

**GDI (EII) Pty Limited**  
ABN 96 154 766 524

**Annual Financial Report**  
For the year ended  
30 June 2014

# **GDI (EII) Pty Limited and its controlled entities**

## **Annual financial report**

For the year ended 30 June 2014

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## **GDI (EII) Pty Limited and its controlled entities**

### **Directors' report**

For the year ended 30 June 2014

The Directors of GDI (EII) Pty Limited ("Company") present their report and the financial statements of the Company and its controlled entities (together "Group") for the financial year ended 30 June 2014.

### **DIRECTORS**

The Directors of the Company at any time during or since the end of the year are:

**Mr M C Robinson**

Director, Chairman from 1 July 2014

Alternate Director (Appointed 20 March 2014)

**Mr A Barlass**

Director (Appointed 30 August 2013)

Alternate Director (Resigned 30 August 2013, appointed 20 March 2014)

**Mr P J Fredricson**

Director, Chairman from 22 December 2011 to 1 July 2014

**Mr R M Gersbach**

Alternate Director

**Mr Y Hamada**

Alternate Director (Appointed 23 May 2014, resigned 7 August 2014)

**Mr R W Hedley**

Director (Resigned 30 August 2013)

**Mr M Kato**

Director (Appointed 7 August 2014)

**Mr Y Noborisaka**

Director

**Mr R S Pearce**

Director

**Mr N Sakurai**

Director (Resigned 7 August 2014)

### **COMPANY SECRETARY**

**Mr M T Knapman**

### **PRINCIPAL ACTIVITIES**

The principal activity of the Group during the year was the ownership of gas distribution assets in South East Queensland.

There were no significant changes in the nature of the activities of the Group during the year.

### **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

No significant changes in the state of affairs of the Group occurred during the year.

## GDI (EII) Pty Limited and its controlled entities Directors' report (continued)

For the year ended 30 June 2014

### DIVIDENDS

Dividends paid or declared by the Company to members since the end of the previous year were:

	Total Amount	Franked/ Unfranked	Date of payment
	\$'000		
Declared and paid during the year			
Final - June 2013 (ordinary)	5,531	Unfranked	05 Sep 13
Interim September 2013 (ordinary)	6,233	Unfranked	29 Oct 13
Interim December 2013 (ordinary)	11,000	Unfranked	11 Mar 14
Interim March 2014 (ordinary)	4,399	Unfranked	17 Jun 14
Final - June 2013 (redeemable preference)	1,426	Unfranked	30 Aug 13
Interim September 2013 (redeemable preference)	1,442	Unfranked	21 Oct 13
Interim December 2013 (redeemable preference)	1,442	Unfranked	27 Feb 14
Interim March 2014 (redeemable preference)	1,410	Unfranked	30 May 14

#### Declared after end of year

A dividend for the quarter ended 30 June 2014 of \$1.4 million on Redeemable Preference Shares was declared on 2 September 2014.

A final dividend on Ordinary Shares has not yet been declared at the time of signing this report.

### FINANCIAL AND OPERATIONAL REVIEW

The Group's consolidated net profit after tax for the year was \$11.4 million (2013: \$9.3 million).

As at 30 June 2013 the Mansfield property was classified as an asset held for sale and was recorded at fair value, with an anticipated net sale price of \$3.5 million. The sale of the property settled on 1 November 2013 with a sale price of \$3.6 million less \$0.1 million of selling costs, subsequently there was no material impact on the profit and loss in the year.

On 16 June 2014 the refinancing of all previous debt facilities was completed. Consequently, all borrowings have a maturity date of June 2017 and beyond and are classified as non-current. As a result of the refinancing, the amortisation of the borrowing costs in relation to the previous facilities was accelerated and an additional \$1.3 million was expensed during the year.

### REGULATORY MATTERS

The terms and conditions of access for users and prospective users of the gas distribution network for the period 1 July 2011 to 30 June 2016 are set out in the access arrangement which is regulated by the Australian Energy Regulator ("AER") and outlines the forecast operating and capital expenditure for the period.

### ENVIRONMENTAL REGULATIONS

The Allgas Energy Pty Limited ("Allgas Energy") gas distribution network assets, operated and maintained by APA Group ("APA"), are designed, constructed, tested, operated and maintained in accordance with the requirements of Australian Standards AS2885 and AS4645 as an integral part of the networks. As such, they are operated in compliance with relevant federal, state and territory environmental legislation and Australian standards.

## **GDI (EII) Pty Limited and its controlled entities**

### **Directors' report (continued)**

For the year ended 30 June 2014

#### **ENVIRONMENTAL REGULATIONS (CONTINUED)**

The Queensland Petroleum and Gas (Production and Safety) Act and Regulations 2004 also require compliance with the Australian Standards AS2885 "Pipelines - Gas and Liquid Petroleum", which have specific requirements for the management of environmental matters associated with all aspects of high pressure pipelines, and AS4645 "Gas Distribution Networks" which include issues associated with environmental management for the entire Allgas Energy distribution networks.

A networks environmental management plan which satisfies Part A of the Australian Pipeline Industry Association Code of Environmental Practice is in place for all the gas assets operated and maintained by APA Group.

The Safety and Operating Plans for the Allgas Energy gas distribution networks in Queensland are subject to auditing by the Queensland technical regulator to ensure they meet the requirements of the Queensland Petroleum and Gas (Production and Safety) Act and Regulations 2004. The Northern New South Wales Allgas Energy Network Safety and Operating Plan is however subject to an annual audit by an external contractor on behalf of the New South Wales technical regulator.

The board reviews external audit reports and, on a monthly basis, the operating reports include discussion (as required) of any relevant environmental issues. No breaches have been reported during the year and APA Group has managed the assets in accordance with the environmental management plans in place.

#### **Impact of carbon policy**

The AER approved Allgas Energy's application to recover carbon costs effective from 1 July 2012. That decision allows an increase in the reference tariffs to recover carbon costs for the year. In July 2014 the Carbon Policy was repealed and there will be no carbon included in the revenue or within the costs for the Group in financial year ending 30 June 2015.

#### **SUBSEQUENT EVENTS**

On 2 September 2014 the board declared a dividend of \$1.4 million for the Redeemable Preference Shares dividend for the quarter ended 30 June 2014.

A final dividend on Ordinary Shares has not been declared at the time of signing this report.

Except as disclosed above and elsewhere in this report, the Directors are unaware of any matter or circumstance occurring since the end of the year that has significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future reporting periods.

#### **OPTIONS GRANTED**

No options over unissued shares or interests were granted during or since the end of the year.

There were no options outstanding as at the date of this report.

No shares were issued during or since the end of the year as a result of the exercise of an option over unissued shares.

#### **INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR**

During the year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the company secretary and all executive officers of the Company and any related body corporate of the Company against any liability incurred in performing those roles to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company indemnifies each person who is or has been a director or company secretary of the Company, or of any subsidiary of the Company, pursuant to deeds of indemnity entered into in 2012 and subsequently. The indemnity operates to the full extent allowed by law, but only to the extent not covered by insurance, and is on terms the board considers usual for arrangements of this type.

Under its constitution, the Company indemnifies each person who is or has been a director, company secretary or executive officer of that company. The indemnity operates to the full extent allowed by law, but only to the extent not covered by insurance.

**GDI (EII) Pty Limited and its controlled entities**  
**Directors' report (continued)**

For the year ended 30 June 2014

**INDEMNIFICATION OF OFFICERS AND EXTERNAL AUDITOR (CONTINUED)**

The Company has not otherwise, during or since the end of the year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate of the Company against a liability incurred as such an officer or auditor.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 25.

**ROUNDING OFF OF AMOUNTS**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the Directors' report and financial statements are rounded off to the nearest thousand dollars, unless otherwise stated.

The Directors' report is signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the Corporations Act 2001.

On behalf of the Directors



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M C Robinson  
Chairman

Sydney, 2 September 2014

**GDI (EII) Pty Limited and its controlled entities**  
**Statement of profit or loss and other comprehensive income**  
For the year ended 30 June 2014

		Consolidated		Parent	
		Jun-14	Jun-13	Jun-14	Jun-13
	Note	\$000	\$000	\$000	\$000
Revenue	5	78,300	72,447	29,291	26,946
		78,300	72,447	29,291	26,946
Asset operation and management expenses		(23,290)	(21,213)	(302)	(302)
Depreciation and amortisation expense	6	(9,528)	(9,745)	-	-
Finance costs	6	(28,758)	(26,423)	(28,758)	(26,423)
Other expenses	6	(444)	(1,737)	(131)	(121)
Profit before tax		16,280	13,329	100	100
Income tax expense		(4,842)	(4,000)	(30)	(30)
Profit for the year		11,438	9,329	70	70
Other comprehensive income, net of income tax					
Items that may be reclassified subsequently to profit or loss					
Effective portion of changes in fair value of cash flow hedges		(5,309)	(3,084)	(5,309)	(3,084)
Net change in fair value of cash flow hedges reclassified to profit or loss		5,328	2,163	5,328	2,163
Income tax relating to items that may be reclassified subsequently to profit or loss		(6)	277	(6)	277
Total other comprehensive income/ (loss)		13	(644)	13	(644)
Total comprehensive income / (loss) for the year		11,451	8,685	83	(574)

The above statements of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

# **GDI (EII) Pty Limited and its controlled entities**

## **Statement of financial position**

As at 30 June 2014

		Consolidated		Parent	
	Note	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b><u>Current assets</u></b>					
Cash and bank balances	7	8,195	9,648	8,195	9,648
Trade and other receivables		13,693	13,649	-	-
Other assets		39	25	39	25
Assets held for sale	8	-	3,500	-	-
<b>Total current assets</b>		<b>21,927</b>	<b>26,822</b>	<b>8,234</b>	<b>9,673</b>
<b><u>Non-current assets</u></b>					
Other financial assets	9	-	-	538,134	538,550
Property, plant and equipment		489,242	468,519	-	-
Deferred tax assets		-	-	16,547	11,997
Goodwill		84,233	84,233	-	-
<b>Total non-current assets</b>		<b>573,475</b>	<b>552,752</b>	<b>554,681</b>	<b>550,547</b>
<b>Total assets</b>		<b>595,402</b>	<b>579,574</b>	<b>562,915</b>	<b>560,220</b>
<b><u>Current liabilities</u></b>					
Trade and other payables		6,406	6,887	860	650
Other financial liabilities	10	6,999	6,650	6,999	6,650
Deferred revenue		298	2,690	-	-
<b>Total current liabilities</b>		<b>13,703</b>	<b>16,227</b>	<b>7,859</b>	<b>7,300</b>
<b><u>Non-current liabilities</u></b>					
Borrowings		363,438	333,891	363,438	333,891
Other financial liabilities	10	59,102	59,433	59,102	59,433
Deferred tax liabilities		6,393	1,545	-	-
<b>Total non-current liabilities</b>		<b>428,933</b>	<b>394,869</b>	<b>422,540</b>	<b>393,324</b>
<b>Total liabilities</b>		<b>442,636</b>	<b>411,096</b>	<b>430,399</b>	<b>400,624</b>
<b>Net assets</b>		<b>152,766</b>	<b>168,478</b>	<b>132,516</b>	<b>159,596</b>
<b><u>Equity</u></b>					
Issued capital	11	195,100	195,100	195,100	195,100
Reserves	12	(8,718)	(8,731)	(8,718)	(8,731)
Retained earnings		(33,616)	(17,891)	(53,866)	(26,773)
<b>Total equity attributable to shareholders</b>		<b>152,766</b>	<b>168,478</b>	<b>132,516</b>	<b>159,596</b>

The above statements of financial position should be read in conjunction with the accompanying notes



# GDI (EII) Pty Limited and its controlled entities

## Statement of changes in equity

For the year ended 30 June 2014

<u>Consolidated</u>	Attributable to shareholders			
	Share capital	Hedging reserves	Retained earnings	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2012	195,100	(8,087)	(7,793)	179,220
Total comprehensive (loss)/ income for the period	-	(644)	9,329	8,685
Dividends paid or provided for	-	-	(19,427)	(19,427)
Balance at 30 June 2013	195,100	(8,731)	(17,891)	168,478
Total comprehensive income for the year	-	13	11,438	11,451
Dividends paid or provided for	-	-	(27,163)	(27,163)
Balance at 30 June 2014	195,100	(8,718)	(33,616)	152,766

<u>Parent</u>	Attributable to shareholders			
	Share capital	Hedging reserves	Retained earnings	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2012	195,100	(8,087)	(7,416)	179,597
Total comprehensive (loss)/ income for the period	-	(644)	70	(574)
Dividends paid or provided for	-	-	(19,427)	(19,427)
Balance at 30 June 2013	195,100	(8,731)	(26,773)	159,596
Total comprehensive income for the year	-	13	70	83
Dividends paid or provided for	-	-	(27,163)	(27,163)
Balance at 30 June 2014	195,100	(8,718)	(53,866)	132,516

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

# **GDI (EII) Pty Limited and its controlled entities**

## **Statement of cash flows**

For the year ended 30 June 2014

	Note	Consolidated		Parent	
		2014	2013	2014	2013
		\$000	\$000	\$000	\$000
<b><u>Cash flows from operating activities</u></b>					
Receipts from customers		83,716	78,285	-	-
Payments to suppliers		(32,112)	(28,087)	(339)	(581)
Interest received		106	183	29,291	26,946
Interest and other costs of finance paid		(26,040)	(25,064)	(26,040)	(25,064)
<b>Net cash provided by/ (used in) operating activities</b>	<b>7</b>	<b>25,670</b>	<b>25,318</b>	<b>2,912</b>	<b>1,301</b>
<b><u>Cash flows from investing activities</u></b>					
Payments for property, plant and equipment		(30,598)	(22,411)	-	-
Proceeds from disposal of property, plant and equipment		3,671	161	-	-
<b>Net cash used in provided by investing activities</b>		<b>(26,927)</b>	<b>(22,250)</b>	<b>-</b>	<b>-</b>
<b><u>Cash flows from financing activities</u></b>					
Loans from controlled entities		-	-	-	1,767
Loans to controlled entities		-	-	(4,169)	-
Payment for debt issue costs		(2,201)	-	(2,201)	-
Proceeds from borrowings		389,953	18,440	389,953	18,440
Repayment of borrowings		(360,785)	-	(360,785)	-
Dividends paid		(27,163)	(19,427)	(27,163)	(19,427)
<b>Net cash (used in)/ provided by financing activities</b>		<b>(196)</b>	<b>(987)</b>	<b>(4,365)</b>	<b>780</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(1,453)</b>	<b>2,081</b>	<b>(1,453)</b>	<b>2,081</b>
Cash and cash equivalents at beginning of year		9,648	7,567	9,648	7,567
<b>Cash and cash equivalents at end of year</b>	<b>7</b>	<b>8,195</b>	<b>9,648</b>	<b>8,195</b>	<b>9,648</b>

The above statements of cash flows should be read in conjunction with the accompanying notes

**GDI (EII) Pty Limited and its controlled entities**  
**Notes to the financial statements**  
For the year ended 30 June 2014

**1. General information**

GDI (EII) Pty Limited is a proprietary company incorporated on 13 December 2011, in Australia and is the parent entity of the Group.

The financial statements incorporate the assets and liabilities of all entities in the Group as at 30 June 2014 and the results of all such entities for the year.

The address of the Company's registered office and principal place of business is:  
HSBC Building  
Level 19, 580 George Street  
Sydney NSW 2000

The entity's principal activity is the ownership of gas distribution assets in South East Queensland.

**2. Adoption of new and revised Accounting Standards**

**(a) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)**

In the current year the Company has adopted new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current reporting periods as set out below.

**AASB 13 Fair value measurement**

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures, and is effective for annual reporting periods beginning after 1 January 2013. In accordance with transitional provisions, AASB 13 has been applied prospectively from 1 July 2013. The above has no impact on the measurement of the Group's and the Company's assets or liabilities during the current or prior year.

**Control**

AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities, AASB 127 Separate Financial Statements (Dec 2012), AASB 128 Investments in Associates and Joint Ventures (Dec 2012) and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments.

AASB 10 was applied by the Group from 1 July 2013. AASB 10 replaces the previous guidance on control and retains the core principle that a Company presents a parent and its subsidiaries as if they are a single economic entity. Whereas the control definition in the previous guidance focussed on 'risks and rewards', AASB 10 focuses on the combination of power, exposure to variable returns and ability to use the power to affect the returns.

The transitional provisions permit prior period comparatives to not be restated where the accounting outcome under the previous guidance is the same as that under AASB 10 as at the date of initial application, 1 July 2013. For all other situations, comparatives are restated retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors as if AASB 10 had always been applied.

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

## 2. Adoption of new and revised Accounting Standards (continued)

### **(b) Standards and Interpretations issued not yet adopted**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below, which are relevant to the Company, were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2017	30 June 2018

The following standard was issued by the International Accounting Standards Board but not yet effective. The Australian equivalent has not yet been issued.

IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
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The potential impact of the initial application of the Standards above is yet to be determined.

## 3. Basis of preparation

### **(a) Financial reporting framework**

The Company is not a reporting entity because in the opinion of the Directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the Directors' reporting requirements under the Corporations Act 2001.

For the purpose of preparing the financial statements, the Company is a for-profit entity.

### **(b) Statement of compliance**

The financial statements have been prepared in accordance with the recognition, measurement and classification aspects of all applicable Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB"). It does not include disclosure requirements of all the AASBs, except for the following minimum requirements listed below:

- AASB 101 Presentation of Financial Statements;
- AASB 107 Statement of Cash Flows;
- AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors;
- AASB 1031 Materiality;
- AASB 1048 Interpretation of Standards; and
- AASB 1054 Australian Additional Disclosures.

### **(c) Basis of measurement**

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets.

**GDI (EII) Pty Limited and its controlled entities**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2014

**3. Basis of preparation (continued)**

**(d) Functional and presentation currency**

The financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand dollars, unless otherwise stated.

**(e) Use of estimates and judgements**

The following are the critical judgements (apart from those involving estimations, which are dealt with below) that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

**Accounting for acquisitions**

Assets acquired are recorded at the cost of acquisition, being the purchase consideration transferred as at the date of acquisition with transaction costs expensed through the profit or loss statement. Cost is allocated to individual identifiable assets and liabilities. Management makes a number of judgements in allocating cost, particularly in relation to the fair value of property, plant & equipment on the date of acquisition, including assumptions relating to potential contract renewals and associated useful life.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Impairment of assets**

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial asset, the estimated future cash flows of the investment have been unfavourably affected.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of the return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

**Useful lives of non-current assets**

The Company reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. Any reassessment of useful lives in a particular year will affect the depreciation or amortisation expense.

**(f) Going concern**

The financial statements are prepared on a going concern basis. The Directors continually monitor the Group's working capital position, including forecast working capital requirements and believe operating cash flows are appropriate to accommodate debt repayments as and when they fall due.

## **GDI (EII) Pty Limited and its controlled entities**

### **Notes to the financial statements (continued)**

For the year ended 30 June 2014

#### **4. Significant Accounting Policies**

The following significant accounting policies have been adopted in the preparation and presentation of the annual financial report:

##### **(a) Basis of consolidation**

The financial statements comprise the consolidation of the accounts of the Company and its respective subsidiaries (together "Group").

Subsidiaries are entities controlled by the Company. Control exists where the Company has power over the entities, ie existing rights that give them the current ability to direct the relevant activities of the entities (those that significantly affect the returns); exposure, or rights, to variable returns from their involvement with the entities; and the ability to use their power to affect those returns.

The results of subsidiaries acquired during the year are included in the consolidated statement of profit and loss and other comprehensive income from the effective date of acquisition.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

##### **(b) Financial instruments**

###### **(i) Non-derivative financial instruments**

Non derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Non derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non derivative financial instruments are measured as described below.

###### **Trade and other receivables**

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'trade and other receivables'. Trade and other receivables are stated at their amortised cost less impairment.

###### **Trade and other payables**

Trade and other payables are recognised when the Company becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are stated at amortised cost.

###### **(ii) Debt and equity instruments**

###### **Ordinary shares**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

###### **Redeemable preference shares**

Redeemable preference shares are classified as a financial liability and measured at amortised cost using the effective interest method. Dividends on redeemable preference shares are recognised as a liability in the period in which they are declared.

**GDI (EII) Pty Limited and its controlled entities**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2014

**4. Significant Accounting Policies (continued)**

**(b) Financial instruments**

**(iii) Derivative financial instruments**

The Company enters into a variety of derivative financial instruments to manage its exposure to interest rates.

Derivatives are initially recognised at fair value at the date a derivatives contract is entered into and are subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain derivatives as hedges of highly probable forecast transactions (cash flow hedges).

The fair value of hedging derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Any derivative not designated into an effective hedge relationship is recognised in finance costs in the period to which it relates.

**Hedge accounting**

The Company designates certain hedging instruments, which include derivatives, as either fair value hedges or cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument that is used in the hedging relationship is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

**Cash flow hedges**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of finance income or expenses.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of profit and loss and other comprehensive income as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in the other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**(c) Cash and cash equivalents**

Cash comprises cash on hand and call deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of changes in values.

**GDI (EII) Pty Limited and its controlled entities**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2014

**4. Significant accounting policies (continued)**

**(d) Borrowings**

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of profit or loss and other comprehensive income over the period of the borrowing using the effective interest method.

**(e) Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**(f) Property, plant and equipment**

**(i) Recognition and measurement**

Items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" in the statement of profit or loss and other comprehensive income.

**(ii) Subsequent costs**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day to day servicing of property, plant and equipment are recognised in profit or loss as incurred.

**(iii) Depreciation**

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. Land is not depreciated.

The following estimated useful lives are used in the calculation of depreciation:

*Land and buildings*

- Buildings 40 years

*Plant and equipment*

- Mains 70 to 105 years
- Regulators 60 years
- Services 70 years
- Meters 25 years
- Other plant and equipment 3 to 40 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimated accounted for on a prospective basis.



**GDI (EII) Pty Limited and its controlled entities**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2014

**4. Significant accounting policies (continued)**

**(g) Business combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at the fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity instruments issued by the Company in exchange for control of the acquire. Acquisition-related costs are recognised in the profit and loss as incurred.

The acquirer's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 "Business Combinations" are recognised at their fair values at the acquisition date.

**(i) Impairment**

**Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

**Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

**(j) Revenue**

**Sales revenue**

Sales revenue represents revenue earned for the distribution of gas and other related services and is recognised when the services are provided.

**GDI (EII) Pty Limited and its controlled entities**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2014

**4. Significant accounting policies (continued)**

**(k) Finance income and expenses**

Finance income comprises interest income on funds invested and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance expenses comprise interest expense on borrowings and Redeemable Preference Shares, unwinding of the discount on provisions, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

**(l) Income tax**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the group or that have a different tax consequence at the level of the Group.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax rates (and laws) that have been enacted or substantively enacted by the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable profit nor the accounting profit.

**Tax consolidation**

The Company is the head entity of a tax consolidated group comprising the Company and its wholly owned Australian resident entities. The implementation date of the tax consolidation system for the tax-consolidated group was 16 December 2011.

The consolidated current and deferred tax amounts, for the tax-consolidated group are allocated to the members of the tax-consolidated group using the 'separate taxpayer within group' approach, with deferred taxes being allocated by reference to the carrying amounts in the financial statements of each member entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits arising from this allocation process are then accounted for as immediately assumed by the head entity, as under Australian taxation law the head entity has the legal obligation (or right) to these amounts.

**GDI (EII) Pty Limited and its controlled entities**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2014

**4. Significant accounting policies (continued)**

**(l) Income tax (continued)**

**Nature of tax funding arrangement and tax sharing agreements**

The Company, in conjunction with other members of the tax-consolidated group, will be entering into a tax funding arrangement which will set out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements will require payments to or from the head entity equal to the current tax liability or asset assumed by the head entity and any tax-loss deferred tax assets assumed by the head entity, resulting in the Company recognising an inter-entity payable (receivable), is at call.

The tax sharing agreement that will be entered into between members of the tax-consolidated group will provide for the determination of the allocation of the income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement will be that the Company's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

**(m) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of the receivable or payables.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

**(n) Comparative amounts**

Comparatives for the year ended June 2013 have been restated in accordance with AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' to correct a prior period error. The correction relates to the deferred tax balance attributable to the Gatton to Gympie easements which were recorded as part of the initial business combination. This has resulted in an increase in goodwill from \$82.9 million to \$84.2 million which is an increase of \$1.3 million with an offsetting increase in deferred tax liability from \$13.0 million to \$14.3 million. This adjustment is a balance sheet reclassification only and has no profit or loss impact, and is set out in Note 15 to these financial statements.

## GDI (EII) Pty Limited and its controlled entities

### Notes to the financial statements (continued)

For the year ended 30 June 2014

#### 5. Revenue

	Consolidated		Parent	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
An analysis of the Group's revenue for the year is as follows:				
<b>Operating revenue</b>				
Gas distribution revenue	72,513	67,567	-	-
Other operating revenue	5,682	4,697	-	-
	<b>78,195</b>	<b>72,264</b>	<b>-</b>	<b>-</b>
<b>Finance income</b>				
Interest income	105	183	29,291	26,946
	<b>78,300</b>	<b>72,447</b>	<b>29,291</b>	<b>26,946</b>

#### 6. Expenses

Profit before tax includes the following expenses:

<b>Depreciation expense</b>				
Depreciation of non-current assets	9,528	9,745	-	-
	<b>9,528</b>	<b>9,745</b>	<b>-</b>	<b>-</b>
<b>Finance costs</b>				
Interest expense	25,861	24,862	25,861	24,862
Amortisation of deferred borrowing costs	2,681	1,284	2,681	1,284
Borrowing costs	216	277	216	277
	<b>28,758</b>	<b>26,423</b>	<b>28,758</b>	<b>26,423</b>
<b>Other expenses</b>				
Loss on disposal of property, plant and equipment	285	405	-	-
Impairment loss on classification of asset held for sale	-	1,172	-	-
Professional fees	159	160	131	121
	<b>444</b>	<b>1,737</b>	<b>131</b>	<b>121</b>

**GDI (EII) Pty Limited and its controlled entities**  
**Notes to the financial statements (continued)**  
For the year ended 30 June 2014

**7. Cash and cash equivalents**

	Consolidated		Parent	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000

**(a) Reconciliation of cash and cash equivalents**

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	8,195	9,648	8,195	9,648
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**(b) Reconciliation of profit for the period to the net cash provided by operating activities**

Profit for the year	11,438	9,329	70	70
Depreciation expense	9,528	9,745	-	-
Impairment loss	-	1,172	-	-
Amortisation of deferred borrowing costs	2,681	1,284	2,681	1,284
Loss on disposal of property, plant and equipment	285	405	-	-
Income tax expense	4,842	4,000	30	30
Changes in assets and liabilities:				
Trade and other receivables	(44)	(981)	-	-
Trade and other payables	(704)	441	94	(169)
Other Financial liabilities	37	87	37	86
Deferred Revenue	(2,393)	(163)	-	-
Net cash provided by/ (used in) operating activities	25,670	25,318	2,912	1,301

**8. Assets held for sale**

Mansfield depot	-	3,500	-	-
	-	3,500	-	-

The Mansfield depot was classified as an asset held for sale in the prior year and has subsequently been sold in the current year.

**9. Other financial assets**

**Non-current assets**

**Investments carried at cost:**

Investments in controlled entities	-	-	195,100	195,100
Loans to related parties	-	-	343,034	343,450
	-	-	538,134	538,550

# GDI (EII) Pty Limited and its controlled entities

## Notes to the financial statements (continued)

For the year ended 30 June 2014

### 10. Other financial liabilities

	Consolidated		Parent	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Current liabilities</b>				
Derivatives - at fair value:				
Interest rates swaps - cash flow hedges	5,573	5,224	5,573	5,224
Redeemable preference shares - interest accrued	1,426	1,426	1,426	1,426
	6,999	6,650	6,999	6,650
<b>Non-current liabilities</b>				
Derivatives - at fair value:				
Interest rate swaps - cash flow hedges	7,102	7,433	7,102	7,433
Redeemable preference shares	52,000	52,000	52,000	52,000
	59,102	59,433	59,102	59,433
	66,101	66,083	66,101	66,083

### 11. Issued capital

	Consolidated and Parent		Consolidated and Parent	
	2014	2014	2013	2013
	No. of shares	\$	No. of shares	\$
	000	\$000	000	\$000
<b>Capital</b>				
Ordinary shares	195,100	195,100	195,100	195,100
	195,100	195,100	195,100	195,100

#### Movements:

Opening balance - fully paid	195,100	195,100	195,100	195,100
Shares Issued	-	-	-	-
Closing balance - fully paid	195,100	195,100	195,100	195,100

The Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares carry one vote per share and carry a right to dividend.

#### Redeemable cumulative preference shares

52,000,000 redeemable cumulative preference shares were issued by the company in December 2011. The redeemable cumulative preference shares issued by the Company, currently accruing dividends at a rate of 11% of the Issue Price each financial year, have been classified as financial liabilities.

## GDI (EII) Pty Limited and its controlled entities

### Notes to the financial statements (continued)

For the year ended 30 June 2014

#### 12. Reserves

	Consolidated		Parent	
	2014	2013	2014	2013
	\$000	\$000	\$000	\$000
<b>Reserves</b>				
Hedging	(8,718)	(8,731)	(8,718)	(8,731)
	(8,718)	(8,731)	(8,718)	(8,731)
<b>Hedging reserve</b>				
<b>Movements:</b>				
Balance at beginning of financial year	(8,731)	(8,087)	(8,731)	(8,087)
Gain/(loss) recognised:				
Interest rate swaps	19	(921)	19	(921)
Deferred tax arising on hedges	(6)	277	(6)	277
Balance at end of financial year	(8,718)	(8,731)	(8,718)	(8,731)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in the statement of profit or loss and other comprehensive income when the hedged transaction impacts the statement of profit or loss and other comprehensive income or is included as a basis adjustment to the non-financial hedge item, consistent with the applicable accounting policy.

#### 13. Dividends on equity instruments

	Cents per share	Total amount \$'000	Franked/ Unfranked	Date of payment
<b>Declared and paid during the current year</b>				
<b>Fully Paid ordinary shares</b>				
Final - June 2013	0.03	5,531	Unfranked	05 Sep 13
Interim September 2013	0.03	6,233	Unfranked	29 Oct 13
Interim December 2013	0.06	11,000	Unfranked	11 Mar 14
Interim March 2014	0.02	4,399	Unfranked	17 Jun 14
		<u>27,163</u>		

A final dividend on ordinary shares has not yet been declared at the time of signing this financial report.

#### 14. Subsidiaries

Name of Entity	Country of Registration	Ownership Interest	Ownership Interest
		2014 %	2013 %
<b>Parent Entity</b>			
GDI (EII) Pty Limited			
<b>Subsidiaries</b>			
Allgas Energy Pty Limited	Australia	100	100
Allgas Toowoomba Pty Limited	Australia	100	100
Allgas Pipelines Operations 1 Pty Limited	Australia	100	100
Allgas Pipelines Operations Pty Limited	Australia	100	100

## GDI (EII) Pty Limited and its controlled entities

### Notes to the financial statements (continued)

For the year ended 30 June 2014

#### 14. Subsidiaries (continued)

In accordance with a deed of cross guarantee, GDI (EII) Pty Limited has agreed to provide financial support, when and as required, to all wholly-owned controlled entities with either a deficit in shareholders' funds or an excess of current liabilities over current assets. The fair value of the financial guarantee as at 30 June 2014 has been determined to be immaterial and no liability has been recorded (2013: \$nil).

#### 15. Correction of prior period error

During the year ended 30 June 2014, management identified an error in accounting for the deferred tax balance attributable to the Gatton to Gympie easements, which were recorded as part of the initial business combination. Extracts of the Group's current year financial statements before the application of the correction are detailed below:

	Consolidated	
	2014	2013
	\$000	\$000
<b>Statement of financial position</b>		
Non-current assets		
Goodwill	82,958	82,958
Non-current liabilities		
Deferred tax liabilities	5,118	270

The omission of the correct treatment did not impact the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity or the Statement of Cash Flows.

#### Accounting Treatment

The error in the treatment of the deferred tax balance in the previous year's financial statement represents a prior period accounting error which must be accounted for retrospectively in the financial statements. Consequently, the Group adjusted all comparative amounts presented in the current period's financial statement affected by the accounting error. Extracts of the Group's financial statement after the retrospective correction of the prior period accounting error are detailed below:

	Consolidated	
	2014	2013
	\$000	\$000
<b>Statement of financial position</b>		
Non-current assets		
Goodwill	84,233	84,233
Non-current liabilities		
Deferred tax liabilities	6,393	1,545



## GDI (EII) Pty Limited and its controlled entities

### Notes to the financial statements (continued)

For the year ended 30 June 2014

#### 16. Auditors remuneration

	Consolidated		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Amounts received or due and receivable for:				
- audit services	110,363	107,145	83,042	80,623
	110,363	107,145	83,042	80,623

#### 17. Subsequent events

On 2 September 2014 the Board approved the quarterly Redeemable Preference Share dividend for the quarter ended 30 June 2014 for \$1.4 million.

## **GDI (EII) Pty Limited and its controlled entities**

### **Directors' declaration**

For the year ended 30 June 2014

As detailed in note 3 to the financial statements, the Company and the Group are not reporting entities because in the opinion of the Directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the Directors' reporting requirements under the Corporations Act 2001.

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the Company and Group will be able to pay their debts as and when they become due and payable; and
- (b) in the Directors' opinion, the attached financial statements and notes, set out on pages 5 to 23 are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company and Group.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 14 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors



M C Robinson  
Chairman

Sydney, 2 September 2014

The Directors  
GDI (EII) Pty Limited  
Level 19, HSBC Building  
580 George Street  
Sydney NSW 2000

2 September 2014

Dear Board Members

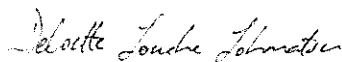
## GDI (EII) Pty Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of GDI (EII) Pty Limited.

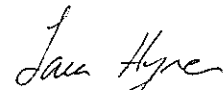
As lead audit partner for the audit of the financial statements of GDI (EII) Pty Limited for the financial year ended 30 June 2014, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Tara Hynes  
Partner  
Chartered Accountants

## **Independent Auditor's Report to the shareholders of GDI (EII) Pty Limited**

We have audited the accompanying financial report, being a special purpose financial report, of GDI (EII) Pty Limited, which comprises the statement of financial position as at 30 June 2014, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 5 to 24.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 3 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the shareholders. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of GDI (EII) Pty Limited would be in the same terms if given to the directors as at the time of this auditor's report.

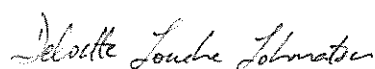
## *Opinion*

In our opinion, the financial report of GDI (EII) Pty Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 3, and the *Corporations Regulations 2001*.

## *Basis of Accounting*

Without modifying our opinion, we draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.



DELOITTE TOUCHE TOHMATSU



Tara Hynes  
Partner  
Chartered Accountants  
Sydney, 2 September 2014

