

# ASX & SGX-ST Release



15 November 2017

TO: ASX Limited  
Singapore Exchange Securities Trading Limited

## Results for Announcement to the Market AusNet Services Half Year 2018 Results

The following documents are attached:

1. ASX Appendix 4D – Half Year Report for the half year ended 30 September 2017; and
2. AusNet Services Interim Financial Report for the financial period ended 30 September 2017.

**Claire Hamilton**  
Company Secretary



AusNet Services Ltd  
ABN: 45 603 317 559

Appendix 4D  
Half year report  
Half Year ending 30 September 2017

1. The current reporting period is the half year ended 30 September 2017. The previous corresponding period is the half year ended 30 September 2016.
2. Results for announcement to the market

	30 September 2017 \$M	30 September 2016 \$M	% change	Up / down
<b>2.1</b> Revenue from ordinary activities	<b>1,068.7</b>	1,020.4	4.7%	Up
<b>2.2</b> Profit from ordinary activities after tax attributable to shareholders comprises: Profit from continuing operations	<b>203.7</b>	178.6	14.1%	Up
<b>2.3</b> Net profit for the half year attributable to shareholders	<b>203.7</b>	178.6	14.1%	Up

## 2.4 Dividends for the half year ended 30 September 2017:

	Cents per share
<b>Interim 2018 dividend:</b>	
Unfranked dividend	<u>4.63</u>
Total interim dividend	4.63
<b>Previous corresponding period interim 2017 dividend:</b>	
Franked dividend	2.20
Unfranked dividend	<u>2.20</u>
Total interim dividend	4.40

## 2.5 The record dates for determining entitlements to the dividends:

Record date	Payment date
21 November 2017	21 December 2017

## 2.6 Brief explanation of revenues, profits after income tax and dividends:

Refer to the Directors' report within the attached Interim Financial Report.

## 3. Net tangible assets per share

	30 September 2017	30 September 2016
Net tangible assets per share	\$0.88	\$0.84

## 4. Gain or loss of control over entities

AusNet Services did not gain or lose control over any entities during the period.

## 5. Dividends

Dividends paid during the interim period are:

	Cents per share	Total dividend \$M	Date paid
Unfranked ordinary dividend	4.4	158.6	27 June 2017
Unfranked special dividend	1.0	36.0	27 June 2017
	<u>5.4</u>	<u>194.6</u>	

In relation to the dividends paid on 27 June 2017 of \$194.6 million, \$12.2 million was utilised in the allotment of new shares issued under the Dividend Reinvestment Plan (DRP).

## **6. Dividend Reinvestment Plans**

The AusNet Services Ltd DRP is in operation for the FY2018 interim dividend and is available for participation by shareholders with registered addresses in Australia, New Zealand, Singapore and Hong Kong.

Eligible shareholders participating in the DRP for the FY2018 interim dividend will be issued with AusNet Services shares at the average trading price (no discount applies). The average trading price will be the average of the volume weighted average price of shares in AusNet Services Ltd sold in ordinary market transactions on the ASX during the 10 trading days from 23 November 2017 to 6 December 2017 (inclusive).

The record date for the FY2018 interim dividend is 21 November 2017. The deadline for the receipt of elections for participation in the DRP for the FY2018 interim dividend is 5.00pm (Australian Eastern Daylight Time) on 22 November 2017.

Participation is subject to the DRP Rules - available at [www.ausnetservices.com.au](http://www.ausnetservices.com.au) (> Investors > Shares and Investors > Dividend Reinvestment Plan).

## **7. Details of associates/joint ventures**

AusNet Services Ltd had no associates or joint ventures in operation as at or for the half year ended 30 September 2017.

## **8. Foreign Entities**

Not Applicable.

## **9. Status of review of accounts**

The half year report is based on accounts which have been subject to an independent review. The AusNet Services Ltd accounts are not subject to dispute or qualification.

Date: 15 November 2017

**AusNet Services Ltd**  
**ACN 603 317 559**

**Interim Financial Report**

**For the financial period ended 30 September 2017**

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

AusNet Services 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 annual report of the Group for the year ended 31 March 2017 and any public announcements made by AusNet Services 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 14 November 2017.

## **Directors' Report**

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The Directors of AusNet Services Ltd present their report on the general purpose interim financial report of the consolidated entity for the financial period ended 30 September 2017.

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

### **Our Board of Directors**

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

#### **Non-executive Directors**

Peter **Mason** (*Chairman*)

Ralph **Craven**

Sally **Farrier**

**Ho** Tian Yee

Tina **McMeckan** (*retired 20 July 2017*)

Robert **Milliner**

Nora **Scheinkestel**

**Sun** Jianxing

**Tan** Chee Meng

#### **Executive Director**

Nino **Ficca** - Managing Director

## Directors' Report

### Interim review of operations

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

\$M	30 September 2017	30 September 2016	Movement	%
Revenue	1,068.7	1,020.4	48.3	4.7
EBITDA <sup>(1)</sup>	647.4	595.3	52.1	8.8
Net profit after tax	203.7	178.6	25.1	14.1

(1) Earnings before interest, tax, depreciation and amortisation (EBITDA).

The period-on-period improvement in our financial performance has arisen from the \$48.3 million increase in revenues. Of this increase, \$17.6 million relates to the easement tax pass-through that increases both revenue and operating expenditure in the electricity transmission network. Regulated revenue also increased in both electricity and gas distribution due to price, higher volumes due to a colder winter and customer growth.

Operating expenses (excluding easement tax) decreased by \$21.4 million or 6.2 per cent compared to the previous corresponding period. There were a number of items that contributed to this result:

- \$10.0 million write-off of an IT project in the prior period;
- \$4.7 million decrease in service level payments due to significant storm activity in the prior period; and
- \$2.2 million reduction in redundancy and restructuring costs due to higher number of redundancies in the prior period; offset by
- \$3.5 million gain from a land sale in the prior period.

Excluding these items, operating expenses decreased by \$8 million. This has been driven by our cost efficiency program, and is net of wage growth.

Net finance costs have increased by \$0.9 million or 0.7 per cent compared to the prior period as a result of reduced hedge accounting gains, offset by lower interest rates primarily as a result of interest rate swaps entered into for the 2017-2022 Transmission Revenue Reset (TRR).

Depreciation and amortisation has increased \$13.9 million or 6.7 per cent due to completion of both the metering program (resulting in short life software and communications assets placed into service) and the Brunswick terminal station rebuild.

Income tax expense has increased by \$12.2 million as result of higher profit before tax, with the effective tax rate remaining at 30 per cent in both periods.

### Electricity transmission business

	30 September 2017	30 September 2016	Movement	%
Segment revenue (\$M)	325.3	311.8	13.5	4.3
Segment result - EBITDA (\$M)	186.4	193.1	(6.7)	(3.5)
Capital expenditure (\$M)	69.0	85.2	(16.2)	(19.0)

Higher transmission revenues were due to the \$17.6 million rise in easement tax pass-through, offset by lower revenues resulting from the current period being the first under the TRR Final Determination for 2017-2022.

Total transmission expenses increased \$20.2 million largely due to the \$17.6 million increase in easement tax. The decline in EBITDA period-on-period reflects the lower revenues excluding the easement tax pass-through.



## Directors' Report

### Interim review of operations (continued)

#### *Electricity transmission business (continued)*

Of total capital expenditure, \$30.7 million relates to the major terminal station rebuilds at Richmond, Brunswick and West Melbourne. The reduction in capital expenditure reflects the completion of Brunswick (\$10.5 million) and the impact of Richmond nearing completion (\$7.7 million), offset by the increase in West Melbourne (\$6.9 million) which was in design phase in the comparative period.

#### *Electricity distribution business*

	30 September 2017	30 September 2016	Movement	%
Segment revenue (\$M)	473.5	457.3	16.2	3.5
Segment result - EBITDA (\$M)	292.4	253.3	39.1	15.4
Volume (GWh)	4,021	4,007	14	0.3
Connections	712,375	698,648	13,727	2.0
Capital expenditure (\$M)	196.7	220.8	(24.1)	(10.9)

Increased revenues are due to the CY2017 revenue cap increase of 2.3%. In addition, volume outperformance also contributed \$6.0 million additional revenue.

Operating expenses decreased \$22.9 million or 11.2 per cent. The prior period included an \$8.1 million write-off of an IT project and an additional \$4.5 million of service level payments arising from higher storm activities. The remaining decrease reflects the implementation of various cost efficiency programs.

Capital expenditure decreased due to the metering remediation program (\$61.5 million) completing in March 2017. Offsetting this is an \$18.6 million increase in Rapid Earth Fault Current Limiter (REFCL) and an increase of \$8.4 million in Power of Choice expenditures.

#### Future revenue impacts

We recognise revenue for distribution services as those services are provided, based on the prevailing tariffs at the time. Our electricity distribution business is regulated by the Australian Energy Regulator (AER) on a calendar year basis which differs to our financial year of April to March. Given the nature of the regulatory model and how tariffs are set, there are a number of items that will impact future revenues for our electricity distribution business as follows:

- There is a difference between the regulated revenue recognised under our accounting policy, and the revenue cap under the Electricity Distribution Price Review (EDPR) determination. This difference is trued-up as an adjustment to tariffs in future periods. As at 30 September 2017 we have a cumulative over-recovery of \$5.7 million which will reduce our revenue in CY2018 and CY2019.
- The AER's decision on our 2016 Advanced Metering Infrastructure (AMI) Transition Charges Application will result in a future negative revenue adjustment of \$52.7 million (\$2018), smoothed over calendar years 2018 to 2020. The FY2018 impact is expected to be approximately \$6.7 million.
- Based on CY2015 and CY2016 performance, we will recognise an additional \$4.5 million of revenue (\$5.0 million in CY2017, \$0.5 million reduction in CY2018) under the Service Target Performance Incentive Scheme (STPIS).

## Directors' Report

### Interim review of operations (continued)

#### Gas distribution business

	30 September 2017	30 September 2016	Movement	%
Segment revenue (\$M)	167.6	149.1	18.5	12.4
Segment result - EBITDA (\$M)	137.6	118.3	19.3	16.3
Volume (PJ)	44.2	41.5	2.7	6.5
Connections	684,735	668,899	15,836	2.4
Capital expenditure (\$M)	44.6	39.1	5.5	14.1

Regulated gas distribution revenues increased \$10.9 million due to a combination of higher tariffs (average 5.0 per cent increase on 1 January 2017) and higher volumes due to colder weather and connections growth from new housing estates in the Western suburbs of Melbourne. In addition, customer contributions increased \$7.6 million, primarily due to the completion of the Avoca rollout under the Victorian Government's Energy for the Regions program.

Capital expenditure was low in the prior period due to delays in obtaining council approvals for the mains renewal program, with the current period spend reflecting a return to more normal levels of work on the program.

#### Commercial Energy Services

	30 September 2017	30 September 2016	Movement	%
Segment revenue (\$M)	110.8	110.1	0.7	0.6
Segment result - EBITDA (\$M)	31.0	30.6	0.4	1.3
EBITDA margin (%)	28.0	27.8	0.2	0.7
Capital expenditure (\$M)	10.7	125.4	(114.7)	(91.5)

The commercial energy services business consists of contracted infrastructure services, energy services and asset intelligence services. The contracted infrastructure services component owns and operates a portfolio of infrastructure assets that fall outside the regulated asset base (the largest of which is the Wonthaggi desalination plant transmission connection). The investments are made through directly negotiated agreements, pursuant to which AusNet Services typically receives revenue over the contract period in exchange for the infrastructure and operational services provided.

The customers of this business primarily operate in the utility, renewables and essential infrastructure sectors of electricity, water, gas and rail.

Revenues associated with Mortlake Terminal Station increased \$3.1 million as a result of the contract being in place for the full six months compared with only three months in the prior period. Offsetting this was lower revenues from field services activity and the completion of contracts in metering services.

Excluding the impact of the June 2016 acquisition of Mortlake Terminal Station for \$116.5 million, the increase in capital expenditure was due to \$3.0 million spent on the Salt Creek wind farm transmission connection assets, which is expected to increase to approximately \$19 million in the second half.

## Directors' Report

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### Financial position

Total equity of the Group was \$3,702.8 million as at 30 September 2017, an increase of \$4.4 million compared to 31 March 2017. The net profit of \$203.7 million for the six month period has been largely offset by \$194.6 million of dividends paid, as well as net movements in other comprehensive income.

Our current liabilities exceed current assets by \$560.8 million at 30 September 2017 primarily due to \$553.5 million of current borrowings (face value). 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 2017 we have available a total of \$474.0 million of undrawn but committed bank debt facilities and \$14.8 million of cash. The next maturity is a \$537.5 million Sterling bond due in June 2018 (face value).

### Capital management

We manage our capital structure to maximise the return to shareholders, while 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 have maintained our targeted credit metrics to support an 'A' range credit rating.

#### *Debt raising*

Our common funding vehicle (CFV) operates through AusNet Services Holdings Pty Ltd, a subsidiary of AusNet Services Ltd. The Group has access to funds through the CFV.

In line with our Treasury Risk Policy, we maintain a diversified debt portfolio by maturity and source. AusNet Services has an A- credit rating from Standard and Poor's and A3 from Moody's Investor Services.

#### *Dividends*

The final 2017 dividend paid to shareholders on 27 June 2017 was as follows:

	<b>Cents per share</b>	<b>Total dividend \$M</b>
Ordinary dividend - unfranked	4.40	158.6
Special dividend - unfranked	1.00	36.0
	<b>5.40</b>	<b>194.6</b>

In relation to the final 2017 dividend, \$12.2 million was utilised in the allotment of new shares issued under the Dividend Reinvestment Plan (DRP).

The Directors have approved an interim dividend for 2018 of \$167.2 million (4.63 cents per share) to be paid on 21 December 2017, comprised as follows:

	<b>Cents per share</b>	<b>Total dividend \$M</b>
Unfranked dividend	4.63	167.2

## Directors' Report

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### Material risks and uncertainties

We are committed to understanding and effectively managing risk to provide greater certainty and confidence for our shareholders, employees, customers, suppliers and communities in which we operate. We maintain oversight of our material business risks (financial and non-financial) at an enterprise-wide level and report regularly to the Audit and Risk Management Committee and the Board of Directors on the effectiveness of the management of these risks. In our 31 March 2017 annual report, we detailed the following material risks which may impact the execution and achievement of our business strategy and financial prospects:

- Industry and regulatory risks;
- Network risks;
- Funding and market risks; and
- Information and communication technology risks.

While these remain relevant risks and uncertainties, we provide the following update in relation to the industry and regulatory risks since the 31 March 2017 annual report (no material changes have occurred during the period in relation to the other three listed risks):

#### Industry and Regulatory risks update

The energy industry is currently experiencing a period of unprecedented change and uncertainty, with a significant focus on energy security, reliability and affordability. Various political, regulatory and industry bodies continue to debate, recommend and implement various reform programs that will have significant impacts on the operation of the energy market and could have significant impacts on our business.

In March 2017 the Federal Government directed the Australian Competition and Consumer Commission (ACCC) to hold an inquiry into the supply of retail electricity and the competitiveness of retail electricity prices. In response, the ACCC has published a preliminary report highlighting significant concerns it has about the operation of the National Electricity Market (NEM). More recently, the Federal Government announced its new National Electricity Guarantee scheme which aims to deliver more affordable and reliable electricity.

We continue to closely monitor developments and play an active advocacy role in the shaping of the industry. The impacts of these developments on AusNet Services, if any, cannot be stated with certainty at this stage.

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

On 21 August 2017, the AER made a final decision on AusNet Services' contingent project application for tranche one of the REFCL installation program, approving total capital expenditure of \$97 million. This was \$7 million lower than our original application. The proposed expenditure for tranche one, which is due to be completed by April 2019, comprises:

- installation of REFCL devices at nine zone substations;
- replacement of equipment in the 22kv distribution network that is incompatible with REFCL operation; and
- installation of isolating transformers to protect high voltage (HV) customers' equipment from damage due to increased voltages as a result of REFCL operation.

The reduction in approved expenditure is due to the AER determination that the costs proposed for works associated with HV customers exceeded the prudent and efficient costs necessary to implement these projects. The decision on works for HV customers applies only to the tranche one work program. It is not a precedent for the work proposed in tranches two and three. Funding for tranches two and three of the REFCL program will be subject to future contingent applications.

In light of this decision, the AER also approved an amendment to the revenue allowance for compliance with the new bushfire mitigation requirements. The determination is that AusNet Services can recover the efficient cost of the tranche one REFCL installation project in charges during the remainder of the current EDPR period. As a result, revenue over the current regulatory period (through the end of CY2020) will increase by \$29 million with the remainder in subsequent periods.

As detailed in the March 2017 financial report, this program presents several risks, including technology risk, network risk, vendor risk and funding risk.

## **Directors' Report**

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### **Material risks and uncertainties (continued)**

#### **Industry and Regulatory risks update (continued)**

##### Electricity generation changes

AusNet Services continues to prepare for the first summer period without the base load power generation that Hazelwood Power Station previously brought to the NEM. There is a risk that peak demand will exceed generational capacity in Victoria and load shedding activities will need to occur to ensure reliability of supply. AusNet Services is working closely with AEMO to ensure summer peak readiness and that any impact to customers is minimised. In addition, with the closure of Hazelwood a number of our transmission assets have been deemed critical for security and supply. In order to manage these risks, we continue to closely monitor, augment and upgrade these assets where appropriate.

In light of the industry, regulatory and political changes, there is an unprecedented level of renewable connection applications that are being assessed at present. Any increase in variable generation capacity will require additional augmentation to maintain system security and strength. AusNet Services will need to ensure that the most appropriate augmentation proposals are put forward and progressed by AEMO and that our existing replacement and maintenance plans factor in these augmentation plans appropriately.

##### Limited merits review

In August 2017 the Federal Government introduced a bill to abolish the right to seek limited merits review of regulatory decisions under the national energy regulation regime. This bill was passed by both houses of Parliament in October 2017.

The passing of this bill means that network service providers will be unable to have a final regulatory decision from the AER reviewed by the Australian Competition Tribunal. This will first apply to us for the final 2018-2022 Gas Access Arrangements Review (GAAR) which is due in November 2017. However, AusNet Services has accepted the July 2017 AER draft decision.

## Directors' Report

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### Environmental regulation and climate change

We were subject to both Federal and State Government environmental legislation during the period. The most significant areas of environmental legislation affecting us in Victoria 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 meet these thresholds and have lodged our current year's NGER reporting with the Clean Energy Regulator for the period from 1 July 2016 to 30 June 2017.

### 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

#### Dividend

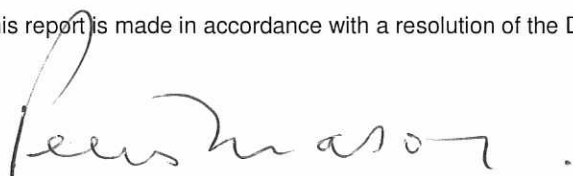
The Directors have approved an interim dividend for 2018 of \$167.2 million (4.63 cents per share) to be paid on 21 December 2017.

With the exception of the matters outlined above, the Directors are not aware of any circumstances that have arisen since 30 September 2017 that have significantly affected, or may significantly affect, the operations, and the results of those operations, or the state of affairs of the Group in the financial period subsequent to 30 September 2017.

### Rounding of amounts

AusNet Services 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.



**Peter Mason**  
Chairman



**Nino Ficca**  
Managing Director

Melbourne  
14 November 2017



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of AusNet Services Ltd

I declare that, to the best of my knowledge and belief, in relation to the interim review of AusNet Services Ltd for the interim period ended 30 September 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Paul McDonald  
Partner

Melbourne

14 November 2017

**Consolidated interim income statement**

For the period ended 30 September 2017

		<b>30 September</b>	30 September
		<b>2017</b>	2016
	<b>Notes</b>	<b>\$M</b>	<b>\$M</b>
Revenue	B.1	<b>1,068.7</b>	1,020.4
Use of system and associated charges		<b>(49.1)</b>	(52.3)
Easement and land tax		<b>(98.3)</b>	(80.1)
Employee benefit expenses		<b>(104.0)</b>	(124.0)
External maintenance and contractors services		<b>(54.5)</b>	(49.7)
Materials		<b>(18.1)</b>	(20.2)
Information technology and communication costs		<b>(29.0)</b>	(24.5)
Operating lease rental expenses		<b>(7.0)</b>	(6.0)
Administrative expenses		<b>(16.1)</b>	(14.1)
Disposal of property plant and equipment		<b>(5.1)</b>	(0.6)
Other costs		<b>(40.1)</b>	(53.6)
<b>Total expenses excluding depreciation, amortisation, interest and tax</b>		<b>(421.3)</b>	(425.1)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>647.4</b>	595.3
Depreciation and amortisation		<b>(220.3)</b>	(206.4)
<b>Profit from operating activities</b>		<b>427.1</b>	388.9
Finance income	D.3	<b>8.1</b>	10.8
Finance costs	D.3	<b>(143.7)</b>	(145.5)
<b>Net finance costs</b>		<b>(135.6)</b>	(134.7)
<b>Profit before income tax</b>		<b>291.5</b>	254.2
Income tax expense		<b>(87.8)</b>	(75.6)
<b>Profit for the period</b>		<b>203.7</b>	178.6
Basic and diluted earnings per share (cents per share)	B.3	<b>5.65</b>	5.03

*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 2017

	<b>30 September 2017 \$M</b>	30 September 2016 \$M
Profit for the period	<b>203.7</b>	178.6
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>		
Movement in defined benefit fund	<b>(2.2)</b>	0.3
Income tax on movement in defined benefit fund	<b>0.7</b>	(0.1)
	<b>(1.5)</b>	0.2
<b>Items that may be reclassified to profit or loss in subsequent periods</b>		
Movement in hedge reserve	<b>(11.8)</b>	(131.4)
Income tax on movement in hedge reserve	<b>5.2</b>	42.3
	<b>(6.6)</b>	(89.1)
<b>Other comprehensive income for the period, net of income tax</b>	<b>(8.1)</b>	(88.9)
<b>Total comprehensive income for the period</b>	<b>195.6</b>	89.7

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

**Consolidated interim statement of financial position**

As at 30 September 2017

	Notes	30 September 2017 \$M	31 March 2017 \$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		14.8	328.8
Receivables		265.2	214.1
Desalination licence receivable		12.3	12.4
Inventories		44.3	43.3
Derivative financial instruments		0.5	5.7
Current tax receivable		-	25.9
Other assets		24.6	25.1
<b>Total current assets</b>		<b>361.7</b>	<b>655.3</b>
<b>Non-current assets</b>			
Inventories		17.8	17.4
Property, plant and equipment	C.1	10,113.4	10,000.0
Intangible assets	C.2	539.8	554.8
Desalination licence receivable		185.2	189.6
Derivative financial instruments		415.3	306.0
Other assets		29.8	33.4
<b>Total non-current assets</b>		<b>11,301.3</b>	<b>11,101.2</b>
<b>Total assets</b>		<b>11,663.0</b>	<b>11,756.5</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and other liabilities		238.4	271.3
Provisions		89.6	106.1
Borrowings	D.1	458.3	398.4
Derivative financial instruments		100.6	10.3
Current tax payable		35.6	-
<b>Total current liabilities</b>		<b>922.5</b>	<b>786.1</b>
<b>Non-current liabilities</b>			
Deferred revenue		80.9	73.7
Provisions		42.8	41.9
Borrowings	D.1	6,132.5	6,266.9
Derivative financial instruments		164.3	303.1
Deferred tax liabilities		617.2	586.4
<b>Total non-current liabilities</b>		<b>7,037.7</b>	<b>7,272.0</b>
<b>Total liabilities</b>		<b>7,960.2</b>	<b>8,058.1</b>
<b>Net assets</b>		<b>3,702.8</b>	<b>3,698.4</b>
<b>EQUITY</b>			
Contributed equity	D.4	5,155.1	5,153.2
Reserves		(1,469.6)	(1,464.5)
Retained profits		1,112.4	1,104.8
Other equity		(1,095.1)	(1,095.1)
<b>Total equity</b>		<b>3,702.8</b>	<b>3,698.4</b>

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 2017

	Notes	Share capital \$M	Restructure reserve (i) \$M	Hedge reserve (ii) \$M	Asset Revaluation Reserve (iii) \$M	Share based payment reserve (iv) \$M	Other equity component (v) \$M	Retained profits \$M	Total equity \$M
<b>30 September 2017</b>									
Balance as at 1 April 2017		5,153.2	(1,501.9)	(17.8)	51.4	3.8	(1,095.1)	1,104.8	3,698.4
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	203.7	203.7
Other comprehensive income		-	-	(6.6)	-	-	-	(1.5)	(8.1)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(6.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>202.2</b>	<b>195.6</b>
<b>Transactions with owners, recorded directly in equity</b>									
Dividends paid	D.5	-	-	-	-	-	-	(194.6)	(194.6)
Dividend Reinvestment Plan (net of transaction costs)	D.5	12.2	-	-	-	-	-	-	12.2
Share based payment reserve		-	-	-	-	1.5	-	-	1.5
Shares purchased as part of employee share plans	D.4	(10.3)	-	-	-	-	-	-	(10.3)
<b>Total transactions with owners</b>		<b>1.9</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1.5</b>	<b>-</b>	<b>(194.6)</b>	<b>(191.2)</b>
<b>Balance as at 30 September 2017</b>		<b>5,155.1</b>	<b>(1,501.9)</b>	<b>(24.4)</b>	<b>51.4</b>	<b>5.3</b>	<b>(1,095.1)</b>	<b>1,112.4</b>	<b>3,702.8</b>
<b>30 September 2016</b>									
Balance as at 1 April 2016		5,057.3	(1,501.1)	(80.9)	51.4	1.2	(1,095.1)	1,125.0	3,557.8
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	178.6	178.6
Other comprehensive income		-	-	(89.1)	-	-	-	0.2	(88.9)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(89.1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>178.8</b>	<b>89.7</b>
<b>Transactions with owners, recorded directly in equity</b>									
Dividends paid	D.5	-	-	-	-	-	-	(150.9)	(150.9)
Dividend Reinvestment Plan (net of transaction costs)	D.5	42.3	-	-	-	-	-	-	42.3
Share based payment reserve		-	-	-	-	0.8	-	-	0.8
<b>Total transactions with owners</b>		<b>42.3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.8</b>	<b>-</b>	<b>(150.9)</b>	<b>(107.8)</b>
<b>Balance as at 30 September 2016</b>		<b>5,099.6</b>	<b>(1,501.1)</b>	<b>(170.0)</b>	<b>51.4</b>	<b>2.0</b>	<b>(1,095.1)</b>	<b>1,152.9</b>	<b>3,539.7</b>

## **Consolidated interim statement of changes in equity**

For the period ended 30 September 2017

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- (i) Under the corporate restructure, AusNet Services Ltd shares were issued to shareholders in return for their stapled securities. AusNet Services Ltd share capital was measured at fair value on the date of the transaction, being the market capitalisation of the AusNet Services Stapled Group on the date of implementation of 18 June 2015 (\$4,957.7 million). The difference between the contributed equity of AusNet Services Ltd and the pre-restructure contributed equity of the Stapled Group at the date of the transaction was recognised as a restructure reserve.
- (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) This amount represents the fair value uplift to the assets of the AusNet Services Transmission Group on the date that the previous Stapled Group was formed. The fair value uplift was applied to easements which are considered to have an indefinite useful life. The amount was carried into the asset revaluation reserve of the Group following the corporate restructure on 18 June 2015.
- (iv) The share based payment reserve represents the tax-effected fair value of the performance rights granted under the 2015-2017 tranches of the long-term incentive plan. This takes into account estimated vesting and service conditions as at 30 September 2017.
- (v) The other equity component results from the application of reverse acquisition accounting and represents the difference between the net assets of AusNet Services (Transmission) Ltd and AusNet Finance Pty Ltd and the purchase price paid by the legal acquirer, AusNet Services (Transmission) Ltd on 20 October 2005.

*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 2017

	<b>30 September 2017 \$M</b>	30 September 2016 \$M
<b>Cash flows from operating activities</b>		
Profit for the period	203.7	178.6
Add back interest, tax, depreciation	443.7	416.7
Other non-cash items	0.2	6.8
Working capital movement	(60.7)	(105.8)
Income tax refunded/(paid)	10.5	(29.6)
Net interest paid	(141.7)	(141.2)
<b>Net cash inflow from operating activities</b>	<b>455.7</b>	<b>325.5</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment (i)	(344.7)	(559.4)
Proceeds from sale of property, plant and equipment	0.3	3.5
Receipts from desalination licence receivable	4.4	4.4
<b>Net cash outflow from investing activities</b>	<b>(340.0)</b>	<b>(551.5)</b>
<b>Cash flows from financing activities</b>		
Payments for employee share plans	(10.3)	-
Dividends paid (ii)	(182.4)	(108.6)
Proceeds from borrowings	583.5	414.5
Repayments of borrowings	(820.5)	(486.5)
<b>Net cash outflow from financing activities</b>	<b>(429.7)</b>	<b>(180.6)</b>
<b>Net decrease in cash held</b>	<b>(314.0)</b>	<b>(406.6)</b>
Cash and cash equivalents at beginning of the period	328.8	441.4
<b>Cash and cash equivalents at end of the period</b>	<b>14.8</b>	<b>34.8</b>

- (i) Net finance costs include a credit of \$7.9 million (2016: \$13.3 million) for capitalised finance charges which is included in payments for property, plant and equipment.
- (ii) Amounts shown represent dividends paid of \$194.6 million (2016: \$150.9 million) offset by proceeds from the Dividend Reinvestment Plan net of transaction costs of \$12.2 million (2016: \$42.3 million).

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

## Condensed notes to the consolidated interim financial statements

30 September 2017

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## Condensed notes to the consolidated interim financial statements

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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 2017, represents the consolidated financial statements of the Group, which comprises AusNet Services Ltd and its subsidiaries. The Group is also referred to as AusNet Services.

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. The Group's current liabilities exceed current assets by \$560.8 million at 30 September 2017 primarily due to \$553.5 million of current borrowings (face value). 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 2017 we have available a total of \$474.0 million of undrawn but committed bank debt facilities and \$14.8 million of cash. The next maturity is a \$537.5 million Sterling bond due in June 2018 (face value);
- 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 annual report of the Group for the year ended 31 March 2017 and any public announcements made by AusNet Services Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act*.

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

The interim financial statements were approved by the Board of Directors on 14 November 2017.

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 2017. There have been no new accounting standards relevant to the Group adopted during the period.

For the period ended 30 September 2016, we have amended some categories of expenses to be consistent with how they are reviewed and analysed for internal management purposes.

#### (b) Critical accounting estimates and judgements

The preparation of the 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.

In preparing this consolidated interim financial report, 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 2017. Some of the critical judgements and estimates used by management in applying the Group's accounting policies for the period ended 30 September 2017 have been updated to reflect the latest available information. 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 2017.

## Condensed notes to the consolidated interim financial statements

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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 earnings per share.

#### 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 networks as well as our unregulated commercial energy services business.

As noted in our FY2017 annual report, our operating segments have been updated to reflect the way we manage our business. The September 2016 financials have been restated to provide comparative information to the September 2017 operating segments.

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

###### (ii) Gas distribution

The gas distribution network carries natural gas to commercial and residential end users, including metering. We charge retailers and some large customers regulated rates for the use of the gas distribution network. The gas distribution segment does not purchase or sell gas. Our gas distribution network covers central and western Victoria.

###### (iii) Electricity transmission

We own and manage the vast majority of the electricity transmission network in Victoria. Our electricity transmission network consists of the transmission lines and towers which carry electricity at high voltages from power generators to electricity distributors around Victoria forming the backbone of the Victorian electricity network. We charge the Australian Energy Market Operator (AEMO), distribution network service providers and electricity generators for connections and use of the electricity transmission network. The electricity transmission segment does not purchase or sell electricity.

###### (iv) Commercial Energy Services

The commercial energy services business consists of contracted infrastructure services, energy services and asset intelligence services. The contracted infrastructure services component owns and operates a portfolio of infrastructure assets that fall outside the regulated asset base (the largest of which is the Wonthaggi desalination plant transmission connection). The investments are made through directly negotiated agreements, priced either based on an approved negotiating framework or competitively, pursuant to which AusNet Services typically receives revenue over the contract period in exchange for the infrastructure and operational services provided. The customers of this business primarily operate in the utility, renewables and essential infrastructure sectors of electricity, water, gas and rail.



**Condensed notes to the consolidated interim financial statements**

30 September 2017

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

	Electricity distribution	Gas distribution	Electricity transmission	Commercial Energy Services	Inter-segment eliminations	Consolidated
	\$M	\$M	\$M	\$M	\$M	\$M
<b>30 September 2017</b>						
Regulated revenue	452.9	158.4	298.5	-	(4.7)	905.1
Excluded transmission revenue	-	-	25.7	-	-	25.7
Unregulated infrastructure revenue	-	-	-	25.0	-	25.0
Customer contributions	16.4	9.0	-	-	-	25.4
Service revenue	-	-	-	84.8	(2.8)	82.0
Other revenue	4.2	0.2	1.1	1.0	(1.0)	5.5
<b>Total segment revenue</b>	<b>473.5</b>	<b>167.6</b>	<b>325.3</b>	<b>110.8</b>	<b>(8.5)</b>	<b>1,068.7</b>
Segment expense before depreciation and amortisation	(181.1)	(30.0)	(138.9)	(79.8)	8.5	(421.3)
<b>Segment result - EBITDA (i)</b>	<b>292.4</b>	<b>137.6</b>	<b>186.4</b>	<b>31.0</b>	<b>-</b>	<b>647.4</b>
Depreciation and amortisation	(135.4)	(22.7)	(53.0)	(9.2)	-	(220.3)
Net finance costs						(135.6)
Income tax expense						(87.8)
<b>Profit for the period</b>						<b>203.7</b>
<b>30 September 2016</b>						
Regulated revenue	437.6	147.5	291.9	-	(5.0)	872.0
Excluded transmission revenue	-	-	19.1	-	(0.5)	18.6
Unregulated infrastructure revenue	-	-	-	21.7	-	21.7
Customer contributions	11.2	1.4	-	-	-	12.6
Service revenue	-	-	-	79.6	(2.4)	77.2
Other revenue	8.5	0.2	0.8	8.8	-	18.3
<b>Total segment revenue</b>	<b>457.3</b>	<b>149.1</b>	<b>311.8</b>	<b>110.1</b>	<b>(7.9)</b>	<b>1,020.4</b>
Segment expense before depreciation and amortisation	(204.0)	(30.8)	(118.7)	(79.5)	7.9	(425.1)
<b>Segment result - EBITDA (i)</b>	<b>253.3</b>	<b>118.3</b>	<b>193.1</b>	<b>30.6</b>	<b>-</b>	<b>595.3</b>
Depreciation and amortisation	(124.5)	(24.5)	(50.0)	(7.4)	-	(206.4)
Net finance costs						(134.7)
Income tax expense						(75.6)
<b>Profit for the period</b>						<b>178.6</b>

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

**(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 Methodology as approved by the Australian Energy Regulator (AER) is used as the basis for allocating expenses to the relevant segment.

*(ii) Inter-segment eliminations*

Segment revenues, expenses and results include transactions between the segments that are eliminated on consolidation.

**Condensed notes to the consolidated interim financial statements**30 September 2017

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**Note B.2 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 in electricity distribution revenue. 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.

**(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) Electricity transmission**

Electricity transmission revenue is not seasonal. Transmission revenue is earned in accordance with the monthly revenue schedule determined by the AER.

**(d) Commercial Energy Services**

Commercial Energy Services revenue is not seasonal and is earned as the services are rendered.

**Note B.3 Earnings per share**

		<b>30 September</b>	30 September
		<b>2017</b>	2016
	Profit attributable to the ordinary shareholders of AusNet Services (\$M)	<b>203.7</b>	178.6
divided by	Weighted average number of shares (million)	<b>3,603.7</b>	3,552.8
equals	Basic earnings per share (cents)	<b>5.65</b>	5.03

There were no factors causing a dilution of either the profit or loss attributable to ordinary shareholders or the weighted average number of ordinary shares outstanding. Accordingly, basic and diluted earnings per share are the same.

**Condensed notes to the consolidated interim financial statements**

30 September 2017

**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	Transmission network \$M	Electricity distribution network \$M	Gas distribution network \$M	Other plant and equipment \$M	Capital work in progress \$M	Total \$M
<b>30 September 2017</b>									
Cost	253.3	505.2	1,220.0	2,849.8	5,302.0	1,955.0	671.9	424.9	13,182.1
Accumulated depreciation	-	(93.6)	-	(758.0)	(1,327.4)	(435.3)	(454.4)	-	(3,068.7)
<b>Carrying amount as at 30 September 2017</b>	<b>253.3</b>	<b>411.6</b>	<b>1,220.0</b>	<b>2,091.8</b>	<b>3,974.6</b>	<b>1,519.7</b>	<b>217.5</b>	<b>424.9</b>	<b>10,113.4</b>
<b>31 March 2017</b>									
Cost	253.2	499.8	1,219.2	2,780.5	5,149.3	1,930.5	665.6	397.0	12,895.1
Accumulated depreciation	-	(89.2)	-	(725.2)	(1,248.0)	(415.2)	(417.5)	-	(2,895.1)
<b>Carrying amount as at 31 March 2017</b>	<b>253.2</b>	<b>410.6</b>	<b>1,219.2</b>	<b>2,055.3</b>	<b>3,901.3</b>	<b>1,515.3</b>	<b>248.1</b>	<b>397.0</b>	<b>10,000.0</b>

**Condensed notes to the consolidated interim financial statements**

30 September 2017

**Note C.2 Intangible assets**

	Distribution licences \$M	Goodwill \$M	Software \$M	Other intangible assets \$M	Total \$M
<b>30 September 2017</b>					
Cost	354.5	35.8	510.7	4.0	905.0
Accumulated amortisation	-	-	(361.8)	(3.4)	(365.2)
<b>Carrying amount as at 30 September 2017</b>	<b>354.5</b>	<b>35.8</b>	<b>148.9</b>	<b>0.6</b>	<b>539.8</b>
<b>31 March 2017</b>					
Cost	354.5	35.8	508.3	7.4	906.0
Accumulated amortisation	-	-	(345.7)	(5.5)	(351.2)
<b>Carrying amount as at 31 March 2017</b>	<b>354.5</b>	<b>35.8</b>	<b>162.6</b>	<b>1.9</b>	<b>554.8</b>

**Note C.3 Capital expenditure**

	30 September 2017 \$M	30 September 2016 \$M
Electricity distribution	196.7	220.8
Gas distribution	44.6	39.1
Electricity transmission	69.0	85.2
Commercial energy services	10.7	125.4
<b>Total capital expenditure</b>	<b>321.0</b>	<b>470.5</b>

**Condensed notes to the consolidated interim financial statements**

30 September 2017

**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.

**Note D.1 Borrowings**

		30 September 2017 \$M	31 March 2017 \$M
	Maturity date		
<b>Current borrowings</b>			
Commercial paper	Dec 2017	5.0	-
Bank debt facilities	Oct 2017	11.0	93.0
Pound sterling (GBP) senior notes (i)	Jun 2018	442.3	-
Domestic medium term notes		-	305.4
<b>Total current borrowings</b>		<b>458.3</b>	<b>398.4</b>
<b>Non-current borrowings</b>			
Bank debt facilities	2019	139.3	-
Swiss franc (CHF) senior notes (i)	2019	367.9	368.4
Domestic medium term notes	2020-2027	1,513.5	1,512.0
Pound sterling (GBP) senior notes (i)		-	438.4
Floating rate notes	2020	99.9	99.8
Euro (EUR) senior notes (i)	2020-2027	2,195.6	2,020.3
Hong Kong dollar (HKD) senior notes (i)	2020-2028	685.6	702.0
Japanese yen (JPY) senior notes (i)	2024	58.6	62.3
US dollar (USD) senior notes (i)	2026	99.8	103.3
Norwegian kroner (NOK) senior notes (i)	2027-2029	316.5	298.4
US dollar (USD) hybrid securities (ii)	2076	465.4	473.8
Singapore dollar (SGD) hybrid securities (ii)	2076	190.4	188.2
<b>Total non-current borrowings</b>		<b>6,132.5</b>	<b>6,266.9</b>
<b>Total borrowings (iii)</b>		<b>6,590.8</b>	<b>6,665.3</b>

- (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 September 2021.
- (iii) The fair value of total borrowings as at 30 September 2017 is \$7,154.2 million (31 March 2017: \$7,297.8 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 2017.

AusNet Services had \$474.0 million of undrawn but committed bank debt facilities and \$14.8 million cash on deposit as at 30 September 2017. AusNet Services has an A- credit rating from Standard and Poor's and an A3 credit rating from Moody's Investor Services.

## Condensed notes to the consolidated interim financial statements

30 September 2017

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### Note D.2 Financial risk management

The Directors and other key management personnel of AusNet Services are engaged to provide services to the Group and are not exclusive to any particular entity within the Group. Accordingly, funding and other policy matters are managed for the whole of the Group and not on an individual entity basis.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The internal audit department periodically reviews compliance with financial risk management policies and exposure limits.

The objective of hedging activities carried out by the Group is to minimise the exposure to changes in interest rates and foreign exchange rates. The interest rate risk associated with the regulatory revenue reset is managed such that its interest rate hedges are re-priced in line with the agreed averaging period.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

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 2017.

#### (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 2017.

**Condensed notes to the consolidated interim financial statements**

30 September 2017

**Note D.3 Net finance costs**

	30 September 2017 \$M	30 September 2016 \$M
<b>Finance income</b>		
Interest income	1.9	4.3
Return on desalination licence receivable	6.2	6.5
<b>Total finance income</b>	<b>8.1</b>	<b>10.8</b>
<b>Finance costs</b>		
Interest expense	153.9	164.5
Other finance charges - cash	1.5	1.6
Other finance charges - non-cash	1.2	2.7
Gain on accounting for hedge relationships	(5.6)	(12.8)
Unwind of discount on provisions	1.2	2.7
Defined benefit net interest (income)/expense	(0.6)	0.1
Capitalised finance charges	(7.9)	(13.3)
<b>Total finance costs</b>	<b>143.7</b>	<b>145.5</b>
<b>Net finance costs</b>	<b>135.6</b>	<b>134.7</b>

**Note D.4 Equity**

		30 September 2017 \$M	31 March 2017 \$M
<b>Contributed equity</b>			
Ordinary share capital	(a)	5,165.4	5,153.2
Shares held by employee share plans trust	(b)	(10.3)	-
<b>Total contributed equity</b>		<b>5,155.1</b>	<b>5,153.2</b>

**(a) Movements in ordinary share capital**

Date	Details	Notes	Number of shares	\$M
1 April 2017	Opening balance		3,603,155,012	5,153.2
27 June 2017	Dividend reinvestment plan	(i)	7,214,309	12.2
<b>30 September 2017</b>	<b>Closing balance</b>		<b>3,610,369,321</b>	<b>5,165.4</b>
1 April 2016	Opening balance		3,537,635,150	5,057.3
22 June 2016	Dividend reinvestment plan	(i)	27,822,058	42.3
<b>30 September 2016</b>	<b>Closing balance</b>		<b>3,565,457,208</b>	<b>5,099.6</b>

- (i) On 27 June 2017, 7.2 million new shares were issued under the DRP (2016: 27.8 million). The new shares were issued at a price of \$1.69 per share (2016: \$1.52 per share) providing approximately \$12.2 million (2016: \$42.3 million).

**Condensed notes to the consolidated interim financial statements**

30 September 2017

**Note D.4 Equity (continued)****(b) Shares held by employee share plans trust**

In FY2018 the Group established an employee share trust used as a delivery mechanism to satisfy future vesting entitlements for the Short Term Incentive Plan deferred equity rights for the Managing Director and the Long Term Incentive Plan (LTIP) performance rights. During the financial period, 5,958,915 shares were acquired on market at an average price of \$1.73 per share.

The share trust is held by Computershare Pty Ltd and for accounting purposes the trust is deemed to be controlled by AusNet Services. Accordingly, the shares held by the trust are consolidated into the Group's financial statements. The shares have been excluded for the earnings per share calculation in note B.3.

**Note D.5 Dividends**

The following dividends were approved and paid by AusNet Services to shareholders during the current and previous interim financial periods:

<b>Current period</b>	<b>Date paid</b>	<b>Cents per share</b>	<b>Total dividend \$M</b>
Ordinary dividend - unfranked	27 June 2017	4.40	158.6
Special dividend - unfranked	27 June 2017	1.00	36.0
<b>Total dividends (i)</b>		<b>5.40</b>	<b>194.6</b>

(i) The final dividend for FY2017 paid on 27 June 2017 included a special dividend of \$36.0 million (1.0 cents per share).

The following dividend was approved and paid by AusNet Services Ltd shareholders during the previous interim financial period:

<b>Previous period</b>	<b>Date paid</b>	<b>Cents per share</b>	<b>Total dividend \$M</b>
Franked dividend	22 June 2016	4.265	150.9
<b>Total dividends</b>		<b>4.265</b>	<b>150.9</b>

In relation to the dividend paid in the current financial period of \$194.6 million (2016: \$150.9 million), \$12.2 million (2016: \$42.3 million) less transaction costs was utilised in the allotment of new shares issued under the DRP.



**Condensed notes to the consolidated interim financial statements**30 September 2017

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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**

We are not aware of any contingent liabilities or assets as at 30 September 2017.

**Note E.2 Events occurring after the balance sheet date****(a) Dividend**

The Directors have approved an interim dividend for 2018 to be paid on 21 December 2017, comprised as follows:

	<b>Cents per share</b>	<b>Total dividend \$M</b>
Unfranked dividend	4.63	167.2
	<b>4.63</b>	<b>167.2</b>

**(b) Other matters**

Other than outlined above, there has been no matter or circumstance that has arisen since 30 September 2017 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 2017 of the Group;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial period subsequent to 30 September 2017, of the Group.

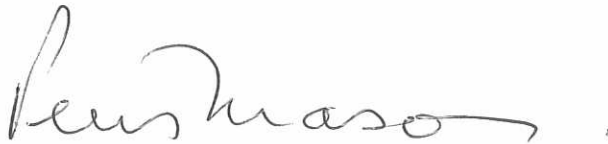
## **Directors' declaration**

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

- (a) the interim financial statements and notes set out on pages 12 to 29, 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 2017 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.



**Peter Mason**  
Chairman



**Nino Ficca**  
Managing Director

Melbourne  
**14 November 2017**



# Independent Auditor's Review Report

To the members of AusNet Services Ltd

## Report on the Interim Financial Report

### Conclusion

We have reviewed the accompanying **Interim Financial Report** of AusNet Services Ltd.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of AusNet Services Ltd 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 2017 and of its performance for the **Interim Period** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 30 September 2017;
- Consolidated interim income statement, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Interim Period ended on that date;
- Notes comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises AusNet Services Ltd (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The **Interim Period** is the 6 months ended on 30 September 2017.

### Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.



## Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim 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 2017 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of AusNet Services Ltd, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an Interim Period 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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG

Paul McDonald

Partner

Melbourne

14 November 2017