

AusNet Services Holdings Pty Ltd
ACN 086 006 859

Interim Financial Report

For the financial period ended 30 September 2022

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This interim financial report covers the consolidated entity consisting of AusNet Services Holdings Pty Ltd and its subsidiaries. The interim financial report is presented in Australian dollars.

AusNet Services Holdings Pty Ltd is a company limited by shares, incorporated and domiciled in Victoria, Australia. Its registered office and principal place of business is:

Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006
Australia

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial statements of AusNet Services Holdings Pty Ltd for the year ended 31 March 2022 and any public announcements made by AusNet Services Holdings Pty Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

The interim financial report was authorised for issue by the Directors on 29 November 2022.

Directors' Report

Introduction

The Directors of AusNet Services Holdings Pty Ltd present their report on the general purpose interim financial report of the consolidated entity for the financial period ended 30 September 2022.

The financial report is for AusNet Services Holdings Pty Ltd and its controlled entities (we, us, our, AusNet Services Holdings Group or the Group).

Our Board of Directors

The persons listed below were Directors of AusNet Services Holdings Pty Ltd during the whole of the financial period and up to the date of this report unless otherwise noted.

Tony **Narvaez** (Chief Executive Officer)

Mark **Ellul** (Chief Financial Officer)

HY2023 operating environment

The six months to 30 September 2022 constituted the Group's first reporting period since being acquired (indirectly) by the Brookfield Consortium. This period includes the impact of several items driven by the acquisition:

- The formation of a new tax consolidated group with Australian Energy Holdings No.1 Pty Ltd ("AEH1") as the head entity. This impacted the group via the 'push-down' of the revised tax base amounts, which has had a significant impact on deferred tax.
- The finalisation of the tax return for the previous tax consolidated group, with several items still under review by the ATO.
- An increase to dividend payments from the Group.
- An increase in gearing reflected in higher recorded borrowings and interest.

In addition to the above items related to the acquisition, the following key financial impacts occurred during the period:

- Finalisation of the employee underpayment provision and commencement of payments to current and former employees. As a result of this the provision was reduced by \$5.0 million and approximately \$5.1m of employee payments have been made.
- Completion of operating model restructures in various areas of the business, resulting in lower employee costs.

Operationally, the six-month period has seen further easing of COVID-19 restrictions and establishment of our 'new ways of working' including hybrid working arrangements and a return to the normal tempo of operations for field force work. The period also saw submission of the draft 2024-2029 Gas Access Arrangement Review proposal, which requested the following:

- \$1,191.3 million of revenue
- \$521.9 million of capital expenditure (a 3.9 per cent increase from 2018-2022 GAAR)
- \$300.6 million of operating expenditure (a 1.2 per cent increase from 2018-2022 GAAR)

The 2024 GAAR will also see the transition from a 31 December regulatory year-end to a 30 June regulatory year end (with the six months from 1 January 2023 to 30 June 2023 constituting a 'stub' period).

The period also saw several large-scale unregulated capital projects progress, with continued spend on Western Renewables Link, Renewable Energy Zone (REZ) projects, and new contracts for high-voltage connections for Microsoft data centres. Whilst compliance on Rapid Earth Fault Current Limiter (REFCL) projects remains challenging, all compliance points were met as at the date of this report.

Profitability and cash flows from operations were positively impacted by higher revenues than the comparative period. This was driven by higher regulated electricity and gas revenues, largely driven by a colder-than-average winter in 2022, and by higher customer contributions revenue.

Subsequent to the end of the period, October and November 2022 saw several instances of extreme flooding events across Victoria, which resulted in unplanned outages for customers. We are proactively working with regulators to manage these outages.

Regulatory and political settings remain challenging, with calls for greater government involvement at a state level in energy systems, and the challenge of required growth in regulated networks to facilitate the energy transition.

Directors' Report

Interim review of financial results

This discussion and analysis is provided to assist readers in understanding the general purpose interim financial report.

\$M	30 September 2022	30 September 2021	Movement	%
Revenue	717.2	672.7	44.5	6.6
Earnings before interest, tax, depreciation and amortisation (EBITDA)	459.1	411.3	47.8	11.6
Net profit after tax	1,044.4	85.9	958.5	1,115.8
Capital expenditure	257.1	283.5	(26.4)	(9.3)

The improvement in financial performance is largely driven by revenue which increased by \$44.5 million. The majority of this was in electricity distribution regulated revenue (+\$36.9 million) driven by the regulatory price path and a cold and wet winter in 2022 which increased electricity consumption in our network. In addition, customer contributions increased by \$10.6 million with an increase in new housing connections following easing of COVID-19 restrictions.

The increase in net profit after tax is largely driven by the income tax benefit recognised of \$879.5 million. The AusNet Services Holdings Group has joined a new tax consolidated group following the acquisition of AusNet Group on 16 February 2022. The tax consolidation event has resulted in the re-measurement of the tax base of assets and liabilities contributing to the recognition of net deferred tax assets of \$148.0 million, a change from net deferred tax liabilities of \$620.4 million recognised at 31 March 2022, driving the majority of the income tax benefit recognised.

The remainder of profit and loss movements largely offset each other and include:

- Higher TUoS due to the regulatory price path (offset by higher revenue) and higher council rates of \$4.5 million
- An increase in our gas environmental provision of \$4.1 million due to changes in inflation and discount rate assumptions
- An increase in depreciation and amortisation of \$3.1 million, largely in the electricity distribution segment
- An increase in finance charges due to higher gearing levels, largely offset by higher intercompany interest income from subsidiaries.
- A decrease in employee expenses of \$10.2 million due to operating model savings and the reduction of our employee underpayment provision.
- Hedge ineffectiveness gains year-on-year of \$10.0 million.

Prior year capital expenditure was higher primarily in the electricity distribution segment. This was due to the re-establishment of supply to 230,000 customers impacted by the June 2021 severe storm event (\$25.6 million) and the project completion and system go live on 1 October 2021 of our transition to the new Five-Minute Settlement (5MS) rule across the National Electricity Market (\$22.4 million). This was offset by higher REFCL and customer connections expenditure in the current period (\$27.8 million).

The financial performance for each of our businesses for the period is discussed below.

Electricity distribution business

	30 September 2022	30 September 2021	Movement	%
Segment revenue (\$M)	543.0	495.7	47.3	9.5
Segment result - EBITDA (\$M)	345.0	302.6	42.4	14.0
Capital expenditure (\$M)	193.4	215.5	(22.1)	(10.3)

As noted above, the electricity distribution segment was the major contributor to the results of the group for the period. Regulated revenue in the prior period was due to it being the first 6 months of a new regulatory period, with the expected lower revenues in the first year. In addition, in the previous year, our tariff period changed from a calendar year basis to a financial year basis ending 30 June. The change was effective from 1 July 2021. The transition to the new tariff period, required the AER to approve an interim or "stub" price for the six months ended 30 June 2021. The impact of the AER approved "stub" prices resulted in a revenue decline of \$16.4 million.

Directors' Report

Operating expenditure decreased by \$4.9 million primarily due to \$4.4 million higher TUoS charges (which are recovered through revenues over time). Other operating costs were largely consistent YoY, with the impact of lower labour costs offset by higher IT contractor costs.

The decrease in capital expenditure is, as noted above, due to prior year spend for the re-establishment of supply to 230,000 customers impacted by the June 2021 severe storm event (\$25.6 million) and the project completion and system go live on 1 October 2021 of our transition to the new Five-Minute Settlement (5MS) rule across the National Electricity Market (\$22.4 million). This was offset by higher REFCL and customer connections expenditure in the current period (\$27.8 million).

Gas distribution business

	30 September 2022	30 September 2021	Movement	%
Segment revenue (\$M)	145.9	144.8	1.1	0.8
Segment result - EBITDA (\$M)	110.4	113.2	(2.8)	(2.5)
Capital expenditure (\$M)	50.9	57.8	(6.9)	(11.9)

Gas revenues decreased by \$1.1 million year-on-year. Customer contributions increased by \$1.5 million and other revenue by \$0.9 million due to ancillary services revenue. This was offset by lower regulated revenue despite the cold winter weather in 2022, primarily due to tariff and pricing structures. The lower EBITDA is due to a \$3.9 million increase to the gas environmental provision due to increases in inflation assumptions.

The decrease in capital expenditure was largely due to higher prior year spend on meter replacements, customer gas connections and digital spend (primarily the cloud migration project).

Development & Future Networks business

This segment represents a subset of the total Development & Future Network business, with several business lines operating outside of the AusNet Services Holdings group.

	30 September 2022	30 September 2021	Movement	%
Segment revenue (\$M)	28.3	32.2	(3.9)	(12.1)
Segment result – EBITDA (\$M)	3.7	(4.5)	8.2	182.2
Capital expenditure (\$M)	12.8	10.2	2.6	25.5

Revenue decreased by \$3.9 million due the offsetting impacts of:

- First period with no geospatial revenues followings its divestment (-\$2.1 million)
- Decreased revenue in the water and gas and high-voltage testing business due to lower volumes (-\$3.3 million)
- Partially offset by new items in other revenue for ARENA funded renewables projects, DELWP resilience testing and Phillip Island Battery design works (+\$1.5 million).

EBTIDA improved by \$8.2 million, with the main driver being a decrease in corporate costs, with a review carried out during the year allocating more costs to the D&FN transmission business (outside of the AusNet Services Holdings Group).

Capital expenditure increased by \$2.6 million due to various distributed energy and metering capital expenditure projects. This is partially offset by prior year capital spend on 5-minute settlement for unregulated metering (\$3.3 million).

Financial position

Total equity of the Group was \$1,607.2 million as at 30 September 2022, an increase of \$893.7 million compared to 31 March 2022, primarily attributed to:

- Net profit of \$1,044.4 million and a gain on hedge accounting recognised in other comprehensive income of \$311.6 million, partially offset by;
- Payment of \$462.3 million of dividends

Directors' Report

Financial position (continued)

Our current liabilities exceed current assets by \$4.9 million at 30 September 2022. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations. The Group is, and is expected to continue trading profitably, generating positive operating cash flows, and successfully refinancing maturing debt. In addition, at 30 September 2022 the Group had a total of \$864.0 million of undrawn but committed bank debt facilities available, as well as \$64.3 million of cash and short-term investments.

Capital management

We manage our capital structure to maximise long-term returns to shareholders, as well as providing the flexibility to fund organic growth and other investment opportunities. An appropriate capital structure is also maintained to ensure an efficient cost of capital is available. Through our cash flows from operations and by maintaining an appropriate and prudent mix of debt and equity, we aim to achieve our targeted credit metrics that support an investment range credit rating.

Debt raising and repayment

In line with our Treasury Risk Policy, we maintain a diversified debt portfolio by maturity and source. The AusNet Group, for whom the Company raises debt as its common or central funding vehicle, has a BBB+ credit rating from Standard and Poor's and Baa1 from Moody's Investor Services. During the period, \$1.5 billion of the bridging facility novated to the Company from Brookfield and its co-investors at 31 March 2022 was re-financed by way of a syndicated bank debt facility of which \$2.1 billion was drawn down over the period. In addition \$750 million of AUD medium-term-notes were raised during the period.

Dividends

Following the acquisition by the Brookfield consortium (indirectly) of the AusNet Group, there has been an increase in overall dividends paid by the AusNet Services Holdings Group to its parent. Dividends paid:

	Total dividend \$M
Dividends for Quarter 2 CY2022	330.2
Dividends for Quarter 3 CY2022	132.1
Total	462.3

Environmental regulation and climate change

We were subject to both Federal and State Government environmental legislation during the period, including compliance with our obligations under the *Environment Protection Act 2017 (Vic)*, as amended by the *Environment Protection Act Amendment 2018*, from 1 July 2021. The act requires the protection of human health and the environment from pollution and waste and introduces proactive duties, including, among other obligations, a General Environmental Duty (GED), which is a duty to manage contaminated land and a duty to notify the Environmental Protection Authority (EPA) of contamination that meets or exceeds certain notifiable thresholds. AusNet maintains compliance with the requirements of this Act.

The most significant areas of environmental legislation applying to AusNet are those which regulate noise emissions, greenhouse gas emissions, the discharge of emissions to land, air and water, the management of oils, chemicals and dangerous goods, the disposal of wastes, and those which govern the assessment of land use including the approval of developments. The Directors are not aware of any breaches of legislation during the period which are material in nature.

Under the *National Greenhouse and Energy Reporting (NGER) Act 2007 (Cth)*, corporations that meet or exceed thresholds are required to report greenhouse gas emissions and energy usage by 31 October each year. We met these thresholds and have lodged our current year's NGER reporting with the Clean Energy Regulator for the period from 1 July 2021 to 30 June 2022.

Regulatory Update

Gas Access Arrangement Review – Draft proposal 2024-2029

AusNet submitted its draft proposal for the 2024-2029 GAAR in July 2022. This included consideration of the Victorian Government's gas roadmap and its impact on the regulated gas network. The proposal requested the following:

Directors' Report

Regulatory Update (continued)

Gas Access Arrangement Review – Draft proposal 2024-2029

- \$1,191.3 million of revenue
- \$521.9 million of capital expenditure (a 3.9 per cent increase from 2018-2022 GAAR)
- \$300.6 million of operating expenditure (a 1.2 per cent increase from 2018-2022 GAAR)

The AER's draft decision is due in December 2022.

The 2024 GAAR will also see the transition from a 31 December regulatory year-end to a 30 June regulatory year end (with the six months from 1 January 2023 to 30 June 2023 constituting a 'stub' period. A separate submission was performed for this period, for which a draft decision was received in July 2022.

Material risks and uncertainties

We are committed to understanding and effectively managing risk to enhance our ability to deliver on our strategic objectives and meet expectations of our shareholders, employees, customers, suppliers, and the communities in which we operate. We maintain oversight of our material business risks (financial and non-financial) at an enterprise-wide level, with regular reporting to the Audit and Risk Committee and the Board of Directors on the effectiveness of the management of these risks. This practice continues under new directorship following the acquisition by the Brookfield consortium.

In our 31 March 2022 Financial Report, we detailed the following principal risks, which may materially impact the execution and achievement of our business strategy and financial prospects:

- Health and safety risks
- Industry and regulatory risks;
- Climate change and sustainability risks;
- Information technology and security risks;
- Management and personnel risks; and
- Network reliability and services delivery risks.

We provide the following update on our material risks since the 31 March 2022 Financial Report:

Industry and regulatory risks

Rapid Earth Fault Current Limiter (REFCL) update

On 1 May 2016, the Electricity Safety (Bushfire Mitigation) Amendment Regulations 2016 (Amended Bushfire Mitigation Regulations) came into effect in Victoria. The amended regulations require three Victorian distributors including AusNet to install REFCLs at designated zone substations. The purpose of the REFCL devices is to reduce the risk of a bushfire caused by a fallen powerline.

We are installing these devices across 22 of our zone substations in Victoria. Each zone substation is attributed a compliance point score from 1 to 5 with the highest value attributed to those zone substations where the mitigation measure would provide the greatest benefit depending on the degree of bushfire risk. The table below details our progress to date and anticipated progress:

Compliance date	Completed		To be completed	Total
	1 November 2021	1 November 2022	1 May 2023	
Zone substations	14	5	3	22
Compliance points	47	9	8	64

Subsequent to the half year period, the Group has demonstrated compliance to Energy Safety Victoria in relation to the 1 November 2022 deadlines indicated above and received official confirmation that compliance was achieved. The Group expects to meet final compliance deadlines of 1 May 2023. However, this program presents several risks, which continue to be present and are being actively managed. The risk of penalties under the regime remains possible until the program is completed.

Directors' Report

Industry and regulatory risks (continued)

Rapid Earth Fault Current Limiter (REFCL) update (continued)

The amended Electricity Safety Act 1998 (Vic) (ESA) enables Energy Safe Victoria (ESV) or the Minister, to apply to the Supreme Court of Victoria seeking the imposition of significant financial penalties if a distributor fails to achieve the number of points prescribed by the Regulations throughout the applicable period. The legislation provides that the Court can impose a maximum penalty of \$2 million per point for each station for which a distributor has not achieved compliance. Accordingly, penalties of up to \$10 million per zone substation can apply if AusNet fails to achieve the required capacity during the relevant compliance period. Additionally, the Court can impose a maximum daily penalty of \$5,500 for each day AusNet remains non-compliant. All required compliance points were achieved for the 1 November 2022 deadline, but the ongoing risk of the project remains present.

Taxation risks

AusNet is subject to annual Australian Tax Office (ATO) reviews of the income tax return and various tax positions adopted by AusNet. There is a risk that changes in tax law, or changes in the way that tax laws are interpreted, may materially impact the tax liabilities of the Group.

We continue to work with the ATO on tax matters relating to the previous tax consolidated group and its final tax return for the period 1 April 2021 to 16 February 2022. Our objection in relation to certain tax consolidation and capital allowance positions arising from the corporate restructure completed in June 2015 remains open. If successful, the tax consolidation element would result in a higher uplift in tax base prior to the acquisition date. AusNet's financial statements and tax returns do not reflect this potential uplift. This matter commenced Court proceedings during the year.

In relation to the capital allowances element of the 2015 corporate restructure objection there are several other matters for which we continue to work proactively with the ATO. During the period, the exposure of \$11.0 million has been recognised in relation to historical deductions for distribution line underground works related to the Powerline Replacement Fund programme. Further details regarding this matters contained in note B.6 to the financial statements.

Government and legislative risks

In the last twelve months, two significant events have created risks that management continues to monitor, being:

- The Victorian Government's gas roadmap plan, which seeks to prohibit gas connections to new properties and ultimately phase out household gas in favour of electrification, and
- The Victorian Government's announcement of its plans to re-establish the State Electricity Commission of Victoria (SECV) in order to publicly fund new renewables connections

Management continues to work collaboratively with Government and the AER to adapt to any future changes.

Significant changes in the state of affairs

Other than referred to above, in the opinion of the Directors, there were no significant changes in the state of affairs of the Group that occurred during the period under review.

Matters subsequent to the end of the financial period

There has been no matter or circumstance that has arisen since 30 September 2022 up to the date of issue of this financial report that has significantly affected or may significantly affect:

- (a) the operations in the financial period subsequent to 30 September 2022 of the Group;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial period subsequent to 30 September 2022, of the Group.

Directors' Report

Rounding of amounts

AusNet is a company of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars unless otherwise stated.

This report is made in accordance with a resolution of the Directors.



Tony Narvaez
Director

Melbourne
29 November 2022



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of AusNet Services Holdings Pty Ltd

As lead auditor for the review of AusNet Services Holdings Pty Ltd for the half-year ended 30 September 2022, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;
- b. No contraventions of any applicable code of professional conduct in relation to the review; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of AusNet Services Holdings Pty Ltd and the entities it controlled during the financial period.

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A handwritten signature of 'Kester C Brown' in black ink, written in a cursive style.

Kester C Brown
Partner
29 November 2022

Consolidated interim income statement

For the period ended 30 September 2022

		30 September	30 September
		2022	2021
	Notes	\$M	\$M
Revenue	B.2	717.2	672.7
Use of system and associated charges		(72.4)	(67.4)
Employee benefit expenses		(59.8)	(70.0)
External maintenance and contractors' services		(61.6)	(62.1)
Materials		(5.1)	(6.5)
Information technology and communication costs		(24.3)	(23.6)
Administrative expenses		(13.2)	(14.4)
Service level payments		(2.9)	(3.1)
Disposal of property plant and equipment		(3.7)	(4.6)
Other costs		(15.1)	(9.7)
Total expenses excluding depreciation, amortisation, interest and tax		(258.1)	(261.4)
Earnings before interest, tax, depreciation and amortisation		459.1	411.3
Depreciation and amortisation		(171.0)	(167.9)
Profit from operating activities		288.1	243.4
Finance income	D.2	63.5	51.5
Finance costs	D.2	(186.7)	(181.8)
Net finance costs		(123.2)	(130.3)
Profit before income tax		164.9	113.1
Income tax benefit (expense)	B.6	879.5	(27.2)
Profit for the period		1,044.4	85.9

The above consolidated interim income statement should be read in conjunction with the accompanying notes.

Consolidated interim statement of comprehensive income

For the period ended 30 September 2022

	30 September 2022	30 September 2021
	\$M	\$M
Profit for the period	1,044.4	85.9
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent periods		
Movement in defined benefit fund	0.8	5.3
Income tax on movement in defined benefit fund	(0.2)	(1.6)
	0.6	3.7
Items that may be reclassified to profit or loss in subsequent periods		
Movement in hedge reserve	444.3	(94.0)
Income tax on movement in hedge reserve	(133.3)	28.2
	311.0	(65.8)
Other comprehensive loss for the period, net of income tax	311.6	(62.1)
Total comprehensive income for the period	1,356.0	23.8

The above consolidated interim income statement should be read in conjunction with the accompanying notes.

Consolidated interim statement of financial position

As at 30 September 2022

	Notes	30 September 2022 \$M	31 March 2022 \$M
ASSETS			
Current assets			
Cash and cash equivalents		64.3	270.8
Receivables	B.4	274.7	223.1
Other financial assets	B.5	0.4	1.4
Inventories		39.5	36.9
Derivative financial instruments		7.7	2.8
Other assets		20.3	20.0
Total current assets		406.9	555.0
Non-current assets			
Receivables		3,347.9	3,351.5
Property, plant and equipment	C.1	7,069.9	6,990.6
Intangible assets	C.2	528.8	527.8
Other financial assets	B.5	10.7	9.6
Deferred tax assets	B.6	148.0	-
Derivative financial instruments		921.6	400.2
Other assets		89.4	86.3
Total non-current assets		12,116.3	11,366.0
Total assets		12,523.2	11,921.0
LIABILITIES			
Current liabilities			
Payables and other liabilities		293.8	268.9
Lease liabilities		5.0	5.0
Provisions		56.7	73.3
Borrowings	D.1	56.0	338.3
Derivative financial instruments		0.3	19.3
Total current liabilities		411.8	704.8
Non-current liabilities			
Deferred revenue		109.3	114.0
Lease liabilities		24.7	29.1
Provisions		38.6	41.0
Borrowings	D.1	9,613.3	9,183.2
Derivative financial instruments		718.3	515.0
Deferred tax liabilities		-	620.4
Total non-current liabilities		10,504.2	10,502.7
Total liabilities		10,916.0	11,207.5
Net assets		1,607.2	713.5
EQUITY			
Contributed equity	D.3	2,678.1	2,678.1
Reserves		(1,476.4)	(1,787.4)
Retained profits/ (accumulated losses)		405.5	(177.2)
Total equity		1,607.2	713.5

The above consolidated interim statement of financial position should be read in conjunction with the accompanying notes.

Consolidated interim statement of changes in equity

For the period ended 30 September 2022

	Notes	Contributed equity \$M	Re- structure Reserve (i) \$M	Asset revalua- tion reserve \$M	Hedge reserve (ii) \$M	Retained profits/ (loss) \$M	Total equity \$M
30 September 2022							
Balance as at 1 April 2022		2,678.1	(2,000.0)	1.5	211.1	(177.2)	713.5
Total comprehensive income for the period							
Profit for the period		-	-	-	-	1,044.4	1,044.4
Other comprehensive income		-	-	-	311.0	0.6	311.6
Total comprehensive income for the period							
		-	-	-	311.0	1,045.0	1,356.0
Transactions with owners, recorded directly in equity							
Dividends (iii)	D.4	-	-	-	-	(462.3)	(462.3)
Total transactions with owners							
		-	-	-	-	(462.3)	(462.3)
Balance as at 30 September 2022							
		2,678.1	(2,000.0)	1.5	522.1	405.5	1,607.2
30 September 2021							
Balance as at 1 April 2021		1,625.1	-	-	(293.2)	(70.1)	1,261.8
Total comprehensive income for the period							
Profit for the period		-	-	-	-	85.9	85.9
Other comprehensive income		-	-	-	(65.8)	3.7	(62.1)
Total comprehensive income for the period							
		-	-	-	(65.8)	89.6	23.8
Transactions with owners, recorded directly in equity							
Dividends (iii)	D.4	-	-	-	-	(181.9)	(181.9)
Share based payment reserve	D.3	0.5	-	-	-	-	0.5
Total transactions with owners							
		0.5	-	-	-	(181.9)	(181.4)
Balance as at 30 September 2021							
		1,625.6	-	-	(359.0)	(162.4)	1,104.2

- (i) As a part of the financing for the acquisition of AusNet Pty Ltd (formerly AusNet Services Ltd), Australian Energy Holdings No 4 Pty Limited (the new immediate holding entity of AusNet Services Ltd) entered into a \$2.0 billion two year bridging loan facility. On 9 March 2022, AusNet Services Holdings Pty Ltd assumed all liabilities of this facility. As a result, there was no cash proceeds received for the novated facility and an entry to restructure reserves of \$2.0 billion was recognised as an equity transaction with owners. \$0.5 billion of the loan was repaid on 30 March 2022, and the remaining \$1.5 billion was repaid during the half year ended 30 September 2022.
- (ii) The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. These gains or losses are transferred to the income statement when the hedged item affects income, except for highly probable forecast purchases of an asset where the gains or losses are included in the initial measurement of that asset.
- (iii) In the current half year period, dividends were paid from AusNet Services Holdings Pty Ltd to AusNet Services (Distribution) Pty Ltd. For the half year ended 30 September 2021, dividends were paid from AusNet Services Holdings Pty Ltd to AusNet Services (Distribution) Pty Ltd.

The above consolidated interim statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated interim statement of cash flows

For the period ended 30 September 2022

	30 September 2022	30 September 2021
Notes	\$M	\$M
Cash flows from operating activities		
Profit for the period	1,044.4	85.9
Add back interest, tax, depreciation and amortisation	(585.3)	325.4
Earnings before interest, tax, depreciation and amortisation	459.1	411.3
Non-cash gifted assets revenue	(26.7)	(22.4)
Other non-cash items	3.4	4.6
Working capital movement	(97.5)	(20.1)
Non-cash intercompany transactions	(8.1)	96.0
Net interest paid	(215.1)	(180.2)
Net cash inflow from operating activities	115.1	289.2
Cash flows from investing activities		
Payments for property, plant and equipment (i)	(217.9)	(256.8)
Proceeds from sale of property, plant and equipment	1.2	0.2
Receipts from financial assets	0.2	0.2
Proceeds from short term investments (ii)	-	519.8
Net cash (outflow)/inflow from investing activities	(216.5)	263.4
Cash flows from financing activities		
Proceeds/(repayments) of loans with related parties	78.0	(92.6)
Payments for lease liabilities	(2.1)	(2.1)
Proceeds from borrowings (iii)	2,111.0	-
Dividends paid	(457.0)	-
Repayments of borrowings (iv)	(1,835.0)	(955.4)
Net cash outflow from financing activities	(105.1)	(1,050.1)
Net decrease in cash held	(206.5)	(497.5)
Cash and cash equivalents at beginning of the period	270.8	826.3
Cash and cash equivalents at end of the period	64.3	328.8

- (i) Payments for property, plant and equipment include \$3.1 million (HY2021: \$4.1 million) for capitalised finance charges.
- (ii) There were no (HY2021: \$519.8 million) short term deposits with a maturity date more than 3 months that were redeemed as cash during the period.
- (iii) Proceeds from borrowings include \$2.1 billion drawn from new syndicated facilities entered into during the half year ended 30 September 2022 and \$56.0 million drawn from the working capital facility.
- (iv) Repayments of borrowings includes a \$1.5 billion repayment of the bridging loan facility that was used for financing for the acquisition of AusNet group taken by Australian Energy Holdings No 4 Pty Limited, assumed by AusNet Services Holdings Pty Ltd in the year ended 31 March 2022, and a \$335.0 million repayment of domestic medium-term notes.

The above consolidated interim statement of cash flows should be read in conjunction with the accompanying notes.

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Section A Overview

(a) Basis of preparation

The consolidated general purpose interim financial report, prepared by a for-profit entity for the period ended 30 September 2022, represents the consolidated financial statements of the Group (or AusNet Services Holdings Group), which comprises AusNet Services Holdings Pty Ltd (the Company) and its subsidiaries. The ultimate Australian parent of the Company is Australian Energy Holdings No 1 Pty Ltd, which is part of a consolidated group operating as AusNet (also referred to as us, our, we).

The Company's current parent, AusNet Pty Ltd (formerly AusNet Services Ltd), previously had ordinary equity securities trading on the ASX. On 16 February 2022, all shares in AusNet Services Ltd, the former ultimate Australian parent of the Company was acquired by Australian Energy Holdings No 4 Pty Ltd. Australian Energy Holdings No 4 Pty Ltd is wholly owned (indirectly) by Australian Energy Holdings No 1 Pty Ltd, which became the AusNet consolidated group's new ultimate parent in Australia. Following the acquisition, the ordinary equity securities of AusNet Services Ltd were delisted from the ASX whilst the debt instruments issued by AusNet Services Holdings Pty Ltd continues to trade on the ASX. As such, the Company is deemed to be a disclosing entity.

The financial report has been prepared:

- in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth);
- on a going concern basis, which contemplates the continuity of normal trading operations. Our current liabilities exceed current assets by \$4.9 million at 30 September 2022, primarily due to the classification of the working capital facility maturing in the next 12 months as a current liability. The Group is, and is expected to continue to trade profitably, generate positive operating cash flows, and successfully refinance maturing debt. In addition, at 30 September 2022 the Group has available a total of \$864.0 million of undrawn but committed bank debt facilities, as well as \$64.3 million of cash and short-term investments. On this basis, the Directors are of the opinion the going concern basis of preparation remains appropriate. The interim financial report does not contain any adjustments relating to the recoverability or classification of assets or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.
- under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) measured at fair value; and
- with amounts rounded off to the nearest hundred thousand dollars, unless otherwise stated, in accordance with Instrument 2016/191 issued by the Australian Securities and Investments Commission.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial statements of the Group for the year ended 31 March 2022 and any public announcements made by AusNet Services Holdings Pty Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This general purpose interim financial report is presented in Australian dollars.

The interim financial statements were approved by the Board of Directors on 29 November 2022.

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 March 2022.

(b) Critical accounting estimates and judgements

The preparation of the consolidated interim financial report requires management to make estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The Group has identified a new critical accounting estimate in relation to the determination of a deferred tax asset. This arises from the increase in the tax base of depreciable assets for the AusNet Services Holdings Group, following the acquisition of the AusNet Pty Ltd Group (formerly AusNet Services Ltd) and the Company joining of a new tax consolidated group. Management judgment has been applied to determine the amount of Deferred Tax Asset that can be recognised based on forecast taxable income. A level of uncertainty is associated with the estimation of forecast future taxable income.

In addition, the increase in the tax base due to the tax consolidation event represents an estimate, as the tax consolidation calculations are not final. The final quantum of the asset base uplift, and unrecognised deferred tax asset, may change upon finalisation of the tax consolidation calculations. Refer to Note B.6.

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(b) Critical accounting estimates and judgements (continued)

Other than the estimate noted above, the key sources of estimation uncertainty were the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 March 2022.

Some of the critical judgements and estimates used by management in applying the Group's accounting policies for the period ended 30 September 2022 have been updated to reflect the latest available information. Aside from tax matters referred to above and in Note B.6, these updates have not had a significant impact on the financial performance or financial position of the Group as at and for the period ended 30 September 2022.

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Section B Operating our business

This section highlights the performance of the Group for the period, including results by operating segment and analysis of revenue.

Note B.1 Segment information

Segment information is based on the information that management uses to make decisions about operating matters and allows users to review operations through the eyes of management. We present our reportable segments and measure our segment results for each of our regulated networks as well as our Development & Future Networks business.

(a) Description of reportable segments

An operating segment is a component of the Group that engages in business activities from which it earns revenues and incurs expenses for which discrete financial information is available and whose operating results are regularly reviewed by the Chief Operating decision maker.

The Group is organised into the following segments:

(i) *Electricity distribution*

The electricity distribution network carries electricity from the high voltage transmission network to end users, including metering.

The electricity distribution segment does not purchase or sell electricity. Our electricity distribution network covers eastern Victoria including the eastern metropolitan region of Melbourne. We charge retailers and some large customers regulated rates for the use of the electricity distribution network.

The performance obligation is the provision of the access to the network and as such use of system revenue is recognised over the contract period which is deemed to be the regulatory reset period. The transaction price is deemed to be the determined recoverable revenue over that period. Variable consideration relating to volumes is constrained to the period in which it occurs, and volume over or under recoveries under the revenue cap are not considered to comprise intangible assets in accordance with AASB 138 *Intangible Assets*.

Excluded ancillary and alternative control services including public lighting, cross boundary charges and new connection charges are rendered to customers for a fixed rate with revenue recognised at a point in time when the services are rendered.

Customer Contributions

Customer contributions include the receipt of cash from a customer for the construction of assets, or the contribution of completed assets to us.

Non-refundable contributions received from customers towards the cost of extending or modifying our networks are generally recognised as revenue and an asset respectively once control is gained of the contribution or asset and it is operating as intended. The performance obligation is at a point in time being the time at which the customer is connected to the network.

For some customer projects, the performance obligation will be linked to an ongoing service contract, and hence the performance obligation will be satisfied over time, being the contract term.

Customer contributions of cash are measured with reference to the cash contribution received and customer contributions of assets are measured at the fair value of the assets contributed at the date we gain control of the asset. Fair value is determined with reference to the depreciated replacement cost of the asset unless another measure of fair value is considered more appropriate.

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Note B.1 Segment information (continued)

(a) Description of reportable segments (continued)

(ii) Gas distribution

The gas distribution network carries natural gas to commercial and residential end users, including metering.

The gas distribution segment does not purchase or sell gas. Our gas distribution network covers central and western Victoria. We charge retailers and some large customers regulated rates for the use of the gas distribution network.

The performance obligation is the provision of the access to the network and as such use of system revenue is recognised over the contract period which is deemed to be the regulatory reset period. The transaction price is deemed to be the determined recoverable revenue over that period. Variable consideration, being the volume fluctuations or true ups for unaccounted for gas are constrained to the period to which they apply.

Customer contributions in the gas distribution segment are accounted for in the same way as the electricity distribution segment.

(iii) Development & Future Networks

The Development & Future Networks segment provides energy services, as well as a range of asset and utility services to support the management of electricity, gas, and water networks. Many of these services continue to be provided under the Mondo brand.

The Development & Future Networks segment also provides various asset and utility services to customers. Revenues from these services are recognised at a point in time as the services are rendered.

This segment represents a subset of the total Development & Future Network business of the AusNet Group, with several business lines operating outside of the AusNet Services Holdings group.

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Note B.1 Segment information (continued)**(b) Reportable segment financial information**

	Electricity distribution	Gas distribution	Development & Future Networks	Consolidated
	\$M	\$M	\$M	\$M
30 September 2022				
Regulated revenue	495.7	138.8	-	634.5
Customer contributions	43.7	6.2	-	49.9
Service revenue	-	-	25.3	25.3
Other revenue	3.6	0.9	3.0	7.5
Total segment revenue	543.0	145.9	28.3	717.2
Segment operating expense	(198.0)	(35.5)	(24.6)	(258.1)
Segment result - EBITDA (i)	345.0	110.4	3.7	459.1
Lease interest income	-	-	0.5	0.5
EBITDAaL (ii)	345.0	110.4	4.2	459.6
Depreciation and amortisation	(138.9)	(30.4)	(1.7)	(171.0)
Capital expenditure	193.4	50.9	12.8	257.1
30 September 2021				
Regulated revenue	458.8	139.9	-	598.7
Customer contributions	34.6	4.7	-	39.3
Service revenue	-	-	31.4	31.4
Other revenue	2.3	0.2	0.8	3.3
Total segment revenue	495.7	144.8	32.2	672.7
Segment operating expense	(193.1)	(31.6)	(36.7)	(261.4)
Segment result - EBITDA (i)	302.6	113.2	(4.5)	411.3
Lease interest income	-	-	0.3	0.3
EBITDAaL (ii)	302.6	113.2	(4.2)	411.6
Depreciation and amortisation	(132.2)	(29.7)	(6.0)	(167.9)
Capital expenditure	215.5	57.8	10.2	283.5

(i) Earnings before interest, tax, depreciation and amortisation.

(ii) EBITDA after lease income

(c) Notes to and forming part of the segment information*(i) Accounting policies*

Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. The Cost Allocation Methodologies as approved by the Australian Energy Regulator (AER) are used as the basis for allocating expenses to the relevant segment.

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Note B.2 Revenue from contracts with customers**Disaggregated revenue**

In the following table, revenue is disaggregated by revenue type and timing of recognition. The table also includes a reconciliation of the disaggregated revenue with AusNet's reportable segments (note B.1).

	Electricity distribution	Gas distribution	Development & Future Networks	Total
	\$M	\$M	\$M	\$M
30 September 2022				
Timing of recognition				
At a point in time	58.0	10.4	18.6	87.0
Over time	484.1	135.5	9.7	629.3
Revenue from contracts with customers	542.1	145.9	28.3	716.3
Other income not in scope of AASB 15				
Operating lease income	0.1	-	-	0.1
Income from government grants (i)	0.8	-	-	0.8
Total segment revenue	543.0	145.9	28.3	717.2
30 September 2021				
Timing of recognition				
At a point in time	46.9	8.3	21.4	76.6
Over time	447.9	136.5	10.8	595.2
Revenue from contracts with customers	494.8	144.8	32.2	671.8
Other income not in scope of AASB 15				
Operating lease income	0.1	-	-	0.1
Income from government grants (i)	0.8	-	-	0.8
Total segment revenue	495.7	144.8	32.2	672.7

- (i) Government grant income in the electricity distribution segment comprises grants under the Powerline Replacement Program whereby grants are received to fund bushfire safety capital expenditure, with income recognised over the life of the constructed assets.

Note B.3 Seasonality of operations**(a) Electricity distribution**

Electricity distribution volumes display some seasonal variation with increased volumes in winter due to higher demand for heating and increased volumes in summer as a result of higher demand for air conditioning. However, the impact of seasonal volume variation on electricity distribution revenue is limited due to the tariff structure, which includes a fixed component and a contract demand capacity component. The high proportion of process related consumption of commercial and industrial customers also limits seasonal variation. Electricity distribution revenue operates under a revenue cap, with the amount of total revenue fixed over the regulatory reset period. Any under/over recovery in a particular calendar year will be built into subsequent years' tariffs.

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Note B.3 Seasonality of operations (continued)**(b) Gas distribution**

Gas distribution volume is seasonal with a distinct winter peak due to gas demand for heating. A component of the seasonal revenue variation is mitigated due to the tariff structure, which includes a fixed component and a demand capacity-based component.

(c) Development & Future Networks (formerly referred to as Growth & Future Networks)

Development & Future Networks revenue is not seasonal and is earned as the services are rendered.

Note B.4 Receivables

	30 September 2022 \$M	31 March 2022 \$M
Current receivables		
Accounts receivable	78.3	8.8
Allowance for impairment loss	(0.2)	-
Accrued revenue	120.4	99.1
Interest receivable	-	0.1
Inter-company receivable	76.2	115.1
Total receivables	274.7	223.1
Non-current receivables		
Common Funding Vehicle loan receivable (i)	3,347.9	3,351.5

- (i) As the common funding vehicle, AusNet Services Holdings Pty Ltd lends funds to other entities within the AusNet Services Group, including AusNet Transmission Group Pty Ltd. Related party interest is charged based on the weighted average interest rate of Company's borrowings for the relevant regulated business. The interest rate is reset quarterly.

Note B.5 Other financial assets

	30 September 2022 \$M	31 March 2022 \$M
Current other financial assets		
Lessor finance receivable (i)	0.4	1.4
Total other current financial assets	0.4	1.4
Non-current other financial assets		
Lessor finance receivable (i)	9.2	8.1
Investment in equity instruments	1.5	1.5
Total other financial assets	11.1	9.6

- (i) The Group has determined that its dedicated customer connection assets meet the definition of a finance lease, resulting in the recognition of a lessor receivable instead of property, plant and equipment. This receivable is initially measured at the construction cost of the asset, which is equivalent to its fair value. The receivable is subsequently measured at the present value of remaining revenue receipts, discounted at the interest rate implicit in the customer agreement.

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Note B.6 Taxation

(a) Tax consolidation event

Following the acquisition of AusNet Group on 16 February 2022, AusNet Services Holdings Pty Ltd joined a tax consolidated group headed by Australian Energy Holdings No 1 Pty Limited and is subject to a new tax funding arrangement. Australian Energy Holdings No 1 Pty Limited will file its first tax return for the tax consolidated group for the period ending 31 December 2022.

This tax consolidation event resulted in a reset and increase in the tax base of depreciable assets for the AusNet Services Holdings Group, which has created an estimated deductible temporary difference of \$3.5 billion. The increase in the tax base of depreciable assets represents an estimate, as the tax consolidation calculations are not final and is subject to change upon finalisation of the tax consolidation calculations.

Recognition of an associated Deferred Tax Asset for this deductible temporary difference was assessed under the requirements of AASB 112 Income Taxes, and an amount of \$148.0 million was recognised. This was based on the forecasted taxable income of the AusNet Services Holdings Group. A prima facie deferred tax assets of \$670.1 million relating to the step-up of the tax bases was not recognised at 30 September 2022, as it was assessed as not being probable of utilisation at the date of the interim financial report.

The DTA has been recognised against income tax expense, representing the uplift in future tax depreciation. This amount is subject to re-assessment in future periods based on management's forecasted taxable income.

(b) Uncertain tax positions

At present there are several tax matters and tax positions of the former AusNet tax consolidation group that are being considered:

- In FY2021, an objection was filed with the ATO in relation to potential uplifts in tax bases in relation to the tax consolidation event in 2015. The ATO has provided notice to disallow this objection in May 2022 and the Group has initiated court proceedings, with a court ruling to be scheduled in 2024. No tax position has been recognised in the financial statements, as the tax base in historical tax returns had reflected ATO's position.
- On 17 October 2022, the ATO issued a tax position paper to AusNet in relation to the deductibility of certain historical capital expenditure incurred in relation to the Powerline Replacement Fund programme. The Group is assessing its position but expects to file an objection against the ATO. The exposure of \$11.0m has been recognised in determining the current and deferred tax positions based on a probability weighted range of possible outcomes.

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Section C Investing in our business

This section highlights the investments made by us into our non-current asset base, including the core network assets.

Note C.1 Property, plant and equipment

	Freehold land \$M	Buildings \$M	Easements \$M	Electricity distribution network \$M	Gas distribution network \$M	Other plant and equipment \$M	Right- of-use asset \$M	Capital work in progress \$M	Total \$M
30 September 2022									
Cost	44.4	163.5	3.6	7,547.7	2,524.3	555.5	42.8	290.1	11,171.9
Accumulated depreciation	-	(18.6)	-	(2,773.0)	(784.8)	(509.7)	(15.9)	-	(4,102.0)
Carrying amount as at 30 September 2022	44.4	144.9	3.6	4,774.7	1,739.5	45.8	26.9	290.1	7,069.9
31 March 2022									
Cost	45.6	160.8	3.6	7,426.4	2,477.8	560.4	46	264.7	10,985.3
Accumulated depreciation	-	(17.3)	-	(2,683.0)	(761.6)	(512.9)	(19.9)	-	(3,994.7)
Carrying amount as at 31 March 2022	45.6	143.5	3.6	4,743.4	1,716.2	47.5	26.1	264.7	6,990.6

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Note C.2 Intangible assets

	Distribution licences \$M	Goodwill \$M	Software \$M	Total \$M
30 September 2022				
Cost	354.5	35.8	674.6	1,064.9
Accumulated amortisation	-	-	(509.2)	(509.2)
Accumulated impairment	-	(23.8)	(3.1)	(26.9)
Carrying amount as at 30 September 2022	354.5	12.0	162.3	528.8
31 March 2022				
Cost	354.5	35.8	656.5	1,046.8
Accumulated amortisation	-	-	(492.1)	(492.1)
Accumulated impairment	-	(23.8)	(3.1)	(26.9)
Carrying amount as at 31 March 2022	354.5	12.0	161.3	527.8

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Section D Financing our business

This section provides information relating to our capital structure and our exposure to financial risks, how they affect the Group's financial position and performance, and how those risks are managed. The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's consolidated financial report as at and for the year ended 31 March 2022.

Note D.1 Borrowings

		30 September	31 March
		2022	2022
	Maturity date	\$M	\$M
Current borrowings			
Working capital facility	November 2022	56.0	338.3
Total current borrowings		56.0	338.3
Non-current borrowings			
Hong Kong dollar (HKD) senior notes (i)	2026-2034	800.8	729.8
Domestic medium-term notes	2024-2043	2,387.3	2,474.0
Bank debt facilities	2025-2032	2,036.7	1,499.9
Euro (EUR) senior notes (i)	2024-2030	2,176.5	2,217.0
Japanese Yen (JPY) senior notes (i)	2024	54.5	55.7
US dollar (USD) senior notes (i)	2026	121.4	106.1
Norwegian Kroner (NOK) senior notes (i)	2027-2029	439.8	505.0
Australian dollar (AUD) hybrid (ii)	2080	647.1	649.5
Euro (EUR) hybrid securities (i), (ii)	2081	949.2	946.2
Total non-current borrowings		9,613.3	9,183.2
Total borrowings		9,669.3	9,521.5

- (i) The carrying value of foreign currency borrowings are translated at spot rate as at balance date. The foreign currency risk associated with these borrowings is hedged through the use of cross-currency swaps.
- (ii) The first call date for hybrid securities is in October 2025 for AUD hybrids and September 2026 for EUR hybrids. The Group has an option to make repayments at these call dates.

The Group had \$864.0 million of undrawn but committed bank debt facilities and \$64.3 million cash as at 30 September 2022.

(a) Fair value measurement

Derivative financial instruments are recognised at fair value and are measured in accordance with generally accepted pricing models based on discounted cash flow analysis. Appropriate transaction costs are included in the determination of net fair value. These pricing models use significant market observable data as well as market corroboration based on active quotes. As such, fair value measurements are deemed level two within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. The Group does not have any financial instruments which would be categorised as either level one or three of the fair value hierarchy.

The Group also has a number of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position. With the exception of borrowings, the carrying amounts of these items are considered to be a reasonable approximation of their fair value at 30 September 2022.

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Note D.1 Borrowings (continued)**(a) Fair value measurement (continued)**

The fair value of total borrowings as at 30 September 2022 is \$10,096.3 million (31 March 2022: \$10,245.0 million). This fair value measurement uses significant market observable data, and therefore is a level two measurement within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. The valuation techniques applied are consistent with those applied in the consolidated financial report as at and for the year ended 31 March 2022.

Note D.2 Net finance costs

	30 September 2022	30 September 2021
	\$M	\$M
Finance income		
Interest income	0.1	1.8
Interest income – related party	62.9	49.4
Lease interest income	0.5	0.3
Total finance income	63.5	51.5
Finance costs		
Interest expense	190.1	175.3
Interest expense – leases	(0.7)	1.6
Other finance charges - cash	3.2	1.5
Other finance charges - non-cash	6.0	3.6
Loss/(gain) on accounting for hedge relationships	(6.3)	3.7
Unwind of discount on provisions	(1.4)	0.8
Defined benefit net interest income	(1.1)	(0.6)
Capitalised finance charges	(3.1)	(4.1)
Total finance costs	186.7	181.8
Net finance costs	123.2	130.3

Note D.3 Equity

	30 September 2022	31 March 2022
	\$M	\$M
Contributed equity		
Ordinary share capital	(a) 2,678.1	2,678.1
Total contributed equity	2,678.1	2,678.1

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Note D.3 Equity (continued)**(a) Movements in ordinary share capital**

Date	Details	Number of shares	\$M
1 April 2022	Opening balance	2,670,707,692	2,678.1
30 September 2022	Closing balance	2,670,707,692	2,678.1
1 April 2021	Opening balance	1,621,288,406	1,625.1
30 September 2021	Contribution from AusNet Services Ltd (i)	-	0.5
30 September 2021	Closing balance	1,621,288,406	1,625.6
16 February 2022	Contribution from AusNet Services Ltd (i)	-	3.1
31 March 2022	Equity injection (ii)	49,419,286	49.4
31 March 2022	Equity injection (iii)	1,000,000,000	1,000.0
31 March 2022	Closing balance	2,670,707,692	2,678.1

(i) This represents the accounting for the AusNet Services Ltd's (now AusNet Pty Ltd) share-based payment arrangements where the Group granted awards to its employees that were settled in the shares of AusNet Services Ltd (now AusNet Pty Ltd).

(ii) Equity injection to apply excess funds from AusNet Services Ltd (now AusNet Pty Ltd) Dividend Reinvestment Plan.

(iii) Equity injection to cure the impact of the Company assuming novated debt of \$2.0 billion from Australian Energy Holdings No.4 Pty Ltd., relating to the financing for the acquisition of the AusNet Group.

Note D.4 Dividends

The following dividends were approved by AusNet Services Holdings Pty Ltd during the current and previous periods.

Dividend	Date declared	Cents per share	Total dividend \$M
<i>Current period</i>			
Funding for Q2 Group distribution (i)	24 June 2022	N/A	330.2
Funding for Q3 Group distribution (i)	19 September 2022	N/A	132.1
<i>Prior period</i>			
Funding for AusNet Services Ltd. Group FY2022 interim dividend (i)	30 September 2021	11.2	181.9

(i) In the current half year period, dividends were paid from AusNet Services Holdings Pty Ltd to AusNet Services (Distribution) Pty Ltd.

For the half year ended 30 September 2021, dividends were paid from AusNet Services Holdings Pty Ltd to AusNet Services (Distribution) Pty Ltd.

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Section E Other disclosures

This section includes other information to assist in understanding the financial performance and position of the Group, or items required to be disclosed in order to comply with accounting standards and other pronouncements.

Note E.1 Contingent liabilities and contingent assets**(a) Rapid Earth Fault Current Limiter (REFCL) penalty regime**

On 1 May 2016, the *Electricity Safety (Bushfire Mitigation) Amendment Regulations 2016 (Amended Bushfire Mitigation Regulations)* came into effect in Victoria. The amended regulations require three Victorian distributors including AusNet to install REFCLs at designated zone substations. The purpose of the REFCL devices is to reduce the risk of a bushfire caused by a fallen powerline.

We are installing these devices across 22 of our zone substations in Victoria. Each zone substation is attributed a compliance point score from 1 to 5 with the highest value attributed to those zone substations where the mitigation measure would provide the greatest benefit depending on the degree of bushfire risk. The table below details our progress to date and anticipated progress:

Compliance date	Completed		To be completed by	Total
	1 November 2021	1 November 2022	1 May 2023	
Zone substations	14	5	3	22
Compliance points	47	9	8	64

Subsequent to the half year period, the Group has demonstrated compliance to Energy Safety Victoria in relation to the 1 November 2022 deadlines indicated above and received official confirmation that compliance was achieved. The Group expects to meet final compliance deadlines of 1 May 2023. However, this program presents several risks, which continue to be present and are being actively managed. The risk of penalties under the regime remains possible until the program is completed.

The amended *Electricity Safety Act 1998 (Vic)* (ESA) enables Energy Safe Victoria (ESV) or the Minister, to apply to the Supreme Court of Victoria seeking the imposition of significant financial penalties if a distributor fails to achieve the number of points prescribed by the Regulations throughout the applicable period. The legislation provides that the Court can impose a maximum penalty of \$2 million per point for each station for which a distributor has not achieved compliance. Accordingly, penalties of up to \$10 million per zone substation can apply if AusNet fails to achieve the required capacity during the relevant compliance period. Additionally, the Court can impose a maximum daily penalty of \$5,500 for each day AusNet remains non-compliant.

(b) Other

AusNet is involved in various tax, legal and administrative proceedings and claims on foot, the ultimate resolution of which, in the opinion of AusNet, will not have a material effect on the consolidated financial position, results of operations or cash flows. Other than as listed above and risk in relation to tax positions noted in Note B.6 and provisions noted in E.2, we are not aware of any additional contingent liabilities or assets as at 30 September 2022 (FY2022: \$0).

Condensed notes to the consolidated interim financial statements

30 September 2022

Note E.2 Provisions

(a) Measurement of environmental provision

Provisions include an environmental provision of \$36.2 million, which represents an estimate of costs to remediate soil and water contamination on gas sites which were previously used as coal production facilities. The provision is based on preliminary cost estimates and timing of remediation, considering current legal and regulatory requirements, the estimated extent of the contamination, the nature of the site and surrounding areas, and the technologies and methods available. Management is exploring a number of strategies for future land use options for the three sites, with the estimation of the provision at period end being based on the current preferred option. The extent of remediation activities and associated costs may differ significantly depending on which option is ultimately chosen, and on other factors impacting the extent of ultimate remediation effort and underlying cost that are not known at balance date. As a result there is a risk that in the event of full remediation of all three sites, the cost may significantly exceed the provision at 30 September 2022.

Site investigations are ongoing and there has been no significant updates to estimated costs in the half year period.

(b) Measurement of employee wages remediation provision

Included within the employee benefits provision is the employee wages remediation provision of \$5.4 million, raised for costs associated with underpayment of wages to certain employees of the Group under the current Enterprise Agreement. The provision recognised represents the difference in salaries paid to past and current employees and payments they would be entitled to under the terms of the Enterprise Agreement, plus interest and gratuity payments agreed with parties involved.

In the current period, the review process was completed and an agreement was reached with Fair Work Ombudsman and the Unions. As a result, the provision balance was reduced from \$14.3 million recognised at 31 March 2022 to \$10.5 million. The Company has made payments of \$5.1 million to past and current employees in the current half year period, with the provision balance of \$5.4 million representing remaining payments to be made.

Condensed notes to the consolidated interim financial statements

30 September 2022

Note E.3 Events occurring after the balance sheet date

(b) Other matters

There has been no matter or circumstance that has arisen since 30 September 2022 up to the date of issue of this financial report that has significantly affected or may significantly affect:

- (a) the operations in the financial period subsequent to 30 September 2022 of the Group;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial period subsequent to 30 September 2022, of the Group.

Directors' declaration

In the opinion of the Directors of AusNet Services Holdings Pty Ltd (the Company):

- (a) the interim financial statements and notes set out on pages 11 to 32, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 September 2022 and its performance for the six-month period ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Tony Narvaez
Director

Melbourne
29 November 2022

Independent auditor's review report to the members of AusNet Services Holdings Pty Ltd

Conclusion

We have reviewed the accompanying half-year financial report of AusNet Services Holdings Pty Ltd (the "Company") and its subsidiaries (collectively the "Group"), which comprises the consolidated interim statement of financial position as at 30 September 2022, the consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- a. Giving a true and fair view of the consolidated financial position of the Group as at 30 September 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 September 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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



Ernst & Young



Kester Brown
Partner

Melbourne
29 November 2022