveraging its independent position in the Dutch market.

One of AVR's long term strategies is the diversification of its energy output in order to increase energy efficiency and maximise the value of its waste to energy conversion activities. Increasing heat and steam production is an important outcome of this strategy.

During the year, AVR commenced supply to Phase 2 of the Rotterdam city heating network and extended its city heating network to Duiven in the Netherlands. Over the next 30 years, AVR will feed the residual heat generated in the EfW plant into the heating grid, in the form of hot water. This form of district heating from refuse will help reduce carbon dioxide emissions.

AVR implemented a number of initiatives through the year for the improvement of plant availability, efficiency and predictability in order to maintain its position as a cost efficient and reliable supplier of sustainable energy.

NEW ZEALAND

Wellington Electricity Lines (WELL)

WELL is New Zealand's fourth largest electricity network serving 166,000 customers in the Wellington, Porirua and Hutt Valley regions of New Zealand and its network spans over 4,600 km.

During the year under review, WELL distributed 2,312 GWh of electricity. The company expanded its network with the purchase of a 6 km transmission line connecting the Mill Creek wind farm to its network at the Wilton grid exit point. This transmission line is leased to Meridian, a major retailer 51% owned by the Government.

The WELL network is mostly underground in the highly-populated central Wellington City area. The network is designed to be resilient to the high winds that are a feature of the Wellington region and over time, the WELL network has outperformed the New Zealand distribution business average for supply reliability.

WELL extended its network in 2014 with the purchase of three embedded networks. A large 33 kV cable replacement project is under way to enhance capacity and security of supply from a major substation. A number of other network upgrade projects continued including substation reinforcements and upgrades, cable replacement and other network enhancement to improve reliability.



Improvement in customer services was an important focus for WELL during the year. Additional resources were allocated to direct and implement the company's efforts in this area.



CANADA

TransAlta Cogeneration

Power Assets share: 25%
Joined since: Dec 2007
Total installed capacity: 1,142 MW

Meridian

Power Assets share: 50%
Joined since: Dec 2007
Gas-fired combined cycle cogeneration: 220 MW

Canadian Power Holdings (Canadian Power)

In Canada the Group's presence is founded upon a 50% interest in Canadian Power Holdings Inc., an electricity generation business with six plants and a capacity of 1,362 MW. It operates the Meridian 220 MW Cogeneration gas-fired plant in Saskatchewan and holds a 49.99% share of TransAlta Cogeneration, which operates five power plants in Ontario and Alberta.

In 2014 the Canadian business delivered high availability and improved performance over the previous year. Meridian benefited from extensive

maintenance works and generated 1,640 GWh of electricity and 1,487 kT of steam. Meridian has stable long-term contracts in place with its two primary customers, SaskPower and Husky Energy. Its focus during the year was on providing reliable supply and maintaining high standards of customer service.

The five power plants operated by TransAlta Cogeneration in Ontario and Alberta generated a total of 4,310 GWh during the year. The Ottawa plant operated by TransAlta Cogeneration completed its first full year of operation under a new power purchase agreement and has made a successful transition from a continuous base load operation to a dispatchable plant, capable of short term peaks in operation.

Canadian Power completed its first full year of operation in 2014 under its new corporate identity after a rebranding exercise completed in late 2013. The rebranding exercise was undertaken to more effectively represent its current business as a participant in the Canadian power industry.



Canadian Power delivers reliable power to its customers.

