ASX & SGX-ST Release

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TO: ASX Limited
Singapore Exchange Securities Trading Limited

AusNet Services Annual Report 2015

Please find attached a copy of AusNet Services' Annual Report 2015, which will be released today.

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AusNet services

Statutory Annual Report 2015

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The information in this Annual Report is considered correct as at 29 May 2015 unless otherwise specified.

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Corporate governance

This is the corporate governance statement of AusNet Services (Distribution) Ltd, AusNet Services (Transmission) Ltd and AusNet Services Finance Trust, the triple stapled entity known as "AusNet Services" as listed on the Australian Securities Exchange (ASX). This corporate governance statement outlines the key aspects of AusNet Services' corporate governance framework for the 2014/15 year by reference to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 3rd Edition ("ASX Principles"). AusNet Services has early adopted the 3rd edition of the Principles.

Further information relating to AusNet Services' corporate governance practices and key documents may be found at http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html

This Statement applies to all entities comprising "AusNet Services" or the "Stapled Group" as described in the Directors' Reports. The information in this statement is current as at 29 May 2015 and has been approved by the Board.

Principle 1: Lay solid foundations for management and oversight

Board responsibilities and delegation to management

The Board has adopted a formal Board Charter that sets out its role and responsibilities. The Board Charter may be found at http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html. The Board Charter identifies matters which are specifically reserved for the Board or its committees, including the approval of dividends and distributions, corporate governance principles and policies. (ASX Recommendation 1.1)

Management must supply the Board with information to enable the Board to discharge its duties effectively. Directors are entitled to request additional information, including external advice, at any time.

The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board. The Board approves corporate objectives for the Managing Director and, together with the Managing Director, develops his duties and responsibilities with limits to management's authorities. The Board is responsible for reviewing the role and responsibilities of management.

The Board reviews the Board Charter regularly, with a view to doing so at least every two years, or more frequently if warranted by the circumstances.

Nomination Committee

The Nomination Committee advises the Board on matters relating to the appointment and performance of Directors and of the Board as a whole, review of Board and Committee membership and performance, and Board succession planning.

Members of management may attend meetings of the Nomination Committee. However, individuals may not be present during, or participate in, deliberations where the matter does or could affect their position, remuneration or other related matters.

Appointment of Directors

The Nomination Committee reviews and makes recommendations to the Board regarding the appointment of new Directors, including establishing formal and transparent procedures for the identification of suitable candidates. The Nomination Committee also makes recommendations regarding the criteria for Board membership, processes for the review of the performance of individual Directors and the Board as a whole, and Board succession plans.

Candidates for appointment to the Board are sought on the basis of their ability to complement the Board's current composition, as well as their independence. In support of their candidature, Non-executive Directors are required to provide details of their other commitments and an indication of the time involved. The Nomination Committee reviews these details prior to the Non-executive Director's appointment, and regularly thereafter, to ensure that the Director has sufficient time to discharge their duties to the Board and the various committees on which they serve. (ASX Recommendation 1.2)

All Directors, other than the Managing Director, are subject to re-election in accordance with AusNet Services' constitutions and the ASX Listing Rules. Biographical information in relation to Directors subject to election or re-election is set out in the explanatory notes to the notice of Annual General Meeting (AGM) and, for those Directors seeking re-election, in the Directors' report forming part of the statutory annual report. (ASX Recommendation 1.2)

A written agreement is in place between AusNet Services and each Director and senior executive, respectively, setting out the terms of their appointment. This written agreement was finalised for one Non-executive Director during the period, notwithstanding their appointment prior to the period. AusNet Services has otherwise followed the recommendation in full for the whole of the period. (ASX Recommendation 1.3)

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. (ASX Recommendation 1.4)

The Company Secretary settles each agenda with management prior to reviewing it with the Chairman. At each meeting, Directors have an opportunity to request items be discussed at forthcoming meetings. To assist this process, the Company Secretary develops forward plans at the commencement of each year, applicable to the Board and each of its Committees. These are settled with the Chairmen of the Board and Committees, respectively, and are then presented to the Board for final input and approval. The Company Secretary also liaises with each Chairman of the Board and Committees, respectively, to prepare and settle minutes prior to their tabling with the relevant body, and to convene additional meetings, as required, throughout the year.

Principle 1: Lay solid foundations for management and oversight (continued)

Diversity Policy

AusNet Services recognises its talented and diverse workforce as essential for its long term sustainability.

AusNet Services has an established Diversity Policy which outlines AusNet Services' commitment to diversity and its objectives to increase diversity in the workplace. The Diversity Policy may be found at http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html. (ASX Recommendation 1.5)

AusNet Services' Diversity Policy contains measurable objectives for gender diversity, including:

- the review of remuneration, recruitment and selection practices to ensure they are free from gender bias;
- the identification of high potential women throughout all areas and levels of operations and business practice groups through AusNet Services' Talent Management process; and
- a year-on-year increase in the percentage of women in leadership and engineering/technical positions, achieved through the enhancement and promotion of development initiatives to support high potential women and a focus on attracting women in external recruitment practices and employment branding.

AusNet Services' progress towards achieving these objectives is set out below. (ASX Recommendation 1.5)

Gender Diversity Objectives FY15	Progress Achieved FY15
(a) Executive and Divisional Leadership Teams to continue to operate as Talent, Diversity and Inclusion Councils to lead improved talent and diversity outcomes across the business.	> The ELT Talent and Diversity Council met twice in FY15 to discuss and monitor progress related to a range of talent, diversity and inclusion initiatives. Regular forums have also been conducted within divisional leadership teams.
(b) Embed organisation-wide and divisionally-specific gender diversity improvement initiatives as part of business planning processes.	> Continued focus on gender diversity measures as part of our recruitment and selection processes. > 20 women participated in the FY15 Women's Career Development Program and rated program effectiveness at 95%. 90 of our female talent have now completed this program since 2011. > Three females occupying mid-senior leadership roles were sponsored to participate in the Chief Executive Women's (CEW) Leadership Development Program. > 44% of mentoring and coaching participants were provided to our female talent pool. Our suite of coaching interventions expanded from leadership and career planning to also include maternity transition.
(c) AusNet Services continues to build an inclusive leadership mindset that supports all employees to contribute and achieve their potential. During FY15, AusNet Services will implement strategies to reinforce inclusive leadership behaviours and embed inclusive people practices across the organisation through ongoing sourcing, development, talent management, leadership and engagement initiatives.	> Diversity and inclusion was the strongest engagement driver in our 2014 Employee Engagement survey. > Inclusive leadership education continued through deployment of our New Manager Program and is planned as part of the Leadership Development Program to all leaders in FY16. > An 'Open to Ideas' column was introduced as part of AusNet Services' fortnightly Connected newsletter, sharing stories of how our people are building and benefiting from inclusive work practices. > A broad range of communication and development initiatives have been led and implemented at a divisional level.
(d) Embed diversity initiatives within AusNet Services' broader talent management processes to support the development of all talent, and with an aim to achieve a year-on-year increase of the representation of females in operational and frontline leadership, engineering and entry level trade and technical occupations.	> A streamlined talent review process was implemented throughout FY15 to improve the visibility of our leadership talent pipeline, and processes being implemented to integrate our talent pool data with internal sourcing and external talent attraction processes. All female talent pool candidates have participated in a career conversation with their one up manager as part of the refined talent process. > Females comprise 24% of AusNet Services talent pool which equates to 15% of our total female workforce being identified in a talent pool. 41% of our female talent pool is represented in leadership roles, followed by 30% within professional roles. > A Female Career Sponsorship program was launched in October 2014 following an ELT focus area throughout 14/15 to proactively target career development opportunities for our female talent. Nine women are participating in the program and have been paired with a General Manager sponsor for an 18 month program duration. > One female graduate was appointed from an intake of four in the FY15 Graduate Engineers Program. > Four female students from an intake of 16 were selected for participation in the AusNet Services' FY15 Engineering Vocation program. > FY15 intake of Apprentices and Trainees did not proceed due to operational requirements.
(e) Review and strengthen AusNet Services' Sponsorships, Donations and Partnership programs to promote trade, technical and power engineering professions to young women.	> The Beacon Foundation partnership continued, with AusNet Services employees mentoring regional secondary school youths by promoting the benefits of staying at school beyond Year 10. The mentoring program also involved discussing a range of career options at AusNet Services. > The Victorian Energy Education and Training (VEET) Program continued in East Gippsland. The program offers trade-focused information regarding careers in the energy industry to young men and women. > At the tertiary level, AusNet Services continues to support the RMIT electrical engineering bursary program for third year students and also offers vacation placements to students. > AusNet Services has also recently engaged with Deakin University and is currently assessing a proposal to strengthen its engineering talent pipeline through targeted Scholarships and PhD placements.

Principle 1: Lay solid foundations for management and oversight (continued)

Gender Diversity Objectives FY15	Progress Achieved FY15
(f) Continue to review remuneration practices for gender pay differentials.	> As part of the 2014 annual performance and remuneration review process, managers were able to view the profile of gender pay outcomes by performance ratings within their team, as a measure to identify and address any gender bias anomalies, within both the fixed annual review and annual incentive programs. This information will be provided for all future annual reviews. Executive-led calibration exercises was also undertaken to identify and address, where appropriate, any gender-related differentials prior to final recommendations being approved. > The overall 2014 fixed annual review outcomes resulted in a favourable gender pay differential of 6.2% below target market median compared to 8.6% in FY13. > In accordance with policy, all women on maternity leave received the standard increase in their 2014 fixed annual review.
(g) Continue to support employees seeking flexible work arrangements to balance work and family responsibilities.	> 18.3% of the total female workforce is employed in part-time arrangements. This represents a 3.4% increase on FY14. > 8% of our workforce has a flexible work arrangement in place, ranging from flexible hours of work, part-time work, purchased leave, compressed working weeks and study leave. 64% of these arrangements are attributable to our female workforce and this equates to 26% of the total female permanent workforce. > 95% of women returned from maternity leave in FY15, with 90% returning on a flexible work arrangement. > A deep dive review was conducted to understand the level of engagement experienced by our employees on flexible working arrangements. 81% of the respondent group were either very satisfied or satisfied with their current arrangements. Recommendations include a communication program to educate and support managers to provide a more consistent and inclusive approach to managing these arrangements as well as initiatives to promote the benefits to a broader employee base.

Two of AusNet Services' eight Non-executive Directors are women, representing 25%. Three members of AusNet Services' Executive Leadership Team – which comprises 10 members including the Managing Director – are women, representing 30%. As at 31 March 2015, women employed by AusNet Services as permanent employees (whether full-time or part-time) comprised 19% of its total workforce. (ASX Recommendation 1.5)

Source of Impact	Gender Diversity Objectives FY16
(1) Executive Leadership Ownership and Commitment for Diversity	(a) Executive and divisional leadership teams to continue to operate as talent and diversity councils to lead improved talent and diversity outcomes across the business. (b) Embed organisation-wide and divisionally-specific gender diversity improvement initiatives as part of the business planning processes.
(2) Leadership Culture and Inclusion	(c) AusNet Services continues to build an inclusive leadership mindset that supports all employees to contribute and achieve their potential. During FY16, the Company will continue initiatives to reinforce inclusive leadership behaviours and embed diverse and inclusive people practices and measures across the organisation through external talent attraction and internal talent deployment activities, capability development and engagement initiatives.
(3) Enablers to Attract, Develop and Retain Diverse Talent	(d) Embed diversity initiatives within AusNet Services' broader talent management processes to support the development of all talent, and with an aim to achieve a year-on-year increase in the representation of females in operational and frontline leadership, engineering and entry level trade and technical occupations. (e) Incorporate AusNet Services' diversity philosophy into the selection processes for major delivery partners. (f) Review and strengthen AusNet Services' Sponsorships, Donations and Partnership programs to promote trade, technical and power engineering professions to young women. (g) Continue to review remuneration practices for gender pay differentials. (h) Continue to support employees seeking flexible work arrangements to balance work and family responsibilities.

Performance Evaluation

The Board, facilitated by the Nomination Committee and managed by the Chairman, undertakes periodic reviews of its performance. The evaluation process includes an extensive questionnaire completed by all Directors and submitted on an anonymous basis. The questionnaire includes topics such as Board composition, Board process and accountability, Board committees, the Board's interactions with the Managing Director and Senior Management, Board skills and standards of conduct. The results are collated by the Chairman and discussed by the Board.

The Board undertook a formal evaluation of its performance and the operation of its Committees during the 2013/14 year and intends to undertake its next formal evaluation in November 2015. (ASX Recommendation 1.6)

The Nomination Committee undertakes a formal evaluation of the individual Directors who are due to retire and offer themselves for re-election at the next AGM. The results of this evaluation are considered by the Board in determining whether to support the re-election of these Directors.

Performance of Executives

A formal performance evaluation of the Managing Director and senior executives occurs annually through the development of performance plans linked to AusNet Services' business plan for the year. The performance plans have key performance targets set by the Board and the Managing Director also sets personal targets for key executives.

The performance evaluation process for the Managing Director and senior executives takes the form of an individual assessment by the Board in the case of the Managing Director, and in the case of senior executives, by the Managing Director. Performance outcomes are linked to short-term incentives and recommendations are made to the Remuneration Committee and to the Board for approval.

A formal evaluation of the Managing Director and senior executives was undertaken during the 2014/15 year in accordance with this process. (ASX Recommendation 1.7)

Principle 2: Structure the Board to add value

The Board determines its size and composition, subject to the terms of AusNet Services' constitutions. The Board Charter requires that the Board comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The Board reviews its composition regularly.

AusNet Services' constitutions provide for a minimum of four and a maximum of 14 Directors. The Board currently comprises eight Non-executive Directors, including the Chairman, and one Executive Director, being the Managing Director. Two further Non-executive Directors, Professor Jeremy Davis and Mr Eric Gwee, retired during the 2014/15 year, with effect from the conclusion of the 2014 Annual General Meeting.

This skills matrix provides an indication of the mix of skills represented by the current Board of AusNet Services which are considered to be relevant to AusNet Services now or potentially relevant in the future.

Skills	Number of current Directors who have expertise in skill area*
Accounting and Finance	6
Banking and Debt Markets	3
Business Management	5
Engineering & Industrial Safety	3
Executive Leadership in Listed Company	5
Guiding / Shaping Strategy	9
Government & Government Relations	5
Human Resources and Remuneration	6
Industry Experience	7
Information Technology & Innovation	2
Industrial & Labour Relations	1
Legal & Regulatory	2
Mergers and Acquisitions	7
Public Relations	4
Project Management	7
Risk Management	7
Stakeholder Engagement	7

* These skills have been self-assessed by individual Directors.

Further information about the skills, experience, expertise and period in office of each Director who served during the 2014/15 financial year, is set out in the Directors' Report. Details in relation to AusNet Services' current Directors may also be found at: http://www.ausnetservices.com.au/About+Us/Board+of+Directors.html (ASX Recommendation 2.2)

Principle 2: Structure the Board to add value (continued)

Independence of Directors

The Board has applied the factors relevant to assessing the independence of a Director set out in the ASX Principles.

Having regard to these factors, the Board considers a Director to be independent if he or she is not a member of management and is free of any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgement. The Board assesses the materiality of any given relationship that may affect independence on a case-by-case basis. Each Non-executive Director is required to regularly disclose to the Board all information that may be relevant to this assessment, including their interests in contracts and other directorships and offices held.

The Directors considered by the Board to be independent are Sally Farrier, Tony Iannello, Tina McMeckan and Ian Renard. During the 2014/15 year, none of the independent Directors had any interest or relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgement. Mr Renard has announced his intention to retire from the Board at the 2015 Annual General Meeting. Shareholders at the AGM will be asked to approve the election of a new Non-executive Director who is considered to be independent.

Ho Tian Yee is a Director of Singapore Power Limited ("SP"), the parent company of AusNet Services' largest securityholder, and is therefore not considered to be independent. Ng Kee Choe resigned as a Director and Chairman of SP in June 2012 and accordingly is also not considered to be independent. Sun Jianxing and Ralph Craven were appointed on the nomination of State Grid International Development Limited (SGID). SGID is AusNet Services' second largest securityholder. Mr Sun and Dr Craven are therefore not considered independent. It is noted that two Directors, who were not considered to be independent, Jeremy Davis and Eric Gwee, retired from the Board of AusNet Services with effect from the conclusion of the 2014 Annual General Meeting on 17 July 2014. Professor Davis and Mr Gwee were not considered independent due to their former Directorships of SP. (ASX Recommendation 2.3)

AusNet Services has noted ASX Recommendation 2.4 that a majority of the board be independent directors, and that it has not followed this recommendation during the 2014/15 year. As noted above, the Board has comprised four independent Directors and five non-independent Directors including the Managing Director throughout the 2014/15 year and this balance will be maintained by the election of a new independent non-executive Director at the 2015 AGM in place of Mr Renard. The Managing Director was, until 31 March 2015, a Director of a wholly-owned subsidiary of SP and thus, during the year ended 31 March 2015 is not considered to be independent. He no longer has any association with SP.

The Board notes that the two largest securityholders have two nominees each on the Board, reflecting their significant holding of securities in AusNet Services, and that the skills and expertise of the individual Directors on the Board are appropriate. (ASX Recommendation 2.4)

Role of the Chairman and the Managing Director

The Board acknowledges the importance of a clear division of responsibility at the head of AusNet Services. The roles of Chairman and Managing Director are therefore exercised by separate individuals. (ASX Recommendation 2.5)

The Chairman, Ng Kee Choe, is responsible for leading the Board. His role includes ensuring the efficient organisation and conduct of the Board's functions, facilitating effective contribution by all Directors and promoting constructive relations between the Board and management. The Chairman's role also includes ensuring that the Board is provided with all information relevant to AusNet Services' operations and strategies to assist in the discharge of the Board's duties, reviewing corporate governance matters with the Company Secretary and reporting on those matters to the Board.

AusNet Services has noted ASX Recommendation 2.5 that the chairperson be an independent Director, and that it has not followed this recommendation during the 2014/15 year. Although the Chairman is not considered to be independent, by virtue of his previous directorship of SP[1] and the fact that he is a nominee of SP, the Board believes that he is an appropriate person for the role, given his extensive business experience, particularly in financial services. His position as Chairman also provides continuity to the Board of AusNet Services. (ASX Recommendation 2.5)

The Managing Director, Nino Ficca, is responsible to the Board for the discharge of the management function and the implementation of corporate objectives determined by the Board.

Induction and Continuing Education

Established induction procedures allow new Directors and key executives to participate fully and actively in informed decision-making at the earliest opportunity after they join the Board. The procedures are designed to allow new Directors and key executives to gain an understanding of AusNet Services' financial, strategic, operational and risk management position, the rights, duties and responsibilities of the Directors, the roles and responsibilities of management and the roles of Board committees. In addition, each new Director is provided with a letter of appointment setting out the key terms of their appointment. (ASX Recommendation 2.6)

Board training sessions are held periodically throughout each year. In addition, all Directors and key executives have access to, and are encouraged to participate in, continuing education to update and enhance their skills and knowledge. (ASX Recommendation 2.6)

1 The Chairman retired as a Director and Chairman of SP on 30 June 2012.

Standing Board Committees

To assist in the discharge of its duties, the Board has established the following standing committees ("Committees"):

- Nomination Committee (ASX Recommendation 2.1);
- Remuneration Committee (ASX Recommendation 8.1);
- Audit and Risk Management Committee (ASX Recommendation 4.1);
- Compliance Committee; and
- Issuing Committee[2].

Each Committee has a formal charter which sets out its role and responsibilities, composition, structure and membership requirements. The Committee charters may be found at: http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html. (ASX Recommendations 2.1, 4.1 and 8.1)

Further information on each Committee is set out below and elsewhere in this Statement. Additional details in relation to the members of each Committee, as well as the number of times each Committee met during the 2014/15 year and each member's attendance at those meetings, are set out in the Directors' Report. (ASX Recommendations 2.1, 4.1 and 8.1)

2 The Board established an Issuing Committee as a standing committee of the Board in November 2009 to advise the Board on the parameters, amount, price and terms and conditions of AusNet Services' re-financing activities.

Principle 2: Structure the Board to add value (continued)

Nomination Committee	Remuneration Committee
The role, responsibilities, composition, structure and membership requirements of the Nomination Committee are set out in the Nomination Committee Charter, which can be found at http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html AusNet Services has noted the recommendation that a Nomination Committee should consist of a majority of independent directors and that the committee be chaired by an independent director. Whilst AusNet Services has not followed this recommendation during the 2014/15 year, the Board considered that the composition of the Nomination Committee during the 2014/15 year was reflective of the significant holdings of AusNet Services' two major securityholders, and the members have the requisite expertise. (ASX Recommendation 2.1)	The role, responsibilities, composition, structure and membership requirements of the Remuneration Committee are set out in the Remuneration Committee Charter, which can be found at http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html AusNet Services has noted the recommendation that a Remuneration Committee should consist of a majority of independent directors. Mr Gwee, who was considered a non-independent Director, retired as a Director at the conclusion of the 2014 AGM. He ceased as a member of the Remuneration Committee at that time. Accordingly, there has been an equal number of independent and non-independent members of the Remuneration Committee since the conclusion of the 2014 AGM. Whilst AusNet Services has not followed this Recommendation during the 2014/15 year, the Board considered that the composition of the Remuneration Committee during the 2014/15 year was appropriate, having regard to the fact that the Chairman of the Committee is independent, the balance of independent and non-independent Directors, and the skills and expertise of the individual Directors on the Committee. The Chairman of the Committee is independent. (ASX Recommendation 8.1)
Members	
> Ng Kee Choe (Chairman) > Ho Tian Yee > Tony Iannello > Ian Renard > Sun Jianxing	> Ian Renard (Chairman) > Ho Tian Yee > Tina McMeckan > Sun Jianxing

Audit and Risk Management Committee	Compliance Committee	Issuing Committee
The role, responsibilities, composition, structure and membership requirements of the Audit and Risk Management Committee are set out in the Audit and Risk Management Committee Charter, which can be found at http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html The members are all Non-executive Directors and the Chairman (who is not the Chairman of the Board) is independent. Professor Davis and Mr Gwee, both of whom were considered non-independent Directors retired as Directors at the conclusion of the 2014 AGM. Their membership of the Audit and Risk Management Committee ceased at this time. Accordingly, the Committee has been comprised of a majority of independent Directors since the conclusion of the 2014 AGM. (ASX Recommendation 4.1)	The role, responsibilities, composition, structure and membership requirements of the Compliance Committee are set out in the Compliance Committee Charter, which can be found at http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html The members are all Non-executive Directors and a majority (including the Chairman) are independent. (Corporations Act sections 601JA and 601JB).	The role, responsibilities, composition, structure and membership requirements of the Issuing Committee are set out in the Issuing Committee Charter. The Board established an Issuing Committee as a standing committee of the Board in November 2009 to advise the Board on the parameters, amount, price and terms and conditions of AusNet Services' re-financing activities.
> Tony Iannello (Chairman) > Ralph Craven > Sally Farrier > Tina McMeckan	> Tina McMeckan (Chairman) > Ralph Craven > Sally Farrier	> Ng Kee Choe (Chairman) > Ho Tian Yee > Tony Iannello > Nino Ficca (Managing Director)

Special Purpose Board Committees

Special purpose Board committees are established by the Board where deemed necessary to deal with specific projects or where a potential conflict of interest exists.

The Bushfire Litigation Committee was established to oversee matters relevant to litigation in which AusNet Services was involved arising from the Victorian bushfires of February 2009. This Committee has continued in this role during the 2014/15 year.

Principle 3: Act ethically and responsibly

Code of Business Conduct

AusNet Services is committed to acting ethically and responsibly in all of its business dealings.

AusNet Services has developed a Code of Business Conduct to guide all Directors, officers, employees, contractors and consultants as to the practices necessary to maintain confidence in AusNet Services' integrity, the standards for dealing with obligations to external stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Code of Business Conduct may be found at: http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html. (ASX Recommendation 3.1)

Whistleblower Policy

In keeping with the spirit of the Code of Business Conduct, AusNet Services has developed a Whistleblower Policy to encourage anyone engaged in the provision of services to AusNet Services who has witnessed, is aware of, or suspects, any wrongful act to report it without fear of reprisal. The Whistleblower Policy sets out the way in which AusNet Services will respond to reports of wrongful acts.

The Whistleblower Policy may be found at: http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html.

As part of AusNet Services' continuous drive to achieve high standards of corporate governance, AusNet Services uses the services of STOPline – an external, confidential provider of whistleblower disclosure services. STOPline provides an additional, confidential avenue to report suspected wrongdoings in accordance with the Whistleblower Policy.

Conflicts of Interest

The Board has developed Conflicts of Interest Guidelines to guide it on the management of actual and perceived conflicts between the interests of a Director or Directors and the interests of AusNet Services, to ensure compliance with the Corporations Act.

Dealing in Securities

AusNet Services has adopted Guidelines for Dealing in Securities. Through a trading windows approach, the guidelines establish a best practice procedure relating to the buying and selling of AusNet Services securities for Directors, executives and senior management, employees, certain contractors, and their associates ("Relevant Persons").

The Guidelines for Dealing in Securities may be found at: http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html.

Pursuant to the Guidelines, Relevant Persons must not buy, sell or otherwise deal in AusNet Services securities if they possess non-public, price-sensitive information. Relevant Persons may generally only deal in AusNet Services securities in the period of six weeks from the second day following:

> the announcement of half-yearly results;

> the announcement of annual results; or

> the holding of the Annual General Meeting.

Principle 4: Safeguard integrity in corporate reporting

The Board has ultimate responsibility for ensuring the integrity of AusNet Services' financial reporting. To assist in discharging its responsibility, the Board has put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of AusNet Services' financial position.

Audit and Risk Management Committee

The Audit and Risk Management Committee assists the Board in discharging its responsibilities relating to the financial reporting and audit processes, systems of internal controls, the process for monitoring compliance with applicable laws, regulations and codes of conduct (including in relation to related party transactions) and risk management systems.

Specifically, the role of the Audit and Risk Management Committee includes:

> reviewing the appropriateness of accounting principles adopted by AusNet Services in the composition and presentation of financial reports and approving all significant accounting policy changes;

> reviewing the adequacy and effectiveness of AusNet Services' risk management, internal compliance and control systems and the process and evidence adopted by the Managing Director and the Chief Financial Officer to satisfy themselves of these factors;

> reviewing related party transactions (other than those relevant only to the Responsible Entity, which are referred to the Compliance Committee);

> reviewing the legal and regulatory matters that are brought to its attention by the internal and external auditor; and

> overseeing the conduct and scope of the external and internal audit functions, including making recommendations to the Board on the appointment, performance, remuneration and replacement of the external or internal auditors.

The Audit and Risk Management Committee has full access to, and the co-operation of, management and full discretion to invite any Director, members of management, or the internal or external auditors (with or without management present) to attend its meetings. The Audit and Risk Management Committee also has the authority to conduct or authorise special investigations, and engage independent advisers as required to assist in those investigations.

The Audit and Risk Management Committee's Charter can be found at: http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html. (ASX Recommendation 4.1)

Compliance Committee

The objective of the Compliance Committee is to support and advise the Board on compliance matters relevant to AusNet Services Finance Trust and the Responsible Entity.

The Compliance Committee's functions include:

> monitoring the extent to which the Responsible Entity complies with its compliance plan and the constitution of AusNet Services Finance Trust and reporting the Committee's findings to the Board;

> reporting to the Board any notifiable breaches of the Corporations Act and any breaches of the Australian Financial Services Licence held by the Responsible Entity;

> reviewing related party transactions relevant to the Responsible Entity;

> recommending to the Board the appointment or re-appointment of the compliance plan auditors and determining the terms of their appointment; and

> regularly assessing the compliance plan and recommending to the Board any changes required.

As required by the Australian Financial Services Licence, the Compliance Committee has also established a complaints handling process and receives reports on that process.

The Compliance Committee's Charter can be found at: http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html.

Declaration by the Managing Director and the Chief Financial Officer

The Managing Director and the Chief Financial Officer provide to the Board a written declaration, in accordance with section 295A of the Corporations Act and ASX Recommendation 4.2, that, in their opinion, the financial records for AusNet Services, and the individual entities comprising AusNet Services, have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of AusNet Services' financial position and performance and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. (ASX Recommendation 4.2)

The Board has received the Managing Director's and the Chief Financial Officer's declaration in respect of the financial reports for the financial year ended 31 March 2015.

To enable the Managing Director and Chief Financial Officer to provide the declaration, senior executives and their nominated staff complete representations providing assurances in relation to their respective areas of responsibility.

External Auditor Independence

AusNet Services' policy is to appoint an external auditor who is suitably qualified and whose independence is unequivocal.

The Audit and Risk Management Committee has approved an Auditor Independence Policy which is intended to maintain the independence of AusNet Services' external auditor by regulating the provision of non-audit services by the external auditor.

The Auditor Independence Policy may be found at: http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html (as an attachment to the Audit and Risk Management Committee Charter).

The Auditor Independence Policy requires that the provision of a permissible non-audit service by the external auditor be pre-approved by the Chief Financial Officer or the Managing Director (up to a limit of $100,000 in aggregate at any time) or the Chairman of the Audit and Risk Management Committee. The Chief Financial Officer provides a quarterly report to the Audit and Risk Management Committee which describes any non-audit services provided by the external auditor since the last report.

The Audit and Risk Management Committee reviews the performance of the external auditor annually and is responsible for making recommendations to the Board in relation to the appointment or re-appointment of the external auditor. The Audit and Risk Management Committee determines the term of the external auditor's appointment and reviews the scope and results of the audit and its cost-effectiveness.

The Audit and Risk Management Committee reviews the Auditor Independence Policy and compliance with that Policy, seeking to balance the maintenance of independence and objectivity of the external auditor and value for money. The Audit and Risk Management Committee also ensures that the external audit engagement partner for AusNet Services rotates off AusNet Services' audit at least every five years.

The present external auditor for AusNet Services is KPMG.

The external auditor attends AusNet Services' AGM and is available to answer questions from securityholders relevant to the audit. (ASX Recommendation 4.3)

Further details of the services provided by the external auditor and the fees paid or payable for those services are set out in the Directors' Report.

Principle 5: Make timely and balanced disclosure

Continuous Disclosure

AusNet Services has developed a Continuous Disclosure Policy that sets out its practice in relation to continuous disclosure. The Continuous Disclosure Policy may be found at: http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html. (ASX Recommendation 5.1)

The Company Secretary is primarily responsible for the management of the Continuous Disclosure Policy and for all communications with the ASX and SGX-ST in relation to continuous disclosure issues. However, no announcements are made to the ASX and SGX-ST without the prior approval of the Board or the Managing Director (or his delegate).

All material disclosed to the ASX and SGX-ST is published on AusNet Services' website.

The Audit and Risk Management Committee considers potential continuous disclosure issues at each of its meetings. The Audit and Risk Management Committee gives particular attention to emerging and changing circumstances with a view to determining whether any disclosures are required in respect of those matters.

Principle 6: Respect the rights of securityholders

Information about AusNet Services and its governance practices may be found at http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html. (ASX Recommendation 6.1)

Communications

AusNet Services has developed an integrated securityholder communications approach to assist with communicating information to the market in a timely and efficient manner. A copy of this approach may be found on AusNet Services' website. (ASX Recommendation 6.2)

All relevant announcements made to the market and related information, such as information and presentations provided to analysts, are published on AusNet Services' website after they have been released to the ASX and SGX-ST (as applicable). The full-year and half-year financial results are also published on the website. AusNet Services makes available on the website the preceding three years' press releases and announcements as well as the preceding three years of financial data.

AusNet Services encourages securityholders to attend AusNet Services' AGM to meet the Directors and management and to ask questions. AusNet Services' 2015 AGM will be web-cast in order to improve access for securityholders unable to be physically present at the meeting. The full text of notices of meeting and explanatory material will be published on AusNet Services' website. (ASX Recommendation 6.3)

AusNet Services has a dedicated team and email address to handle securityholder communications. All queries received from securityholders are reviewed by the Compliance Committee.

Given the sizeable population of securityholders residing in Singapore, AusNet Services holds investor relations events in Singapore each year to provide Singapore-based investors with the opportunity to meet and ask questions of members of AusNet Services' management team, particularly following the release of the annual financial results.

AusNet Services' securities registrar, Computershare, facilitates the provision of communications between AusNet Services and its securityholders electronically. Securityholders can elect to receive AusNet Services documents including notices of meetings, annual reports, distribution advices and other correspondence by electronic means. Securityholders can also lodge their proxies electronically. AusNet Services has a dedicated email address to facilitate electronic communication with investors. (ASX Recommendation 6.4)

Principle 7: Recognise and manage risk

Risk Management

AusNet Services is committed to understanding and effectively managing risk to provide greater certainty and confidence for its securityholders, employees, customers, suppliers and the communities in which it operates. Finding the right balance between risk and reward enhances profitability and business performance, and minimises future exposures.

The Board reviews and guides AusNet Services' overall systems of risk management and internal controls, sets the risk appetite, and ensures that securityholders are informed in a timely manner of material changes to AusNet Services' risk profile.

The Audit and Risk Management Committee assists the Board in discharging these responsibilities. The Committee has oversight of the adequacy and effectiveness of AusNet Services' risk management framework, including risk identification and management processes and the review of AusNet Services' assessment of material business risks (financial and non-financial).

The Audit and Risk Management Committee's Charter can be found at http://www.ausnetservices.com.au/About+Us/Corporate+Governance.html. (ASX Recommendation 7.1)

The Managing Director is accountable to the Audit and Risk Management Committee and the Board for the implementation of risk management processes in line with good corporate governance.

AusNet Services uses its risk management capabilities to maximise the value from its assets, projects and other business opportunities and to assist in encouraging excellence, innovation and optimisation.

Risks faced by AusNet Services are managed on an enterprise-wide basis and are identified, analysed, evaluated and prioritised in a consistent manner utilising common systems, methodologies and feedback from internal and external stakeholders. Management and employees are responsible for embedding risk management in AusNet Services' core business activities, functions and processes. During the year, a Risk Appetite Statement has been developed and endorsed by the Board to be used in pilot for an initial period with a view to full implementation in 2016. This will further strengthen risk awareness and consideration of risk in decision making.

Management has reported to the Board on the effectiveness of AusNet Services' management of its material business risks including changes to the risk profile and the initiatives taken to continue the embedding of an effective risk management culture across the organisation. The risk management framework was reviewed during the year to assess its effectiveness and was assessed to be sound in both design and implementation. Maturing the risk appetite model and reporting will be areas of focus for the next financial year. (ASX Recommendation 7.2)

AusNet Services' Risk Management Policy can be found in the "Corporate Governance" section of AusNet Services' website.

Internal Audit

AusNet Services has an internal audit function to assist management, the Audit and Risk Management Committee, and the Board in the effective discharge of their responsibilities relating to risk management, internal control and governance.

The internal audit function reports to the Audit and Risk Management Committee and may at all times report directly to the Chairman of the Audit and Risk Management Committee, and if further required, the Chairman of the Board without the need to involve management.

The role of Internal Audit within AusNet Services is to provide independent, objective assurance designed to add value and improve AusNet Services' operations. This is achieved through the delivery of a risk based internal audit program that includes key strategic, financial, operational and project risks where assurance is determined to be a priority for that period. Internal Audit also helps AusNet Services to accomplish its objectives by evaluating and improving the effectiveness of risk management, control and governance processes. (ASX Recommendation 7.3)

Economic, environmental and social sustainability risks

For AusNet Services, sustainability means operating a successful business which focusses on the safe and reliable delivery of energy to our customers and communities, whilst creating lasting value for all stakeholders.

AusNet Services has a robust risk management process that actively assesses both internal and external drivers of risk, including economic, environmental and social risks, and considers potential impacts to sustainable value generation and the broader environment and community as part of its strategic planning.

AusNet Services is committed to the safe, efficient and reliable supply of electricity and gas to the communities we serve. An example of this commitment is the considerable resources and effort invested in our bushfire mitigation programs that include asset replacement and maintenance, asset inspection and vegetation management.

Our missionZero safety program aims to achieve the highest standards in health and safety. To keep our employees, contractors and communities safe, we are building a culture of continuous improvement in this area.

Principal risks, including material financial and economic risks, are detailed in the 'Material Risks and Uncertainties' section of the Director's Report.

Principle 8: Remunerate fairly and responsibly

Remuneration Policies

The Board acknowledges the need to adopt remuneration policies that attract and maintain talented and motivated Directors and employees so as to encourage enhanced performance and to pursue long-term growth and success for AusNet Services. The Board also recognises the importance of there being a clear relationship between performance and remuneration.

AusNet Services' remuneration policies in relation to its Directors and key executives are set out in the Directors' Report. Details of the nature and amount of remuneration paid to each Director and key senior executives (and their link to corporate performance) are also set out in the Directors' Report. (ASX Recommendations 8.2)

AusNet Services does not currently have an equity-based remuneration scheme. However, following the internalisation of management in 2014, AusNet Services intends to introduce an equity-based plan for the Managing Director, other senior executives and selected employees from the 2015/2016 reporting year. (ASX Recommendation 8.3)

Role of Remuneration Committee

The Remuneration Committee reviews, and advises the Board on, the general remuneration framework for Directors and senior executives, and the performance of senior executives and other key senior AusNet Services employees. The Remuneration Committee also reviews AusNet Services' obligations on matters such as superannuation and other employment benefits and entitlements.

Members of management may attend meetings of the Remuneration Committee by invitation, however individuals may not be present during, or participate in, deliberations where the matter does or could affect their position, remuneration or other related matters.

From time to time, external specialist remuneration advice is sought in respect of general remuneration arrangements and, in particular, advice on remuneration market movements is sought on an annual basis.

Executive Remuneration

The Remuneration Committee reviews and makes recommendations to the Board concerning the remuneration, incentive payments and programs, for the Managing Director and other senior executives. In this regard, AusNet Services aims to ensure that the remuneration of its Managing Director and other senior executives is market competitive, consistent with best practice and supportive of the interests of securityholders.

The Managing Director and other senior executives are remunerated through a combination of:

> base salary;

> short-term performance-based cash bonuses; and

> long-term performance-based incentives pursuant to a long-term incentive plan.

The AusNet Services long-term incentive plan was implemented for executives in 2006 to attract and retain staff that are important to the creation of long-term value for securityholders.

Details of the remuneration paid to the Managing Director and key management personnel are set out in the Remuneration Report at page 42 of the Directors' Report for AusNet Services (Distribution) Limited.

Principle 8: Remunerate fairly and responsibly (continued)

Non-executive Director Remuneration

The remuneration policy for Non-executive Directors and the amount of remuneration paid to Non-executive Directors is discussed in detail in the Remuneration Report at page 44 and page 49, respectively of the Directors' Report for AusNet Services Distribution. (ASX Recommendations 8.2)

The remuneration of Non-executive Directors is not linked to AusNet Services' performance in order to maintain their independence and impartiality.

In setting fee levels, the Remuneration Committee takes into account:

> AusNet Services' existing remuneration policies;

> independent professional advice;

> fees paid by comparable companies;

> the general time commitment required from Non-executive Directors and the risks associated with discharging the duties attaching to the role of Director; and

> the level of remuneration necessary to attract and retain Non-executive Directors of a suitable calibre.

AusNet Services
May 2015

Infrastructure entity benchmarks and disclosures

The Australian Securities and Investments Commission (ASIC) released Regulatory Guide 231 *Infrastructure entities: Improving disclosure for retail investors* ("RG 231") in January 2012. RG 231 outlines a series of benchmarks and requires infrastructure entities to disclose if they meet those benchmarks on an "if not, why not" basis. In addition, RG 231 contains information that ASIC expects infrastructure entities to disclose, outlined in a series of disclosure principles.

This section outlines AusNet Services' compliance with RG 231.

Benchmarks for infrastructure entities

Benchmark	Statement	Explanation	Reference
Benchmark 1: Corporate structure and management The infrastructure entity's corporate governance policies and practices conform with the principles and recommendations in GN 9A.	The benchmark is not met.	During the reporting period, AusNet Services did not comply with the ASX Recommendations 1.3 – written agreement with each Director; 2.1 – majority of independent directors on nomination committee and independent nomination committee chairman, 2.2 – disclosure of board skills matrix; 2.4 – majority of independent directors on board; 2.5 – independent chairman of board, 8.1 – majority independent directors on remuneration committee	The Board has comprised four independent Directors and five non-independent Directors including the Managing Director throughout the 2014/15 year and this balance will be maintained by the election of a new independent non-executive Director at the 2015 AGM in place of Mr Renard. The Board considered that the composition of the Board and Committees during the 2014/15 year to be reflective of the significant holdings of AusNet Services' two major securityholders, and the members have the requisite expertise. For additional disclosure on this benchmark refer to the Corporate Governance Statement (pages 5 to 18)
Benchmark 2: Remuneration of management Incentive-based remuneration paid to management for the infrastructure entity is derived from the performance of the infrastructure entity and not the performance of other entities within its consolidated group, except where the infrastructure entity is the parent of the consolidated group.	The benchmark is met.	N/A	For additional disclosure on this benchmark, refer to the Remuneration Report contained in the AusNet Services (Distribution) Ltd Financial Report (pages 42 to 53).
Benchmark 3: Classes of units and shares All units or shares are fully paid and have the same rights.	The benchmark is met.	N/A	For additional disclosure on this benchmark, refer to: > Note 17 of the AusNet Services (Distribution) Ltd Financial Report (page 87); > Note 16 of the AusNet Services (Transmission) Ltd Financial Report (page 161); and > Note 6 of the AusNet Services Finance Trust Financial Report (page 210).
Benchmark 4: Substantial related party transactions The infrastructure entity complies with ASX Listing Rule 10.1 for substantial related party transactions.	The benchmark is met.	N/A	For additional disclosure on this benchmark, refer to note 25 of the AusNet Services (Distribution) Ltd Financial Report (page 103).

Benchmark	Statement	Explanation	Reference
Benchmark 5: Cash flow forecast The infrastructure entity has, for the current financial year, prepared and had approved by its Directors: (a) a 12-month cash flow forecast for the infrastructure entity and has engaged an independent suitably qualified person or firm to provide, in accordance with the auditing standards: > negative assurance on the reasonableness of the assumptions used in the forecast; and > positive assurance that the forecast is properly prepared on the basis of the assumptions and on a basis consistent with the accounting policies adopted by the entity; and (b) an internal unaudited cash flow forecast for the remaining life, or the right to operate (if less), for each new significant infrastructure asset acquired by the infrastructure entity.	Part (a) of the benchmark is not met. Part (b) of the benchmark is not applicable to AusNet Services as there has been no significant infrastructure assets (defined as an asset whose value is 15% or more of the total current value of assets set out in the latest financial accounts) acquired during the year.	While a 12-month cash flow forecast has been prepared for financial year 2016 and has been approved by the Directors, it has not been independently audited or reviewed in accordance with auditing standards. The Directors believe that, due to the highly regulated nature of the business, the current process and controls over the collation, reporting and management of the cash flow forecast is sufficient.	N/A
Benchmark 6: Base-case financial model Before any new material transaction, and at least once every three years, an assurance practitioner performs an agreed-upon procedures check on the infrastructure entity's base-case financial model that: (a) checks the mathematical accuracy of the model, including that: > the calculations and functions in the model are in all material respects arithmetically correct; and > the model allows changes in assumptions, for defined sensitivities, to correctly flow through to the results; and (b) includes no findings that would, in the infrastructure entity's opinion, be materially relevant to the infrastructure entity's investment decision.	The benchmark has been met.	N/A	N/A

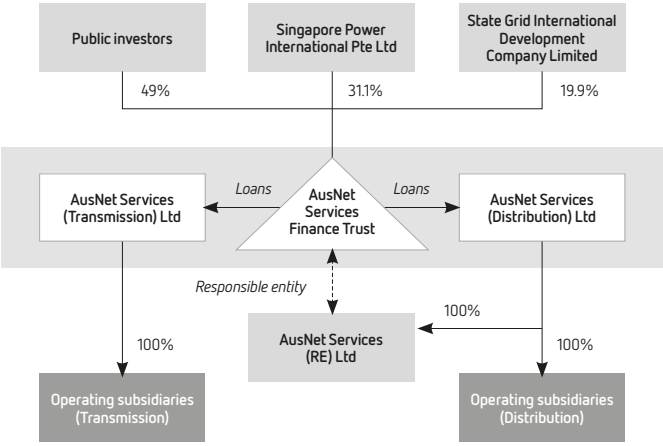
Benchmark	Statement	Explanation	Reference
Benchmark 7: Performance and forecast For any operating asset developed by the infrastructure entity, or completed immediately before the infrastructure entity's ownership, the actual outcome for the first two years of operation equals or exceeds any original publicly disclosed forecasts used to justify the acquisition or development of the asset.	The benchmark is not applicable to AusNet Services.	N/A	N/A
Benchmark 8: Distributions If the infrastructure entity is a unit trust, it will not pay distributions from scheme borrowings.	The benchmark has been met.	N/A	For additional disclosure on this benchmark, refer to note 3 of the AusNet Services Finance Trust Financial Report (page 209).
Benchmark 9: Updating the unit price If the infrastructure entity is unlisted and a unit trust, after finalising a new valuation for an infrastructure asset, the infrastructure entity reviews, and updates if appropriate, the unit price before issuing new units or redeeming units.	The benchmark is not applicable to AusNet Services as it is listed on the ASX.	N/A	N/A

Disclosure principles for infrastructure entities

Disclosure Principle 1: Key Relationships

AusNet Services comprises three entities, AusNet Services (Distribution) Ltd ("AusNet Services Distribution"), AusNet Services (Transmission) Ltd ("AusNet Services Transmission") and AusNet Services Finance Trust. AusNet Services has a primary listing on the ASX and a secondary listing on the SGX-ST and trades as a tripled stapled security.

AusNet Services has two large investors that have Board representation. Singapore Power International Pte Ltd ("SPI") has a 31.1. per cent security holding and SGID has a 19.9 per cent security holding in AusNet Services.



The operating subsidiaries of AusNet Services Distribution and AusNet Services Transmission own the assets comprising the electricity transmission business and electricity and gas distribution businesses. AusNet Services Finance Trust provides financing to both AusNet Services Distribution and AusNet Services Transmission as well as facilitates distributions to Stapled Securityholders in the form of interest income and returns of capital, as appropriate.

In April 2015, AusNet Services released a securityholder booklet for the restructure and simplification proposal under which the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd). On 29 May 2015, securityholders approved the resolutions required to effect the proposal.

Disclosure Principle 2: Management and Performance Fees

Following the termination of the Management Services Agreements with SPI Management Services Pty Ltd on 31 March 2014, there are no management or performance fees paid or payable in the current year.

Disclosure Principle 3: Related Party Transactions

All related party transactions are disclosed in note 25 of the AusNet Services Distribution Financial Report (pages 103 to 104).

AusNet Services' policy in relation to related party transactions is contained in the Code of Business Conduct, which may be found in the 'Corporate Governance' section of AusNet Services' website. Related party transactions are reported to the Audit and Risk Management Committee at every meeting to ensure compliance with the policy and statutory requirements.

Disclosure Principle 4: Financial Ratios

Details regarding AusNet Services' targeted level of debt and its actual debt are contained in notes 15 and 17 of the AusNet Services (Distribution) Ltd Financial Report (pages 85 and 87).

Disclosure Principle 5: Capital Expenditure and Debt Maturities

Capital expenditure for the financial year ended 31 March 2016 is expected to be around $900 million (including AMI remediation capital expenditure). This expenditure is expected to be funded through a mix of operating cash flows and debt, while ensuring that AusNet Services remains within its target credit metrics.

Details regarding AusNet Services' interest rate and liquidity risk, including how these risks are managed, the contractual cash flows of financial assets and financial liabilities, and the drawn and undrawn amounts under its financing facilities, are contained in note 19 of the AusNet Services (Distribution) Ltd Financial Report (page 91).

Disclosure Principle 6: Foreign Exchange and Interest Rate Hedging

Details regarding AusNet Services' foreign exchange and interest rate risk, including how these risks are managed and the sensitivity to movements in foreign exchange and interest rates, are contained in note 19 of the AusNet Services Distribution Financial Report (pages 91 to 99).

Disclosure Principle 7: Base-Case Financial Model

AusNet Services regulated assets are subject to regular regulatory determinations in relation to the revenue able to be charged for core services, with approximately 86% of AusNet Services' revenues being regulated. These determinations also outline the allowable capital and operating expenditures over the determination period.

The regulatory determinations for each network form the starting base for AusNet Services' financial model. Changes to assumptions are only made when they are highly likely to differ from the regulatory determination assumptions. This could include, but is not limited to, such items as customer and volume growth, cost of debt, and benefits obtained from efficiency gains arising from out-performance of the cost assumptions under the "incentive-based" regulatory regime.

The latest determinations for each of AusNet Services' regulated networks can be obtained from the Australian Energy Regulator's website.

Disclosure Principle 8: Valuations

In accordance with accounting standards, at each reporting date AusNet Services' reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Details regarding the results of this review, including the assumptions used in performing the review, are contained in note 20 of the AusNet Services (Distribution) Ltd Financial Report (page 99).

Disclosure Principle 9: Distribution Policy

The principal activity of the AusNet Services Finance Trust is to provide financing to both AusNet Services Distribution and AusNet Services Transmission. Interest income earned is distributed to securityholders in the nature of interest income. Details regarding AusNet Services Finance Trust distributions are contained in note 3 of the AusNet Services Finance Trust Financial Report (page 209).

For details regarding the AusNet Services distribution policy, refer to note 17 of the AusNet Services (Distribution) Ltd Financial Report (page 87).

Disclosure Principle 10: Withdrawal Policy

This disclosure principle is not applicable to AusNet Services.

Disclosure Principle 11: Portfolio Diversification

AusNet Services does not have a portfolio diversification policy. AusNet Services is a diversified energy infrastructure business that owns and operates Victoria's primary regulated electricity transmission network, as well as an electricity distribution network in eastern Victoria and a gas distribution network in western Victoria. AusNet Services has also established an unregulated business, Select Solutions, which provides a number of commercial services to help customers manage their energy, water and environmental needs.

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AusNet Services (Distribution) Ltd

(formerly SP Australia Networks (Distribution) Ltd)
ACN 108 788 245

FINANCIAL REPORT

For the financial year ended 31 March 2015

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This financial report covers the combined entity consisting of AusNet Services (Distribution) Ltd and its subsidiaries, AusNet Services (Transmission) Ltd and its subsidiaries, and AusNet Services Finance Trust. The financial report is presented in Australian dollars.

AusNet Services (Distribution) 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

A description of the nature of AusNet Services (Distribution) Ltd's operations and its principal activities is included in the Directors' report.

The financial report was authorised for issue by the Directors on 13 May 2015.

Directors' report

Introduction to the Directors' report

The Directors of AusNet Services (Distribution) Ltd (AusNet Services Distribution) present their report on the general purpose financial report of the company and combined entity for the financial year ended 31 March 2015.

This general purpose financial report has been prepared as a consolidation of the financial statements of AusNet Services Distribution and its subsidiaries, AusNet Services (Transmission) Ltd (AusNet Services Transmission) and its subsidiaries and AusNet Services Finance Trust as if all entities operate together. They are therefore treated as a combined entity (the Stapled Group or AusNet Services).

Pursuant to the Stapling Deed effective 21 October 2005, the Stapled Group was established for the purpose of facilitating a joint quotation of AusNet Services Distribution, AusNet Services Transmission and AusNet Services Finance Trust on the Australian Securities Exchange (ASX) and the Singapore Exchange Securities Trading Limited (SGX ST). The Stapled Group was listed on 14 December 2005.

So long as the three entities remain jointly quoted, the number of shares in each of AusNet Services Distribution and AusNet Services Transmission and the number of units in AusNet Services Finance Trust shall be equal and shareholders and unitholders shall be identical.

AusNet Services, AusNet Services Distribution, AusNet Services Transmission and AusNet Services Finance Trust were formerly known as SP AusNet, SP Australia Networks (Distribution) Ltd, SP Australia Networks (Transmission) Ltd, and SP Australia Networks (Finance) Trust respectively up until 4 August 2014.

Restructure and simplification of the Stapled Group

AusNet Services has released a securityholder booklet for a restructure and simplification proposal (Proposal) under which the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd). The Proposal is subject to applicable regulatory approvals and requires the approval of securityholders and the Court. It would be implemented by way of company and trust schemes of arrangement. The securityholder meeting date has been scheduled for 29 May 2015 and, pending approval, AusNet Services is targeting an implementation date of 18 June 2015.

If the Proposal is approved and implemented:

> eligible securityholders will simply hold shares in AusNet Services Ltd (instead of their current triple-stapled security) in the same proportion as the stapled securities they currently hold*;

> there will be no capital raising or return of capital as part of the Proposal and securityholders will not be required to pay any cash consideration;

> there will be no change to the composition of the AusNet Services Board, management or the operations of AusNet Services as a result of any restructure; and

> future periodic distributions are expected to be paid entirely as dividends and AusNet Services expects that there will be a higher franked component of future distributions, but those distributions will not include any AusNet Services Finance Trust distribution components as they have historically.

* Certain foreign securityholders who AusNet Services determines it would be illegal or unduly onerous to allow to receive shares in AusNet Services Ltd under the Proposal will not receive those shares, and will instead have their investment in AusNet Services sold on market by a nominee and the proceeds of that sale remitted to them in cash. AusNet Services expects that only a small proportion of its securityholders will be ineligible.

Directors

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

Non executive Directors

Ng Kee Choe (Chairman)

Ralph **Craven**

Jeremy Guy Ashcroft **Davis** AM (retired effective 17 July 2014)

Sally Marie **Farrier**

Eric **Gwee** Teck Hai (retired effective 17 July 2014)

Ho Tian Yee

Antonino (Tony) Mario **Iannello**

Tina Renna **McMeckan**

Ian Andrew **Renard** AM

Sun Jianxing

Executive Director

Nino **Ficca** (Managing Director)

Principal activities

The principal activities of AusNet Services are:

> **Electricity distribution** – delivery of electricity to approximately 679,000 consumer connection points over 80,000 square kilometres in eastern Victoria including Melbourne's outer eastern suburbs;

> **Gas distribution** – delivery of natural gas to approximately 647,000 consumer connection points over 60,000 square kilometres in central and western Victoria including some of Melbourne's western suburbs;

> **Electricity transmission** – the transmission of electricity within the state of Victoria; and

> **Select Solutions** – the provision of specialist utility related metering, data and asset management services.

The principal activities of AusNet Services are conducted through the following main operating group companies:

> AusNet Electricity Services Pty Ltd (formerly SPI Electricity Pty Ltd);

> AusNet Gas Services Pty Ltd (formerly SPI Networks (Gas) Pty Ltd);

> Select Solutions Group Pty Ltd; and

> AusNet Transmission Group Pty Ltd (formerly SPI PowerNet Pty Ltd).

Strategy

As a diversified energy delivery networks business, AusNet Services plays a vital role in underpinning the economic strength of Victorian communities, while contributing to the wider Australian energy market. The sustainability of its networks is key to AusNet Services' commitment to the safe, reliable and efficient supply of energy.

The energy industry and network businesses will face significant changes in the coming years. These include but are not limited to:

> an evolving regulatory framework which increases the focus on network performance and cost and capital efficiency;

> technology changes in the generation, distribution, storage and usage of energy, coupled with customer acceptance of these new technologies; and

> increasing customer influence in light of recent electricity price rises and their impact on household budgets, ensuring that both community and government focus remain on energy policy.

In response to these significant challenges, in March 2013 the AusNet Services Board approved a five year corporate strategy to deliver more value from the core networks business and to explore growth opportunities in a challenging and evolving environment. At the centre of this strategy is AusNet Services' purpose which is '*To provide our customers with superior network and energy solutions*'. This purpose is underpinned by eight strategic objectives as set out below.

Safety	***Industry leadership in safety performance***	AusNet Services' leaders are responsible for and understand how to lead safety, encouraging its people to work safely and to create safer work environments.
People	***High performing leadership, capability and culture***	AusNet Services continues to develop the right culture, skills, talent and labour productivity to support a sustainable and high performing business.
Customer	***A highly developed customer service capability***	AusNet Services continues to focus on customers through meaningful, useful and actionable engagement. The business leverages customer knowledge, experience, and service levels to deliver outcomes that align with the needs and expectations of customers, supported through regulatory advocacy.
Financial	***Diversified and accretive growth***	Approximately 86 per cent of AusNet Services' revenue comes from regulated sources, and while AusNet Services remains focused on the continued growth in the regulated networks, diversified growth is also targeted through: > Unregulated Infrastructure – The development of unregulated transmission connections and other infrastructure. > Select Solutions – The continued expansion of specialist utility-related and telecommunications solutions to existing and new customers. > Energy Solutions – Seeking to develop products and services related to energy use, energy storage, energy efficiency and other niche services in response to changing customer behaviours.
	Sustainable earnings and securityholder value growth	AusNet Services aims to improve its year-on-year financial performance.
Business & Asset	***An efficient business model***	AusNet Services' operations aim to achieve excellence in both energy delivery and managing customer services, through the implementation of processes and systems which produce high quality data, efficiency, effectiveness, controllability and management capability. This objective is being delivered through a company-wide program of Business Operational Excellence, of which the most significant component is an enterprise-wide change program enabled by the replacement of multiple asset management and resource planning platforms with a single, fully integrated system.
	Safe, resilient and reliable networks	In addition to network safety and reliability across three regulated networks, AusNet Services continues to enhance and optimise its inspection, maintenance and replacement plans through advanced modelling techniques and fully integrated systems.
	Industry leadership and advocacy role in regulatory development	AusNet Services aims to be a leader in regulatory development for the energy industry, thereby enhancing business value through constructive engagement with key policy makers.

Key achievements

AusNet Services has just completed year two of its five year corporate strategy, which was focussed on planning for change and establishing the frameworks and platforms under which the strategy will be realised. Key achievements in the current financial year against the strategic objectives include the following:

Safety	>	Continued to implement safety programs and training under Mission Zero, while delivering a small reduction in the Recordable Injury Frequency Rate to 6.7.
People	>	Select Solutions division received an Aon Hewitt Best Employers Award for its employee engagement achievements, scoring an 80 per cent engagement rating.
Customer	>	Two per cent improvement in customer satisfaction rating to 86 per cent, while 72 per cent of customers gave us an "excellent" or "good" rating overall.
	>	During the financial year, more than 3,000 customers registered to use our myHomeEnergy portal to help manage their energy usage, with over 10,000 customers now registered.
Financial	>	12 month total securityholder return to 31 March 2015 of 18.5 per cent.
	>	Distributions of 8.36 cents per stapled security, in line with guidance.
	>	Successfully raised over $1.1 billion of debt capital at competitive prices whilst extending the tenor of our overall debt portfolio.
	>	Settlement of the ATO intragroup financing audit provides greater tax certainty.
Business & Asset	>	Provided greater business and financial certainty through the settlement of the Kilmore East bushfire class action and agreement to settle the Murrindindi bushfire class action.
	>	Introduced a corporate restructure and simplification proposal (subject to securityholder and other approvals) that will bring a number of benefits as detailed in the securityholder booklet released on 22 April 2015.
	>	Continued the significant investment in strengthening and extending the networks through $809 million of capital expenditure on asset replacements, safety programs, major station builds and major IT projects.

In addition to these achievements, one of the key strategic initiatives for the year was the development, build and testing of a single, fully integrated IT system, known as Program Workout. This program went live in early May 2015 and will be a key enabler in improving operational efficiency as AusNet Services focusses on embedding the systems and process changes while realising substantial benefits next year and beyond.

Advanced metering infrastructure (AMI) program update

The most significant challenge for AusNet Services remains the delivery of the AMI Program. AMI has had a negative impact on AusNet Services' financial results through the recognition of customer rebates and asset write-offs, as well as additional spend required to ultimately deliver a compliant metering system.

In September 2014, AusNet Services announced that a technical review of the solution had been completed and a plan had been developed to stabilise the existing end-to-end metering system and to complete the network coverage. AusNet Services believes that this approach is prudent and will yield a workable and cost-effective solution on an ongoing basis.

Since September 2014, AusNet Services has worked to appoint and mobilise key vendors as well as undertake detailed planning and design works to ensure that the system issues are addressed, and the solution is delivered, in a co-ordinated manner across multiple applications. In addition, the implementation of some immediate improvements has enabled additional conversions of some meters to take place, with approximately 420,000 meters converted as at 31 March 2015.

In addition to IT stabilisation works, AusNet Services will introduce a wireless mesh communications network, similar to the other Victorian distribution businesses, to service approximately 270,000 meters of the 714,000 total meter fleet. This level of coverage has increased since September 2014, with AusNet Services recently making the decision to replace an additional number of WiMAX communication modules with mesh. While the WiMAX network will continue to be the primary communication technology, AusNet Services believes that the wider mesh coverage is a prudent way to reduce the overall delivery risk, effectively mitigate the issues with trying to increase the capacity of certain existing systems, and provide greater support to achieving a compliant and sustainable solution.

Based on the work undertaken to date, the estimated cost of completing the network coverage and the AMI program, including IT stabilisation and replacement works, has increased to $220 million. This is higher than the $175 million announced in September 2014 primarily as a result of replacement expenditure for the additional mesh coverage and an increase in foreign exchange costs.

AusNet Services still expects to complete work on its core systems by the end of 2016, although it is anticipated that some meters will not be converted to remotely provide meter data to market until early 2017.

Refer to the 'Material risks and uncertainties' section below for further details regarding the AMI Program.

Review of operations for the year ended 31 March 2015

AusNet Services derives most of its earnings from three regulated energy network businesses, which include Victoria's high voltage electricity transmission network, an electricity distribution network in eastern Victoria and a gas distribution network in western Victoria.

$M	31 March 2015	31 March 2014	Movement	%
Revenue	1,833.9	1,799.4	34.5	1.9%
EBITDA	1,047.2	1,017.4	29.8	2.9%
NPAT	22.6	178.3	(155.7)	(87.3%)
Adjusted EBITDA[1,3]	1,079.7	1,097.3	(17.6)	(1.6%)
Adjusted NPAT[2,3]	312.8	320.9	(8.1)	(2.5%)

Notes:

1. Adjusted EBITDA excludes the recognition of a provision for AMI customer rebates of $32.5 million for the year ended 31 March 2015 and $50 million payable for the termination of the Management Services Agreement (MSA), $22.2 million of performance fees under the MSA and $7.7 million in restructuring costs associated with the Termination Deed for the year ended 31 March 2014.
2. As well as the after-tax impact of the items listed for adjusted EBITDA above, Adjusted NPAT also excludes recognition of $183.3 million in income tax expense for the settlement with the ATO in relation to the intra-group financing audit for the year ended 31 March 2015; excludes $84.1 million recognition of net exposure relating to Intellectual Property dispute with the ATO for the period ended 31 March 2015 and; excludes a net charge of $86.7 million for the amount potentially payable in respect of the Section 163AA dispute for the year ended 31 March 2014.
3. Adjusted EBITDA and Adjusted NPAT are non-IFRS measures that have not been subject to audit or review.

A summary of AusNet Services' revenues and results by operating segment for the financial year ended 31 March 2015 is set out below:

Electricity distribution business

	31 March 2015	31 March 2014	Movement	%
Segment revenue ($M)	879.6	815.1	64.5	7.9%
Segment result – EBITDA ($M)	453.7	451.6	2.1	0.5%
Volume (GWh)	7,361	7,483	(122)	(1.6%)
Connections	679,213	668,603	10,610	1.6%
Capital expenditure ($M)	486.9	568.6	(81.7)	(14.4%)
Adjusted segment result ($M)[1]	486.2	465.3	20.9	4.5%

Notes

1. Adjusted segment result excludes $32.5 million of AMI rebates for 31 March 2015 and $13.7 million of performance fees for 31 March 2014. Adjusted segment result is a non-IFRS measure that has not been subject to audit or review.

Despite the slight decline in volumes distributed, AusNet Services' electricity distribution business achieved an increase in revenue primarily driven by regulated price increases for both electricity distribution and AMI revenues. The electricity distribution price increase is due to a combination of regulated price path, as well as higher revenues under incentive schemes, partially offset by a price reduction for the pass-through of transmission use of system charges.

An increase in EBITDA has been achieved despite $60.6 million in AMI charges relating to customer rebates ($32.5 million) and write-offs of assets ($28.1 million) and $11.1 million of higher transmission use of system charges which will be recovered in next year's revenues. The prior year included $13.7 million of SPI Management Services performance fees.

Of the total electricity distribution capital expenditure of $486.9 million, $119.3 million was spent on asset replacement while a further $114.3 million relates to various safety programs, including those highlighted in the Victorian Bushfire Royal Commission. The decrease in capital expenditure from the previous year is due to AMI, with completion of the meter and communication rollouts principally occurring in the previous year. Refer to the 'AMI program risks' section within 'Material risks and uncertainties' below for further details.

Gas distribution business

	31 March 2015	31 March 2014	Movement	%
Segment revenue ($M)	187.3	219.5	(32.2)	(14.7%)
Segment result – EBITDA ($M)	142.0	168.1	(26.1)	(15.5%)
Volume (PJ)	64.2	67.0	(2.8)	(4.2%)
Connections	647,536	633,184	14,352	2.3%
Capital expenditure ($M)	99.0	112.2	(13.2)	(11.8%)

The reduction in gas distribution segment revenue is largely the result of price reductions following a lower weighted average cost of capital (WACC) in the latest gas regulatory determination, with a 15 per cent price reduction on 1 July 2013, and a further 4 per cent price reduction on 1 January 2014 driving regulated revenues down $19.2 million. In addition, customer contributions reduced $13.3 million due to the prior year recognition of $20.9 million of gifted gas distribution network assets as part of the Regional Rail Link project.

Lower industrial volumes contributed to almost 80 per cent of the volume decline. Weather conditions accounted for the remainder of the decline as weather normalised residential consumption increased 1.4 per cent.

The gas distribution business contributed $142 million to EBITDA for the year, a decrease of $26.1 million over the previous year primarily as a result of lower revenues, partially offset by prior year expenses containing a $7.9 million increase in the environmental provision for the remediation of contaminated former gas sites.

AusNet Services remains committed to allocating its resources to ensure a safe and reliable supply of natural gas to existing customers and bringing more gas to Victorians through efficient investment. In addition to ongoing expansion of the network, AusNet Services has agreed to extend its gas network to several towns identified in the Victorian Government's Energy for the Regions program. To date, AusNet Services has an agreement with Regional Development Victoria for the supply and reticulation of natural gas to Huntly, Avoca, Bannockburn and Winchelsea with Huntly completed during the financial year and work underway in the other three towns.

Electricity transmission business

	31 March 2015	31 March 2014	Movement	%
Segment revenue ($M)	619.8	628.3	(8.5)	(1.3%)
Segment result – EBITDA ($M)	434.5	436.9	(2.4)	(0.6%)
Capital expenditure ($M)	212.3	232.7	(20.4)	(8.8%)

The 1.3 per cent decrease in electricity transmission revenues is as a result of the reduction in regulatory WACC arising from the Transmission Revenue Reset (TRR) Final Determination for the 2014-17 period, which commenced on 1 April 2014.

The electricity transmission business contributed $434.5 million to EBITDA for the year, a decrease of $2.4 million over the previous year. The impact of lower revenues was offset by the removal of Management Services performance fees in the current year.

The decline in capital expenditure is a result of the completion of several major station upgrades. The TRR provides funding for key transmission projects, particularly the replacement and refurbishment of several major CBD terminal stations, including Richmond and West Melbourne, which underpin electricity supply to the Melbourne central business district. In addition, AusNet Services is undertaking an upgrade of the Brunswick terminal station.

Select Solutions business

	31 March 2015	31 March 2014	Movement	%
Segment revenue ($M)	158.9	150.7	8.2	5.4%
Segment result – EBITDA ($M)	17.0	18.5	(1.5)	(8.1%)

Select Solutions provides asset intelligence and end to end metering services. Select Solutions' customers are primarily businesses operating in the essential infrastructure sector such as electricity, water and gas utility owners, (including Jemena, which is considered a related party as it is controlled by State Grid Corporation of China) and telecommunications companies.

Select Solutions revenues increased by 5.4 per cent largely due to Geomatic Technologies (GT), which was acquired in February 2014. Select Solutions contributed $17 million to EBITDA for the year, a decrease of $1.5 million on the prior period primarily due to a change in revenue recognition treatment in communications revenues, resulting in a $3.8 million adjustment, partially offset by the GT contribution.

Financial position as at 31 March 2015

Total equity of the Stapled Group was $3,248.8 million as at 31 March 2015, a decrease of $195.8 million compared to the previous financial year. Total securityholders' equity includes 100 per cent of the ownership interests in AusNet Services Transmission and AusNet Services Finance Trust, as they are owned by securityholders directly. Significantly impacting total equity during the year was the recognition of $183.3 million of income tax expense arising from the settlement with the ATO on the intra-group financing audit, and $84.1 million of income tax expense recognised in relation to the intellectual property tax dispute.

Current liabilities exceed current assets by $18.8 million at 31 March 2015, an improvement of $407.9 million compared to the prior year. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations. The Stapled Group is, and is expected to continue, trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 31 March 2015, the Stapled Group has available a total of $300 million of undrawn but committed non-current bank debt facilities, $64 million of undrawn but committed current bank debt facilities and $883.1 million of cash.

Non-current assets have increased by $646.8 million compared to prior year, largely due to the $809.4 million of capital expenditure invested into the asset base and the improved fair value of derivative financial instruments.

Non-current liabilities increased by $1,250.5 million as AusNet Services raised additional debt capital to fund its capex programs and refinance debt maturing in the next six months. In addition, the depreciation of the Australian dollar has resulted in an increase in the value of borrowings (offset by an equal increase in the value of derivative assets).

Capital management

AusNet Services manages its capital structure to ensure that it continues as a going concern while maximising the return to securityholders as well as providing the flexibility to fund organic growth and other investment opportunities. An appropriate capital structure is also maintained to ensure an efficient cost of capital is available to AusNet Services. Through its cash flows from operations and by maintaining an appropriate and prudent mix of debt and equity, AusNet Services ensures that it achieves its targeted credit metrics that support an 'A' range credit rating.

Debt raising

AusNet Services' common or central funding vehicle (CFV) operates through AusNet Services Holdings Pty Ltd (formerly SPI Electricity & Gas Australia Holdings Pty Ltd), a subsidiary of AusNet Services Distribution. AusNet Services has access to funds through the CFV.

In line with AusNet Services' Treasury Risk Policy, AusNet Services maintains a diversified debt portfolio by maturity and source. AusNet Services' A- credit rating from Standard and Poor's and A3 from Moody's Investor Services contributed to the successful completion of bond issues during the current financial year, being:

> a NOK 900 million fifteen-year Norwegian kroner bond issue to raise $160 million in June 2014;

> a $125 million ten-year Australian bond issue in June 2014; and

> a EUR 560 million twelve-year bond issue to raise approximately $825 million in February 2015.

Distributions

Distributions paid to securityholders during the financial year were as follows:

	Final 2014 distribution		Interim 2015 distribution	
	Cents per security	Total distribution $M	Cents per security	Total distribution $M
Fully franked dividend paid by AusNet Services Transmission	1.393	47.2	2.200	75.3
Interest income paid by AusNet Services Finance Trust	2.379	80.6	1.980	67.8
Return of capital paid by AusNet Services Finance Trust	0.408	13.8	–	–
	4.180	**141.6**	**4.180**	**143.1**

Since the end of the financial year, the Directors have approved a final distribution for 2015 of $144.9 million (4.18 cents per stapled security) to be paid on 26 June 2015 comprised as follows:

	Final 2015 distribution	
	Cents per security	Total distribution $M
Fully franked dividend payable by AusNet Services Transmission	2.217	76.8
Interest income payable by AusNet Services Finance Trust	1.963	68.1
	4.180	**144.9**

If the corporate restructure is in place prior to distribution payment date, this distribution will be paid to AusNet Services Ltd. AusNet Services Ltd will then pay a dividend to securityholders. Refer to the 'Matters subsequent to the end of the financial year' section for further details.

AusNet Services will continue to determine future distribution amounts from operating cash flows after servicing all of its maintenance capital expenditure and a portion of its growth capital expenditure. For the 2016 financial year, AusNet Services expects to lift distributions to 8.53 cents per security. In addition, AusNet Services expects the interim 2016 distribution to be franked at 75 per cent in the event that the corporate restructure is implemented.

Distribution Reinvestment Plan (DRP)

In relation to the final 2014 distribution paid on 27 June 2014, $51.4 million was utilised in the allotment of new securities issued under the DRP, representing a take up rate of approximately 36 per cent. In relation to the interim 2015 distribution paid on 24 December 2014, $54.2 million was utilised in the allotment of new securities issued under the DRP, representing a take up rate of approximately 38 per cent.

The DRP will be in operation for the final 2015 distribution at a two per cent discount to the average of the volume weighted average price.

Material risks and uncertainties

AusNet Services is committed to understanding and effectively managing risk to provide greater certainty and confidence for its securityholders, employees, customers, suppliers and communities in which it operates. AusNet Services maintains oversight of its material business risks (financial and non-financial) at an enterprise-wide level and reports regularly to the Audit and Risk Management Committee and the Board of Directors on the effectiveness of the management of these risks. AusNet Services is cognisant of the following principal risks which may materially impact the execution and achievement of its business strategy and financial prospects.

(a) AMI program risks

Cost recovery

The AMI Cost Recovery Order in Council (CROIC) is the framework under which AusNet Services seeks regulatory recovery for its spend on the AMI Program. The CROIC allows for the recovery of prudent costs included in the scope of implementing the AMI Program and is for the period up to 31 December 2015. Any spend incurred in a calendar year that is above the Australian Energy Regulator (AER) approved budget may be submitted to the AER for recovery via an Excess Expenditure Application. Beyond this date, regulated metering business capital and operating costs are recovered through the normal distribution business price review process.

As noted in the 'AMI Program update' section of this report, AusNet Services has encountered periods of significant instability in its AMI systems performance as the number of meters connected to its AMI systems increased. In light of these issues, AusNet Services is currently executing a plan and replacement works to stabilise existing systems and complete the AMI Program. The total estimated cost of these works is $220 million. As with all large-scale and complex projects, there is a risk that further expenditure may be required or that the project will not remediate all issues with system performance.

AusNet Services estimates that the total amount of current and forecast expenditure subject to future regulatory approval up to 31 December 2015 under the CROIC, compared to the current AER approved budget, is $204 million. Of this amount, $82 million was incurred in calendar year 2014. In addition, $120 million of the future expenditure noted above to complete the AMI program will fall under the 2016-2020 Electricity Distribution Price Review period.

There is a risk that some or all of the additional expenditure incurred or to be incurred by AusNet Services in 2014 and 2015 may not be recovered through an Excess Expenditure Application under the CROIC. The AER has discretion whether or not to approve any such applications for recovery. In addition, there is a risk that the AER will not allow all of AusNet Services' metering business capital and operating costs during the 2016-2020 Electricity Distribution Price Review period to be recovered.

Electricity distribution licence

The Essential Services Commission (ESC) concluded its audit of distribution businesses' compliance with the best endeavours obligation under the CROIC in November 2014. The ESC found that AusNet Services "has not demonstrated that it used best endeavours, to the extent practicable, to meet the AMI rollout target, and has not demonstrated that it maintained an effective strategy to identify and manage risks." The ESC has indicated that it will continue to monitor AusNet Services' progress and require regular reporting. The ESC has noted that it did not assess the efficiency and prudency of any AMI expenditure.

If the ESC considered AusNet Services to be in breach of its distribution licence obligations, financial penalties could be applied. Further, if the ESC considered the breach sufficiently serious, it could ultimately lead to a loss of AusNet Services' electricity distribution licence if other enforcement actions available to the ESC had not satisfactorily rectified the breach.

Any such actions could adversely affect AusNet Services' financial performance and position.

(b) Taxation risks

As a large taxpayer with a stapled structure and two tax consolidated groups, the ATO regularly reviews the various tax positions adopted by AusNet Services. There is the risk that changes in tax law, or changes in the way tax laws are interpreted, may materially impact the tax liabilities of the Stapled Group or the tax losses currently available to offset future taxable profits. AusNet Services manages this risk via a Board-approved Tax Risk Management policy which outlines a number of review and sign-off procedures, including the utilisation of external tax and legal advisors, for each tax position based on the assessed level of judgment of that position.

In March 2015, the Stapled Group and the ATO executed a Settlement Deed to settle all matters concerning intra group financing arrangements and rights to future income issues. This has impacted the Stapled Group as follows:

> a $25 million payment to the ATO comprising a primary tax payment of $23.5 million and an interest payment (deductible) of $1.5 million, which was paid on 9 April 2015;

> cancellation of $506.5 million of carried-forward tax losses. Of this, $393.2 million were previously recognised in the statement of financial position and as such have been written off; and

> ceasing taking interest deductions in respect of AusNet Services Finance Trust loans from 1 April 2014.

While this settlement provides tax certainty, with the ATO concluding all audit activity for years up to and including 31 March 2014, AusNet Services presently has two significant unresolved issues with the ATO that, if they were to conclude unfavourably to AusNet Services, would result in a significant outflow of resources. The status of each of these matters is summarised below.

Section 163AA impost

On 7 April 2014 the Full Court of the Federal Court of Australia delivered judgment against AusNet Services in an appeal against disputed tax amended assessments relating to deductions claimed for amounts imposed under Section 163AA of the *Electricity Industry Act (1993)* (Vic).

The total after tax disputed amount is $89.7 million as at 31 March 2015 (representing $54 million of primary tax, plus a tax-effected interest component of $35.7 million). This amount (less the $3 million of interest accrued during the 2015 financial year) was recognised as a tax charge in the income statement for the year ended 31 March 2014. Of this total disputed amount, AusNet Services paid $30.6 million to the ATO in October 2011.

On 9 April 2015 an appeal was heard by the High Court of Australia and a decision is expected before 30 June 2015.

Material risks and uncertainties (continued)

(b) Taxation risks (continued)

Intellectual property

On 25 March 2014 the Federal Court of Australia delivered judgment in favour of AusNet Services in relation to intellectual property deductions claimed in the 1998 to 2011 years, inclusive. The disputed taxes amount to $93.5 million as at 31 March 2015, as detailed below:

	Pre-consolidation years $M	Post-consolidation years $M	Total $M
Primary tax	18.7	8.7	27.4
Interest	21.4	2.3	23.7
Future deductions	–	40.1	40.1
Penalties	2.3	–	2.3
Gross exposure	**42.4**	**51.1**	**93.5**

Of this total gross exposure, AusNet Services paid $17.1 million to the ATO in October 2011.

The ATO appeal was heard in the Full Court of the Federal Court in November 2014. On 6 May 2015, the Full Court allowed the ATO appeal in respect of the pre tax consolidation years, being 1998 to October 2005. The Federal Court's decision to remit the $2.3 million penalty imposed in respect of this period was not overturned. In relation to the post tax consolidation years (being October 2005 to 2011), the Full Court ordered that the matter be remitted back to the primary judge of the Federal Court for further hearing and determination.

In light of this judgment from the Full Court, and the significant uncertainty that has arisen, AusNet Services has recognised an $84.1 million tax charge for the year ended 31 March 2015. This represents the net exposure of the total dispute, after taking into account the deductibility of the interest component and excluding the $2.3 million of penalties.

(c) Regulatory risks

Price determinations

The energy industry in Australia is highly regulated. The regulated component of AusNet Services' revenues (approximately 86% of AusNet Services' revenues for the year ended 31 March 2015 were regulated) will be subject to periodic pricing resets by the AER, where revenue or prices will be determined for each of the networks for the specified regulatory period. AusNet Services has no ability or flexibility to charge more for regulated services than is provided for under the relevant AER determination (for electricity transmission and distribution), or the approved access arrangement (in respect of gas distribution), without regulatory approval. Regulatory control periods are generally 5 years, although with respect to the latest transmission revenue determination, the applicable pricing period is 3 years (with the next control period expected to be at least 5 years). The upcoming regulatory reset dates for AusNet Services' electricity transmission network, electricity distribution network and gas distribution network are 1 April 2017, 1 January 2016 and 1 January 2018, respectively.

Regulated charges do not necessarily reflect actual or projected operating costs, capital expenditure or the costs of capital. If the regulated charges set by the AER are lower than AusNet Services' costs, this may adversely affect the financial performance and position of AusNet Services. In addition, AusNet Services is exposed to cost changes within a regulatory control period and bears the risk of any shortfall in allowances for costs provided by regulatory determinations. Costs can change materially within a regulatory control period due to, among other things, changes in the costs of labour, equipment or capital inputs (including the cost of finance). In some circumstances, where costs are outside AusNet Services' control, the regulatory regime offers cost pass-through protection. However, this is generally limited to costs incurred as a result of a change of exogenous circumstances (e.g. change in law, natural disaster or changes in occupational health and safety or environmental obligations) and the change in costs is often required to satisfy a materiality threshold. It is also possible to re-open a price determination, but this can only occur where the determination is affected by a material error or deficiency. As such, AusNet Services faces exposure to changes in its costs which could adversely affect its financial performance and position.

AusNet Services carefully manages these risks in a number of ways. Prior to the commencement of a regulatory period, AusNet Services will develop a detailed plan of works to be undertaken and costs to be incurred as well as energy and maximum demand forecasts. Particular emphasis is placed on ensuring that AusNet Services continues to maintain safe, resilient and reliable networks and that the costs to be incurred are efficient and prudent. This information is submitted to the AER as part of the determination process, and where appropriate the views of industry and other external experts is sought to include in the submission. During the regulatory period AusNet Services continuously monitors and manages its costs through processes and systems which produce high quality data, efficiency, effectiveness and controllability.

Regulatory reform

The Australian Energy Market Commission (AEMC) has completed a rules change process in respect of the National Electricity Rules provisions on WACC and other aspects of the economic regulatory framework.

The rule changes, as made, among other things establish a new rate of return framework that is common to electricity distribution, electricity transmission and gas distribution, which requires the regulator to make the best possible estimate of the rate of return at the time a regulatory determination is made and to take into account market circumstances, estimation methods, financial models and other relevant information.

This framework provides the AER with greater discretion on the approach for setting WACC.

In addition, these rule changes provide for new tools, such as capital expenditure sharing schemes and ex-post efficiency reviews, so the regulator can incentivise network service providers to invest capital efficiently. The regulator can also apply the tools, in particular benchmarking, as it considers appropriate to each network business, having regard to an overall objective that only capital expenditure that is efficient should form part of the regulated asset base. Operating expenditure is also subject to benchmarking comparisons to set efficient levels going forward.

The AER has now completed a process to establish the necessary guidelines. The AER's WACC guideline decision released on 17 December 2013 continued the pattern of WACC reductions by regulators since the energy businesses were privatised in Victoria in 1994. In particular, the non-diversifiable risk (beta) assumed for the network businesses underpinning the cost of equity has been reduced and the tax allowance has been reduced. However, other methodological changes are likely to promote stability in the cost of capital in the long term. The assumptions and methodologies set out in the WACC guidelines may be subject to appeals to the Australian Competition Tribunal at the time of individual price reviews, which may negatively affect AusNet Services' financial performance and position.

The rules changes require the AER to conduct a review of the WACC guidelines every 3 years.

The AER's new WACC guidelines will first apply to AusNet Services under the Victorian electricity distribution reset applicable from 1 January 2016. Once established, the application of these guidelines may have an adverse impact on AusNet Services in future regulatory determinations for its regulated gas distribution and electricity transmission and distribution networks.

A number of other regulatory reviews are in progress or have recently been completed. The regulatory framework within which AusNet Services operates continues to evolve. Generally speaking, regulators have been seeking to expand incentive and penalty regimes focused on network performance. Regulators are also seeking more information regarding operating and capital costs and are becoming more willing to make their own assessments about the requirements of regulated businesses in respect of matters such as asset augmentation, replacement, maintenance and operation.

These reviews and others could give rise to changes in the regulatory and statutory framework that could in time affect AusNet Services' revenues and could have a negative impact on net profit after tax and cash flows.

In March 2015, the AEMC released draft changes to the National Electricity Rules and National Energy Retail Rules to remove the networks' effective metering monopoly. The proposals increase competition between retailers, networks and others to deliver new services via advanced metering to consumers who want to actively manage their electricity use. If adopted, the rules are proposed to commence from 1 July 2017.

(d) Network risks

AusNet Services' energy transmission and distribution networks and information technology systems are vulnerable to human error in operation, equipment failure, natural disasters (such as bushfires, severe weather, floods and earthquakes), sabotage, terrorist attacks or other events which can cause service interruptions to customers, network failures, breakdowns or unplanned outages. Certain events may occur that may affect electricity transmission or distribution lines or gas mains in a manner that would disrupt the supply of electricity or gas. Failures in AusNet Services' equipment may cause supply interruptions or physical damage.

Any service disruption may cause loss or damage to customers, who may seek to recover damages from AusNet Services, and this could harm the business and reputation of AusNet Services. AusNet Services' emergency response, crisis management and business continuity management system, known as Strategic Plan for the Integration of Response and Contingency Systems, is the approved methodology to guide response and recovery activities, however it may not be able to effectively protect AusNet Services' business and operations from these events.

AusNet Services is also exposed to the cost of replacing faulty equipment. On rare occasions, faults in plant items are discovered only after the item has been installed extensively within a network, requiring a large scale replacement program. Only some such incidents are covered by plant warranties and in some instances these warranties may only be partial. Additionally, incidents in AusNet Services' zone substations and terminal stations have property cover to insure against failure, but incidents outside the boundaries of AusNet Services' zone substations and terminal stations are self-insured. Any forced replacement program, particularly if not insured or covered by warranties, could be costly and adversely affect AusNet Services' financial performance and position.

Bushfire litigation update

AusNet Services was a defendant in litigation brought in connection with the 7 February 2009 bushfires located at Beechworth, Kilmore East, and Murrindindi, respectively. The Beechworth class action was settled in March 2012.

On 22 December 2014, the Supreme Court of Victoria formally approved the settlement deed for the Kilmore East bushfire class action. Under the terms of the settlement, the parties involved in the litigation have paid approximately $494.7 million with AusNet Services contributing $378.6 million which was paid in full by AusNet Services' liability insurers.

On 6 February 2015, AusNet Services announced that the parties to the Murrindindi bushfire class action had agreed to settle the action. The settlement agreement is subject to the approval of the Supreme Court of Victoria. Under the terms of the settlement, the parties involved in the litigation have agreed to pay $300 million with AusNet Services contributing $260.9 million which will be paid in full by AusNet Services' liability insurers. This amount has been recognised in the financial statements for the year ended 31 March 2015 as both a liability and a corresponding asset to be received from insurers.

In all three matters settlement was reached without admission of liability by AusNet Services or any other party.

Material risks and uncertainties (continued)

(e) Funding and market risks

AusNet Services relies on access to financial markets as a significant source of liquidity for capital requirements not satisfied by operating cash flows. AusNet Services' access to financial markets could be adversely impacted by various factors, such as a material adverse change in AusNet Services' business or a reduction in its credit rating. The inability to raise capital on favourable terms, particularly during times of uncertainty in the financial markets, could impact AusNet Services' ability to sustain and grow its businesses, which are capital intensive, and would likely increase its capital costs.

Furthermore, AusNet Services has a large amount of debt, with a net debt to Asset Base ratio at 31 March 2015 of 67.5 per cent. The degree to which AusNet Services may be leveraged in the future could affect AusNet Services' ability to service its debt and other obligations, to pay distributions to securityholders, to make capital investments, to take advantage of certain business opportunities, to respond to competitive pressures or to obtain additional financing. In addition, AusNet Services is exposed to a number of market risks associated with this debt, including interest rate risk.

AusNet Services effectively manages these risks in accordance with its Treasury Risk Policy which is approved by the Board and reviewed at least annually. Under this policy, AusNet Services aims to have a diverse funding mix in terms of source and tenure and proactively monitors and manages its credit metrics, in order to maintain its 'A' range credit rating and ensure continued access to various markets and to limit the funding requirement for any given year. In addition, through the use of derivative financial instruments AusNet Services aims to hedge 90 to 100 per cent of its interest rate risk.

(f) Information and communication technology risks

The drive to reduce carbon emissions, customers' needs for higher levels of reliability and the reduction in the cost of digital technology have resulted in a greater role for ICT in the management and operations of utility networks. An example of this greater role includes the implementation of AMI in the electricity distribution business and other "Smart Network" technology to improve electricity supply reliability. This increased focus on the role ICT plays in the management and operations of utility networks will require the introduction of new technology. In the event there is any significant delay in the development of such new technology, this may negatively impact AusNet Services' revenue or require unforeseen capital investment to replace obsolete technology.

Another example is the current implementation of a new, organisation-wide, enterprise resource planning and enterprise asset management solution. The purpose of the solution is to deliver efficiencies, savings and opportunities, including improved processes and planning and the consolidation of certain systems across the business. However, as with all new business solutions, there are risks associated with solution design, implementation, budgeting, planning and integration and future maintenance, upgrades and support. The crystalisation of any such risks could adversely impact on the effectiveness and cost of such a solution and business continuity.

To mitigate this risk, AusNet Services has established a dedicated program, including a governance framework and a cross-functional team, to ensure the business needs are met and the program is delivered successfully.

AusNet Services' financial performance and position may also be adversely affected by the requirements for greater ICT investment if the AER does not recognise these increased costs.

Environmental regulation and climate change

The Stapled Group was subject to both Federal and State Government environmental legislation during the year. The most significant areas of environmental legislation affecting the Stapled Group 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 year which are material in nature.

Under the *National Greenhouse and Energy Reporting (NGER) Act* 2007, corporations that meet or exceed thresholds are required to report greenhouse gas emissions and energy usage by 31 October each year. AusNet Services meets these thresholds and has lodged its current year's NGER reporting with the Clean Energy Regulator for the period from 1 July 2013 to 30 June 2014.

On 17 July 2014, the Federal Government approved the repeal of the carbon pricing mechanism, applicable from 1 July 2014.

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 Stapled Group that occurred during the year under review.

Matters subsequent to the end of the financial year

Restructure and simplification of the Stapled Group

AusNet Services has released a securityholder booklet for a restructure and simplification proposal (Proposal) under which the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd). The Proposal is subject to applicable regulatory approvals and requires the approval of securityholders at the securityholder meeting on 29 May 2015. The Proposal would be implemented by way of company and trust schemes of arrangement. AusNet Services is targeting an implementation date of 18 June 2015.

Distribution

Since the end of the financial year, the Directors have approved a final distribution for 2015 of $144.9 million (4.18 cents per stapled security) to be paid on 26 June 2015. If the restructure is implemented prior to the distribution payment date, as is currently anticipated (subject to Court and securityholder approval), the final distribution to securityholders will be comprised as follows:

	Cents per security	Total distribution $M
Franked dividend payable by AusNet Services Ltd	2.508	86.9
Unfranked dividend payable by AusNet Services Ltd	1.672	58.0
	4.180	**144.9**

If the restructure is not implemented prior to the distribution payment date, the final distribution to securityholders will be comprised as follows:

	Cents per security	Total distribution $M
Fully franked dividend payable by AusNet Services Transmission	2.217	76.8
Interest income payable by AusNet Services Finance Trust	1.963	68.1
	4.180	**144.9**

Intellectual property tax dispute

On 6 May 2015, the Full Court of the Federal Court allowed the ATO appeal in relation to the intellectual property tax dispute for the pre tax consolidation years, being 1998 to October 2005. The Federal Court's decision to remit the $2.3 million penalty imposed in respect of this period was not overturned. In relation to the post tax consolidation years (being October 2005 to 2011), the Full Court ordered that the matter be remitted back to the primary judge of the Federal Court for further hearing and determination.

Bushfire litigation

On 6 February 2015, AusNet Services and the other parties to the Murrindindi Class Action agreed to settle the action. The settlement is without admission of liability by AusNet Services or any other party. As at 31 March 2015, AusNet Services recognised this settlement in the financial statements as both a liability and a corresponding asset to be received from insurers. The settlement agreement is subject to the approval of the Supreme Court of Victoria.

With the exception of the matters outlined above, the Directors are not aware of any circumstances that have arisen since 31 March 2015 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the Stapled Group in financial years subsequent to 31 March 2015.

Information on Directors

Ng Kee Choe – *Chairman – Non-executive*

Bachelor of Science (Honours), University of Singapore

Experience and expertise

Mr Ng serves as Chairman of CapitaLand Ltd. He is also President-Commissioner of PT Bank Danamon Indonesia, Tbk. He is a Director of Fullerton Financial Holdings Pte Ltd. He is a member of the International Advisory Council of China Development Bank and Chairman of Tanah Merah Country Club. Mr Ng was formerly the Chairman and Director of Singapore Power Limited, CapitaMalls Asia Limited and NTUC Income Insurance Co-Operative Limited. He served as a Director of Singapore Airport Terminal Services Limited and Singapore Exchange Limited. He was also Vice-Chairman and Director of DBS Group Holdings, retiring from his executive position in 2003 after 33 years' service.

Other current listed company directorships

PT Bank Danamon Indonesia, Tbk (2004 to date) (Jakarta Stock Exchange listed entity)

CapitaLand Limited (2010 to date) (SGX-ST listed entity)

Former listed company directorships in last 3 years

Singapore Airport Terminal Services Ltd (2000 to 2012) (SGX-ST listed entity)

Singapore Exchange Ltd (2003 to 2014) (SGX-ST listed entity)

CapitaMalls Asia Limited (2013 to 2014) (SGX-ST and Hong Kong Stock Exchange Listed entity)

Date of initial appointment

AusNet Services Transmission – 26 October 2005

AusNet Services Distribution – 31 May 2005

Responsible Entity – 9 September 2005

AusNet Services Ltd – 14 April 2015

Special responsibilities

Chairman of the AusNet Services Board, Chairman of the Nomination Committee and Chairman of the Issuing Committee.

Nino Ficca – *Managing Director*

Bachelor of Engineering (Electrical) (Honours), Deakin University

Graduate Diploma Management, Deakin University

Advanced Management Programme, Harvard Business School, USA

Experience and expertise

Mr Ficca has over 30 years' experience in the energy industry, including numerous senior management roles with AusNet Transmission Group Pty Ltd (formerly SPI PowerNet Pty Ltd) including as Managing Director since 2003. Mr Ficca is a Director of Energy Networks Association Limited and a member of the National Energy Market Operations Committee. He is Chair of the Deakin University Engineering Advisory Board. Mr Ficca recently resigned as a Director of SPI Management Services Pty Ltd. He was also formerly Deputy Chairman and Director of the Energy Supply Association of Australia.

Other current listed company directorships

None

Former listed company directorships in last 3 years

None

Date of initial appointment

AusNet Services Transmission – 7 September 2005

AusNet Services Distribution – 31 May 2005

Responsible Entity – 31 May 2005

AusNet Services Ltd – 11 December 2014

Information on Directors (continued)

Special responsibilities
Managing Director and member of the Bushfire Litigation Committee and the Issuing Committee.

Ralph Craven – *Non-executive Director*

Bachelor of Engineering (Electrical - Honours), University of Queensland
Doctor of Philosophy, University of New South Wales
Postgraduate Diploma in Management, Deakin University
Postgraduate Diploma in Information Processing, University of Queensland

Experience and expertise
Ralph Craven has broad experience in energy, resources and infrastructure having worked in these sectors for over 35 years. His professional background encompasses electricity and gas businesses, mining, commodities trading, and the management of large scale system operations at the national level and the delivery of major infrastructure projects. Dr Craven is currently a Director of Senex Energy Limited and Windlab Limited. He is a Director of the International Electrotechnology Commission (IEC) and Chair of the IEC National Committee of Australia. Other recent directorships include being Chair of Invion Limited, Chair of the Audit Committee of Mitchell Services Limited and Chair of Genex Power Limited. He was formerly Chair of Ergon Energy Corporation Limited, Tully Sugar Limited and Deputy Chair of Arrow Energy Ltd. Dr Craven was CEO of Transpower New Zealand Limited and also held senior executive positions in Shell Coal Pty Ltd and NRG Asia Pacific Limited.

Other current listed company directorships
Senex Energy Limited (2011 to date)

Former listed company directorships in last 3 years
Invion Limited (2011 to April 2015)
Mitchell Services Limited (2011 to November 2014)

Date of initial appointment
AusNet Services Transmission – 24 January 2014
AusNet Services Distribution – 24 January 2014
Responsible Entity – 24 January 2014
AusNet Services Ltd – 14 April 2015

Special responsibilities
Member of the Audit and Risk Management Committee, the Compliance Committee and the Bushfire Litigation Committee.

Sally Marie Farrier – *Independent Non-executive Director*

Bachelor of Chemical and Process Engineering (First Class Honours), University of Canterbury, New Zealand
Masters of Business Administration, Victoria University of Wellington
Post Graduate Diploma in Finance and Investment Analysis, Securities Institute of Australia

Experience and expertise
Ms Farrier is currently a Director of Meridian Energy Limited and a founding Director of Farrier Swier Consulting Pty Limited. Past directorships include Manidis Roberts Pty Limited, Hydro Tasmania and Western Power. In addition, Ms Farrier has served as a National Water Commissioner, and in Victoria, she was a Member of the Victorian Water Trust Advisory Council. She is a Member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australasia.

Other current listed company directorships
Meridian Energy Limited (2012 to date) (New Zealand Stock Exchange Listed Company)

Former listed company directorships in last 3 years
None

Date of initial appointment
AusNet Services Transmission – 24 January 2014
AusNet Services Distribution – 24 January 2014
Responsible Entity – 24 January 2014
AusNet Services Ltd – 14 April 2015

Special responsibilities
Member of the Audit and Risk Management Committee and the Compliance Committee.

Ho Tian Yee – *Non-executive Director*

Bachelor of Arts (Economics), Portsmouth University, UK

Experience and expertise
Mr Ho is currently the Managing Director and principal shareholder of Pacific Asset Management (S) Pte Ltd, and an investment advisor to Blue Edge Advisors Pte Ltd. Mr Ho was previously the General Manager and Managing Director of Bankers Trust Company, Singapore. He currently serves as a non-executive director of DBS Group Holdings Ltd, DBS Bank Ltd and Fullerton Funds Management Company Limited. He is also a Board member of Singapore Power Limited.

Other current listed company directorships
DBS Group Holdings Ltd (2011 to date) (SGX-ST listed company)
DBS Bank Ltd (2011 to date) (SGX-ST listed company)

Former listed company directorships in last 3 years
Singapore Exchange Ltd (1999 to 2013) (SGX-ST listed company)

Date of initial appointment
AusNet Services Transmission – 1 September 2008
AusNet Services Distribution – 1 September 2008
Responsible Entity – 1 September 2008
AusNet Services Ltd – 14 April 2015

Special responsibilities

Member of the Nomination Committee, the Remuneration Committee and the Issuing Committee.

Antonino (Tony) Mario Iannello – *Independent Non-executive Director*

Bachelor of Commerce, University of Western Australia
Advanced Management Programme, Harvard Business School, USA

Experience and expertise
Mr Iannello is Chairman of Empire Oil and Gas NL, HBF Health Ltd and D'Orsogna Ltd. He is also a director of ERM Power Ltd and Water Corporation of WA. Mr Iannello was formerly Chairman of MG Kailis Group of Companies, Aviva Corporation Ltd and Energia Minerals Ltd. Mr Iannello was Managing Director of Western Power Corporation and previously he held a number of senior executive roles at the Bank of Western Australia.

Other current listed company directorships
ERM Power Ltd (2010 to date)
Empire Oil and Gas NL (2013 to date)

Former listed company directorships in last 3 years
Energia Minerals Ltd (2010 to 2014)

Date of initial appointment

AusNet Services Transmission – 6 June 2006
AusNet Services Distribution – 6 June 2006
Responsible Entity – 6 June 2006
AusNet Services Ltd – 14 April 2015

Special responsibilities

Chairman of the Audit and Risk Management Committee and member of the Nomination Committee, the Bushfire Litigation Committee and the Issuing Committee.

Tina Renna McMeckan – *Independent Non-executive Director*

Bachelor of Liberal Arts &.Science, San Diego State University, California, USA
Master of Business Administration, University of Melbourne

Experience and expertise

Ms McMeckan is a Director of the Global Carbon Capture and Storage Institute, Circadian Technologies Ltd and the Cooperative Research Centre for Spatial Information. She is a former Chair of the Centre for Eye Research Australia and a former Director of Metlink Victoria Pty Ltd, Viscorp Limited and the National Board of Norton Rose law firm. Ms McMeckan was previously an executive manager with GPU PowerNet and the SECV Energy Traders, and a project manager with the Victorian Department of Treasury and Finance on gas industry reform.

Other current listed company directorships

Circadian Technologies Limited (2008 to date)

Former listed company directorships in last 3 years

None

Date of initial appointment

AusNet Services Transmission – 9 August 2010
AusNet Services Distribution – 9 August 2010
Responsible Entity – 9 August 2010
AusNet Services Ltd – 14 April 2015

Special responsibilities

Chairman of the Compliance Committee and a member of the Remuneration Committee and the Audit and Risk Management Committee.

Ian Andrew Renard AM – *Independent Non-executive Director*

Bachelor of Arts, University of Melbourne
Master of Laws, University of Melbourne
Doctor of Laws (Hon), University of Melbourne

Experience and expertise

Mr Renard is a Director of Hillview Quarries Pty Ltd and a trustee of the R E Ross Trust. Mr Renard was formerly a Director of a number of public listed companies. He served as Chancellor of the University of Melbourne from 2005 to 2009, and was formerly a partner of the law firm Arthur Robinson & Hedderwicks, including a term as the firm's full-time Managing Partner.

Other current listed company directorships

None

Former listed company directorships in last 3 years

CSL Ltd (1998 to 2013)

Date of initial appointment

AusNet Services Transmission – 26 October 2005
AusNet Services Distribution – 31 May 2005
Responsible Entity – 9 September 2005
AusNet Services Ltd – 14 April 2015

Special responsibilities

Chairman of the Remuneration Committee and the Bushfire Litigation Committee and member of the Nomination Committee.

Sun Jianxing – *Non-executive Director*

Bachelor of Engineering, Northeast Dianli University, China

Experience and expertise

Mr Sun is a Non-executive Director of ElectraNet and currently holds the role of Head of State Grid Corporation of China Australia Representative Office. His previous roles include Deputy CEO of State Grid Energy Development Company Ltd, Deputy Director General of Materials & Equipment Supplying Department, State Grid Corporation of China, Chief Engineer of State Grid Shenzhen Energy Developments Ltd and Division Chief of Department of International Affairs, State Grid Corporation of China. In his early years, Mr Sun also worked as a Senior Engineer at the China General Institute for Electric Power Planning and Designing.

Other current listed company directorships

None

Former listed company directorships in last 3 years

None

Date of initial appointment

AusNet Services Transmission – 24 January 2014
AusNet Services Distribution – 24 January 2014
Responsible Entity – 24 January 2014
AusNet Services Ltd – 14 April 2015

Special responsibilities

Member of the Nomination Committee and the Remuneration Committee.

Company Secretary

Susan Elizabeth Taylor

Bachelor of Laws, University of Melbourne
Bachelor of Commerce, University of Melbourne
Graduate Diploma in Corporations and Securities Law, University of Melbourne

Ms Taylor has been Company Secretary of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity since 6 October 2008 and Company Secretary of AusNet Services Ltd from 11 December 2014. She has over 25 years' experience in energy transactional and regulatory law. She was formerly a partner at the Australian law firm Freehills and Senior Attorney with the U.S. Federal Energy Regulatory Commission, with a mergers and acquisitions, corporations and competition law background.

Meetings of Directors

The number of meetings of the Board of Directors of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity held during the year ended 31 March 2015, and the number of meetings attended by each Director, are set out in the following table. All meetings were held jointly.

	Board of AusNet Services Distribution		Board of AusNet Services Transmission		Board of Responsible Entity	
	A	B	A	B	A	B
Ng Kee Choe	13	14	13	14	13	14
Nino **Ficca**	13	14	13	14	13	14
Jeremy **Davis**[1]	5	5	5	5	5	5
Eric **Gwee**[1]	3	5	3	5	3	5
Ho Tian Yee	11	14	11	14	11	14
Tony **Iannello**	13	14	13	14	13	14
Tina **McMeckan**	14	14	14	14	14	14
Ian **Renard**	14	14	14	14	14	14
Sun Jianxing	10	14	10	14	10	14
Ralph **Craven**	14	14	14	14	14	14
Sally **Farrier**	13	14	13	14	13	14

1 Mr Davis and Mr Gwee retired as Non-Executive Directors effective 17 July 2014.

A = Number of meetings attended

B = Number of meetings held during the time the Director held office

The number of meetings of each standing Board committee of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity held during the year ended 31 March 2015, and the number of meetings attended by each Director, are set out in the following table.

	Audit and Risk Management Committee		Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Ng Kee Choe	**	**	**	**	3	3	**	**
Nino **Ficca**	**	**	**	**	**	**	**	**
Jeremy **Davis**[1]	1	1	**	**	**	**	**	**
Eric **Gwee**[1]	0	1	**	**	**	**	0	1
Ho Tian Yee	**	**	**	**	3	3	3	5
Tony **Iannello**	6	6	**	**	3	3	**	**
Tina **McMeckan**	6	6	4	4	**	**	5	5
Ian **Renard**	**	**	**	**	3	3	5	5
Sun Jianxing	**	**	**	**	2	3	5	5
Ralph **Craven**	6	6	4	4	**	**	**	**
Sally **Farrier**	6	6	4	4	**	**	**	**

1 Mr Davis and Mr Gwee retired as Non-Executive Directors effective 17 July 2014.

A = Number of meetings attended

B = Number of meetings held during the time the Director held office

**** = Not a member of the relevant committee**

The number of meetings of the Bushfire Litigation Committee and the Issuing Committee held during the year ended 31 March 2015, and the number of meetings attended by each Director, are set out in the following table.

	Bushfire Litigation Committee		Issuing Committee	
	A	B	A	B
Ng Kee Choe	**	**	1	1
Nino **Ficca**	7	8	1	1
Jeremy **Davis**[1]	2	2	**	**
Ralph **Craven**	7	8	**	**
Ho Tian Yee	**	**	1	1
Tony **Iannello**	8	8	0	1
Ian **Renard**	8	8	**	**

1 Mr Davis retired as a Non-Executive Director effective 17 July 2014.

A = Number of meetings attended

B = Number of meetings held during the time the Director held office

**** = Not a member of the relevant committee**

Directors' report – Remuneration report (audited)

Introduction to remuneration report

The remuneration report for the year ended 31 March 2015 outlines the remuneration arrangements of the company and the AusNet Services Group in accordance with the requirements of the *Corporations Act 2001* (Cth) and its regulations. This information has been audited as required by section 308 (3C) of the Corporations Act.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP). KMP are those persons who have authority and responsibility for planning, directing and controlling the major activities of the company and the AusNet Services Group directly or indirectly, including any Director of the parent company.

In performing its role, the Board and Remuneration Committee may directly commission and receive information and advice from independent external advisers to ensure remuneration recommendations in relation to KMP are free from undue influence by management.

In March 2010, the Remuneration Committee appointed PwC as its remuneration adviser. This appointment was formalised in August 2011 following changes to the Corporations Act in relation to the appointment of remuneration advisers. In August 2014, the Remuneration Committee re-appointed PwC as its remuneration advisor for a further 12 months.

No remuneration recommendations were provided by PwC to the Remuneration Committee or Board during the reporting period. Advice was provided to the Remuneration Committee by PwC during the reporting period which outlined the current overall market conditions and external pay practices amongst a selected peer comparator group. This advice included an analysis of existing levels of fixed and performance remuneration of AusNet Services' KMP and executives and assisted the Board in reviewing and determining overall remuneration outcomes for the KMP and executives for the reporting period.

Details of key management personnel

The Directors and other KMP of AusNet Services are engaged to provide services to the AusNet Services Group and are not exclusive to any particular entity within AusNet Services. Accordingly, this report includes information that is common to AusNet Services Distribution, AusNet Services Transmission (together 'the Companies') and the Responsible Entity. The remuneration amounts reported represent the total remuneration received by KMP during the year for services to the AusNet Services Group, and have not been apportioned between particular entities within the AusNet Services Group.

The persons listed below were Directors of AusNet Services for the whole of the financial year and up to the date of this report unless otherwise noted. There have been no additional appointments or resignations of Directors throughout the reporting period.

Name	Position
Ng Kee Choe	Non-executive Chairman
Nino **Ficca**	Managing Director
Ralph **Craven**	Non-executive Director
Jeremy **Davis**	Non-executive Director (retired 17 July 2014)
Sally **Farrier**	Non-executive Director
Eric **Gwee**	Non-executive Director (retired 17 July 2014)
Ho Tian Yee	Non-executive Director
Tony **Iannello**	Non-executive Director
Sun Jianxing	Non-executive Director
Tina **McMeckan**	Non-executive Director
Ian **Renard**	Non-executive Director

The persons listed below were KMP of AusNet Services during the financial year ended 31 March 2015.

Name	Position
Nino **Ficca**	Managing Director
John **Azaris**	General Manager Service Delivery
Chad **Hymas**	General Manager Strategy & Business Development
John **Kelso**	General Manager Select Solutions
Adam **Newman**	Chief Financial Officer
Alistair **Parker**	General Manager Asset Management
Mario **Tieppo**	Chief Information Officer

On 31 March 2014, AusNet Services, Singapore Power and SPI Management Services entered into a Termination Deed, pursuant to which they agreed to terminate the Management Services Agreement with effect from 31 March 2014. As a result of this termination, KMP and other employees who were previously employed by SPI Management Services were offered, and accepted, employment with AusNet Services, under either SPI Electricity Pty Ltd or SPI PowerNet Pty Ltd, on the same terms as their existing remuneration arrangements, including the preservation of all existing entitlements and participation in incentive arrangements effective 1 April 2014.

Stapled Group performance

AusNet Services' executive remuneration is directly linked to the performance of the Stapled Group across a range of measures. The Short-Term Incentive (STI) is focussed on achieving operational targets and short-term profitability and the Long-Term Incentive (LTI) is focussed on achieving long-term growth and retaining talented executives.

The table below shows AusNet Services' consolidated operating revenue and net profit after tax for the current reporting period and previous years and the effect of AusNet Services' performance on securityholder value.

	2011	2012	2013	2014	2015
Revenue	$1,468.0m	$1,535.4m	$1,639.5m	$1,799.4m	**$1,833.9m**
NPAT from continuing operations	$252.9m	$255.0m	$273.5m	$178.3m[1]	**$22.6m[2]**
Closing security price as at 31 March	$0.87	$1.075	$1.195	$1.31	**$1.46**
Distributions in respect of financial year (cents per stapled security)	8.00	8.00	8.20	8.36	**8.36**

1 NPAT includes a net charge of $86.7 million for the amount potentially payable in respect of the Section 163AA dispute, $50.0 million payable for the termination of the Management Services Agreement (MSA) and $7.7 million in restructuring costs associated with the Termination Deed.

2 NPAT includes the recognition of $183.3 million in income tax expense for the settlement with the Australian Taxation Office (ATO) in relation to the intra-group financing audit, the recognition of $84.1 million net exposure in relation to the intellectual property tax dispute with the ATO and the recognition of a provision for Advanced Metering Infrastructure (AMI) customer rebates of $22.8 million (after tax).

Principles used to determine the nature and amount of remuneration

Non-executive Directors (NEDs)

NED fee element	Commentary
Fees	The remuneration of Non-executive Directors consists of Directors' fees and committee fees. The Board's policy has been that fee levels are set having regard to independent performance advice and fees paid by comparable companies, and that fees paid are not linked to the performance of AusNet Services in order to maintain objectivity and independence. The level of fees paid has not been altered since April 2013. The Board has deferred any decision to review the fees paid to Non-executive Directors pending resolution of material litigation (concerning bushfire liability) and the restructure of AusNet Services to be voted upon by securityholders on 29 May 2015. In accordance with the constitutions of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity, Non-executive Directors may also be paid additional fees for special duties or exertions.
Total fee pool	The constitutions of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity provide that Non-executive Directors are entitled to such remuneration for their services as the Board decides, but the total amount provided to all Non-executive Directors (including any additional fees for special duties or exertions) must not exceed in aggregate in any financial year the amount approved by securityholders in a general meeting. The securityholders of AusNet Services Distribution and AusNet Services Transmission approved a total remuneration pool for Non-executive Directors of $2,000,000 per year at the Annual General Meeting of AusNet Services held on 19 July 2012.
Equity based compensation	Non-executive Directors are not provided with any form of equity based compensation.
Business related expenses	Non-executive Directors are entitled to be reimbursed for all business related expenses, including travel on company business, as may be incurred in the discharge of their duties.
Retirement benefits	Non-executive Directors are not provided with any form of retirement benefit. Fees paid to Non-executive Directors are inclusive of superannuation contributions made on behalf of the Non-executive Directors in accordance with AusNet Services' statutory superannuation obligations.
Review of fee levels and approach to Non-executive Director fees	Each year, the Remuneration Committee reviews the fees payable to Non-executive Directors taking into account market rates and the time commitment and responsibilities involved in carrying out their duties. The Board will continue to review its approach to Non-executive Director remuneration to ensure it remains in line with general industry practice and principles of good corporate governance.

The annual fees payable to Non-executive Directors of AusNet Services and approved by the Board (inclusive of statutory superannuation) for the financial year ended 31 March 2015 are set out in the table below. It is not possible to allocate fees to individual entities within the AusNet Services Group.

Role	Fee
Board Chairman [1]	$330,000
Board Directors	$121,000
Audit and Risk Management Committee Chairman	$30,000
Audit and Risk Management Committee Members	$18,000
Compliance Committee Chairman	$21,600
Compliance Committee Members	$12,000
Remuneration Committee Chairman	$24,000
Remuneration Committee Members	$12,000
Nomination Committee Chairman	$15,000
Nomination Committee Members	$12,000
Issuing Committee Members	$12,000

1 The Board Chairman is currently Chairman of the Nomination and Issuing Committees. As his Board fee is all-inclusive, no additional Nomination or Issuing Committee Chairman's fee is currently paid.

2 In addition to the fees noted above, Non-executive Directors may also be paid fees for special duties or exertions.

Managing Director and Senior Executives

The key objective of AusNet Services' policy for Managing Director and senior executive remuneration is to manage a total reward framework designed to:

> focus on creating value for securityholders by rewarding executives based on enhancement of sustainable securityholder value;

> create an environment that will attract appropriate talent and where people can be motivated with energy and passion to deliver superior performance;

> recognise capabilities and promote opportunities for career and professional development;

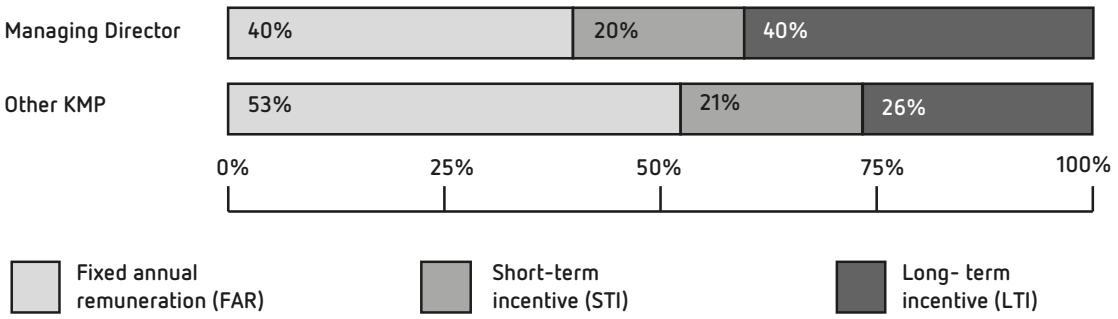
> provide rewards, benefits and conditions that are competitive in the market in which AusNet Services operates; and

> provide fair and consistent rewards across AusNet Services that support corporate values and principles.

Structure of total reward

The reward principles set out the relevant elements of remuneration to make up 'total reward'. For the majority of senior executives and AusNet Services employees, total reward consists of fixed remuneration and 'at risk' remuneration through a Short-Term Incentive (STI) plan. A Long-Term Incentive (LTI) plan is included in the remuneration structure for the Managing Director, senior executives and other employees who can influence long-term securityholder value. An appropriate mix of these components is determined for each level of management and employees.

The potential reward mix for the Managing Director and Other KMP for the reporting period, expressed as a percentage of total on-target reward, is shown in the following table:



Fixed annual remuneration

Fixed annual remuneration (FAR) represents the fixed component of executive remuneration and consists of a mix of cash, superannuation, prescribed benefits and salary-sacrificed items such as motor vehicles and fringe benefits tax. Market data is sourced from external remuneration advisers who provide detailed analysis of market practice for the Remuneration Committee to consider in the Committee's decision making process. FAR is reviewed annually against market rates for comparable roles. There are no guaranteed FAR increases in any senior executive's contract of employment.

Structure of total reward (continued)

Short-term incentive

The key design aspects of the STI plan are outlined below:

Key design aspect	Commentary
Eligibility	Managing Director, other senior executives and permanent employees on individual contracts of employment. Generally, senior executives must complete the business year to qualify for any STI payments. In some circumstances the Board, in its discretion, may determine that a pro-rata STI payment be awarded to an executive.
Target STI amount	A target STI amount, expressed as a percentage of the senior executive's FAR, is specified for each senior executive. However, the amount of STI payable is dependent on the: > extent to which AusNet Services has achieved or outperformed the corporate Key Performance Indicators (KPIs); and > extent to which the senior executive has achieved or outperformed his or her individual KPIs. The target STI for the Managing Director is 50% of FAR. The target STI for other senior executives is 40% of FAR.
Performance criteria	Based on corporate financial and non-financial measures as well as stretch individual performance hurdles. The key corporate KPIs set for the year ended 31 March 2015 included targets relating to: > employee, contractor and network safety; > earnings before interest, taxation, depreciation and amortisation; > return on equity; > capital efficiency; > business efficiency initiatives, network performance and reliability; and > employee retention. By linking individual rewards to the achievement of overall corporate targets, these KPIs align the interests of employees and managers with those of AusNet Services. The Managing Director's stretch individual performance scorecard contained a range of measures designed to contribute value to the business and included: > safety leadership and strategy implementation; > financial KPI's including credit rating KPI's > Business Excellence and performance efficiency KPI's; > people management and leadership; and > customer and community. The performance assessment of the Managing Director's stretch individual performance scorecard is conducted by the Chairman and the Remuneration Committee Chairman, and reviewed by the Board prior to finalisation and any award being granted.
Performance period	12 months to 31 March 2015.
Delivery mechanism	100% cash payment. The Board retains the right to vary any STI payment at its discretion.

Long-term incentive

The key design aspects of the LTI plan are outlined below:

Key design aspect	Commentary
Eligibility	Managing Director and other senior executives. The Board may in its discretion invite additional employees who are in a position to influence long-term securityholder value to participate in the LTI plan.
Purpose of the LTI plan	The LTI plan rewards participants for increasing long-term securityholder value.
Target LTI amount	The LTI Award is calculated as a percentage of the participant's FAR as at the test date. The quantum available to participants expressed as a percentage of FAR as at the performance test date, are: > Managing Director – 75% based on the general senior executive performance measures of Total Securityholder Return (TSR) and Earnings Per Security (EPS), with a further 25% for the achievement of stretch targets related to Return on Invested Capital (ROIC) and Interest Cover Ratio (ICR). > Other senior executives – 50% > Other participants – between 15% and 25%
Performance period	Performance is assessed over a three-year period and the LTI plan does not allow for retesting of performance measures in subsequent years.
Performance measures	Relative TSR (for 50% of the Award) and growth in EPS (for the other 50% of the Award). The Board and Remuneration Committee believe that it is important to assess executive performance against both relative and absolute hurdles linked to securityholder value. With the exception of the Managing Director, where an additional 25% LTI opportunity was introduced from 1 April 2011, accompanied by new performance indicators of ROIC and ICR, the same performance measures have been used for senior executive LTI since 1 April 2006. **TSR**: The comparator group used for the TSR performance measure consists of the companies included in the S&P/ASX 200 index. In assessing whether the performance hurdles have been met, AusNet Services receives independent data which provides both AusNet Services' TSR growth from the commencement of each grant and that of the companies in the comparator group. The level of TSR growth achieved by AusNet Services is given a percentile ranking having regard to its performance compared with the performance of other companies in the comparator group. The vesting scale for the TSR performance measure is shown below:

AusNet Services' TSR Percentile Ranking	Percentage of TSR Award that vests
Below 50.1	0%
50.1	35%
Between 50.1 and 74.9	Progressive vesting on a straight-line basis from greater than 35% to less than 100%
75 or above	100%

Structure of total reward (continued)

Long-term incentive (continued)

<table>
<tr><th>Key design aspect</th><th>Commentary</th></tr>
<tr><td>Performance measures (continued)</td><td>
EPS: The EPS growth measure is based on AusNet Services achieving a nominal compound annual growth (CAGR) of 5% per annum over the three-year period. A sliding scale applies as follows:
<table>
<tr><th>Compound annual growth rate</th><th>Percentage of EPS Award that vests</th></tr>
<tr><td>< 2.5% per annum</td><td>0%</td></tr>
<tr><td>Between 2.5% and 7.5% per annum</td><td>Linear scale from 50% to 150%</td></tr>
<tr><td>> 7.5% per annum</td><td>150%</td></tr>
</table>
ROIC: The ROIC measure applies to the Managing Director only and is designed to measure how effective AusNet Services uses funds (borrowed and owned) invested in its operations.

ROIC equals (NPAT + Finance Cost adjusted for Tax) / (Average Equity + Average Debt)

The target for this measure has been set as the average over the 3 year performance period, with the award calculated as follows:
<table>
<tr><th>AusNet Services' ROIC</th><th>Percentage of ROIC Award that vests</th></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
<tr><td>Between threshold and target</td><td>Linear scale from 50% to 100%</td></tr>
<tr><td>Above target to stretch target</td><td>Linear scale from 100% to 125%</td></tr>
<tr><td>Above stretch target</td><td>125%</td></tr>
</table>
ICR: The ICR applies to the Managing Director only and is a key financial metric which provides an indication of AusNet Services' ability to meet ongoing interest bills and therefore service debt.

ICR equals (Funds Flow from Operations + Finance Expenses) / Finance Expenses

The target for this measure has been set as the average over the 3 year performance period, with the award calculated as follows:
<table>
<tr><th>AusNet Services' ICR</th><th>Percentage of ICR Award that vests</th></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
<tr><td>Between threshold and target</td><td>Linear scale from 50% to 100%</td></tr>
<tr><td>Above target to stretch target</td><td>Linear scales from 100% to 125%</td></tr>
<tr><td>Above stretch target</td><td>125%</td></tr>
</table>
In order for the Managing Director to qualify for an award under both the ROIC and ICR measures, a safety performance hurdle of zero fatalities for AusNet Services employees in the 12 month period prior to vesting must be achieved.
</td></tr>
<tr><td>Delivery mechanism</td><td>Once the performance criteria have been satisfied, participants receive a cash award. The Board retains the right to vary any LTI payment at its discretion.

Participants are then required (under the Plan Rules) to use the after tax cash proceeds of this Award to purchase AusNet Services stapled securities on-market. These purchases must be conducted during an approved trading window and the stapled securities must be held for at least 12 months. Reasonable brokerage costs incurred by the participants are reimbursed.

Participants are incentivised to achieve performance targets over a three-year timeframe, and are also required to hold the AusNet Services securities acquired with their Award payment for at least 12 months, thereby extending the long-term nature of the LTI plan.</td></tr>
<tr><td>Clawback arrangements</td><td>Where, in the opinion of the Board, the performance measures applicable to an award have been satisfied as a result of the fraud, dishonesty or breach of obligations of the participant and, in the opinion of the Board, the performance measures would not otherwise have been satisfied, the Board may determine that the performance measures are not satisfied and may, subject to applicable laws, determine that any award paid in such circumstances be repaid by the participant to AusNet Services.</td></tr>
</table>

Long-term incentive plan from 1 April 2015

AusNet Services has recently adopted a new equity based long-term incentive plan, to operate for offers made to employees from 1 April 2015. The equity based long-term incentive plan has been designed with an aim to align the interests of participating employees with the interests of AusNet Services Securityholders. No equity based performance rights have been granted under this plan as at the date of this Remuneration Report. No Director (except for the Managing Director) will be entitled to participate in this new long-term incentive plan.

Loans to Directors and senior executives

No loans have been made by AusNet Services to any Directors or senior executives.

Details of remuneration

Remuneration details of each Director and KMP of AusNet Services are set out in the following tables.

Total remuneration for Non-executive Directors for the year ended 31 March 2014 and 31 March 2015

		Short-term		Post-employment	Total
Non-executive Directors	Year	Cash salary and fees	Other short term benefits[1]	Superannuation[2]	
Ng Kee Choe (Chairman)	**2015**	**301,542**	**–**	**28,458**	**330,000**
	2014	302,233	–	27,767	330,000
Ralph **Craven** [3]	**2015**	**157,704**	**–**	**14,896**	**172,600**
	2014	25,375	–	2,347	27,722
Jeremy **Davis**	**2015**	**38,059**	**–**	**3,536**	**41,595**
	2014	136,278	–	12,519	148,797
Sally **Farrier**	**2015**	**137,978**	**–**	**13,022**	**151,000**
	2014	25,375	–	2,347	27,722
Eric **Gwee**	**2015**	**45,186**	**–**	**–**	**45,186**
	2014	160,797	–	–	160,797
Ho Tian Yee	**2015**	**143,461**	**–**	**13,539**	**157,000**
	2014	143,783	–	13,217	157,000
Tony **Iannello** [3]	**2015**	**179,635**	**–**	**16,965**	**196,600**
	2014	176,745	–	16,255	193,000
George **Lefroy**	2014	51,335	–	4,665	56,000
Tina **McMeckan**	**2015**	**157,716**	**–**	**14,884**	**172,600**
	2014	151,010	–	13,882	164,892
Sun Jianxing	**2015**	**132,496**	**–**	**12,504**	**145,000**
	2014	24,430	–	2,260	26,690
Ian **Renard** [3]	**2015**	**176,338**	**–**	**16,662**	**193,000**
	2014	184,218	–	16,941	201,159
Total for Non-executive Directors	**2015**	**1,470,115**	**–**	**134,466**	**1,604,581**
	2014	1,381,579	–	112,200	1,493,779

1 The allocation of the premium for Directors' and Officers' insurance is not included as under the terms of the current policy this information cannot be disclosed.

2 Superannuation contributions made on behalf of Non-executive Directors to satisfy AusNet Services' obligations under applicable Superannuation Guarantee legislation. This does not include any salary sacrifice or employee contributions which are included under cash salary and fees.

3 Received exertion payments for the year ended 31 March 2015 in relation to services provided on the Bushfire Litigation Committee up to 31 December 2014.

Details of remuneration (continued)

Total remuneration for key management personnel for the year ended 31 March 2014 and 31 March 2015

		Short-term			Post-employment	Equity based payments [3]	Other long-term benefits [4,5]	Total
	Year	Cash salary and fees [5]	Cash bonus [1]	Other short-term benefits [2,5]	Super-annuation			
Nino **Ficca**	**2015**	**819,097**	**234,916**	**85,219**	**99,845**	**393,534**	**62,108**	**1,694,719**
	2014	805,587	320,000	87,922	92,250	619,027	66,775	1,991,561
John **Azaris**	**2015**	**317,182**	**74,634**	**33,650**	**43,378**	**98,514**	**19,830**	**587,188**
	2014	329,076	102,400	37,648	42,214	126,660	10,016	648,014
Chad **Hymas**	**2015**	**277,283**	**60,763**	**35,163**	**25,000**	**83,275**	**13,538**	**495,022**
	2014	258,669	86,400	30,384	25,000	66,397	7,512	474,362
John **Kelso**	**2015**	**315,488**	**84,470**	**35,247**	**33,402**	**95,168**	**27,805**	**591,580**
	2014	299,795	90,144	37,003	31,233	126,524	52,711	637,410
Adam **Newman**	**2015**	**586,686**	**144,659**	**57,887**	**25,000**	**183,324**	**16,847**	**1,014,403**
	2014	579,310	180,000	54,747	25,000	199,797	15,642	1,054,496
Alistair **Parker**	**2015**	**323,343**	**76,393**	**34,868**	**25,000**	**102,407**	**12,074**	**574,085**
	2014	325,862	90,000	35,923	25,000	82,996	9,385	569,166
Ash **Peck** [6]	2014	225,974	–	27,757	22,361	(100,948)	(22,929)	152,215
Mario **Tieppo**	**2015**	**369,253**	**89,021**	**38,694**	**25,000**	**140,653**	**9,956**	**672,577**
	2014	106,322	39,605	11,421	7,759	38,886	3,055	207,048
Total KMP	**2015**	**3,008,332**	**764,856**	**320,728**	**276,625**	**1,096,875**	**162,158**	**5,629,574**
	2014	2,930,595	908,549	322,805	270,817	1,159,339	142,167	5,734,272

1 2015 cash bonuses include bonuses in respect of performance for the year ended 31 March 2015. These amounts have been approved and will be payable in June 2015.

2 Other short-term benefits include car parking benefits and the accrual of annual leave entitlements. The allocation of the premium for Directors' and Officers' insurance is not included as under the terms of the current policy this information cannot be disclosed.

3 As the performance period over which the LTI Awards vest is three years, the amount included in equity based payments is one-third of the amount estimated to be payable at the end of the performance period for each outstanding Award. This estimated amount is based on certain assumptions regarding the achievement of performance targets which are reviewed and adjusted annually. Any adjustments to previously recognised amounts, both positive and negative, are included in the current year. The actual amounts paid under these Awards will not be known until the end of the performance period. Refer to the table below under the heading of key management personnel – long-term incentive for the maximum amounts payable at the end of three years.

4 Other long-term benefits include the accrual of long service leave entitlements.

5 The above table represents the accounting value of KMP remuneration, calculated in accordance with accounting standards. As a result, annual leave and long service leave entitlements are recognised as remuneration when they accrue rather than when they are taken. This has the impact of reducing the cash salary and fees remuneration disclosed in the table above when these leave entitlements are ultimately taken by the KMP. In addition, any changes to the value of leave entitlements (for example, because of changes in FAR or long service leave entitlements not vesting) are recognised as remuneration, either positive or negative, in the year that the change occurs. These accounting adjustments to remuneration values are reflected in the *Cash Salary and Fees*, *Other Short-term Benefits* and *Other Long-term Benefits* disclosed in the table above.

6 Mr Peck ceased to be KMP on 6 December 2013. His remuneration up to this date has been included in the table above.

Remuneration and Other Terms of Employment

Remuneration and other terms of employment for the Managing Director and other KMP are set out below.

Managing Director	
Term of agreement	Permanent, subject to one month's notice of termination by either party.
Fixed remuneration	Fixed remuneration includes base salary and superannuation. As at 31 March 2015, fixed annual remuneration was $1,045,000. Fixed remuneration is reviewed annually by the Remuneration Committee and the Board.
Short-term incentive	Annual short-term incentive of 50% of FAR for on-target performance.
Long-term incentive	Long-term incentive of 75% of FAR for on-target performance, based on the general senior executive performance measures of TSR and EPS, and a further 25% for the achievement of stretch targets related to ROIC and ICR. Annual invitation to participate with three-year performance period and no retesting of performance measures in subsequent years.
Termination benefits	Termination benefits calculated at three weeks' pay for every year of service paid at the Managing Director's FAR rate and capped at six months.

In addition, the Managing Director participates in the AusNet Services Retention Plan. Under this plan, the Managing Director is entitled to receive up to 100% of FAR, contingent upon a change of control event occurring (as defined under the Corporations Act and ASX Listing Rules) and subject to continued employment up to 12 months following the change of control event. The Retention Plan is in place until 16 September 2015. The Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the Retention Plan and in the exercise of any power or discretion under the Plan.

Other KMP

The major provisions contained in the services agreements of the other KMP listed are substantially the same as those that apply to the Managing Director although participation levels for STI, LTI and Retention Plan vary.

Key management personnel cash bonuses – short-term incentive

The percentage of the available bonus that was paid, or that vested, in the financial years ended 31 March 2014 and 31 March 2015, and the percentage that was forfeited because the senior executive did not meet the service or performance criteria, are set out below.

	Cash Bonus (2015) [1]			Cash Bonus (2014)		
	Payable ($)	Percentage of available bonus		Paid ($)	Percentage of available bonus	
		Payable (%)	Not Payable (%)		Paid (%)	Not Paid (%)
Nino **Ficca**	234,916	45.0	55.0	320,000	64.0	36.0
John **Azaris**	74,634	45.0	55.0	102,400	64.0	36.0
Chad **Hymas**	60,763	47.8	52.2	86,400	72.0	28.0
John **Kelso**	84,470	54.9	45.1	90,144	62.6	37.4
Adam **Newman**	144,659	55.6	44.4	180,000	72.0	28.0
Alistair **Parker**	76,393	48.5	51.5	90,000	60.0	40.0
Mario **Tieppo**	89,021	55.6	44.4	39,605	80.0	20.0

1 Bonuses for performance for the year ended 31 March 2015 have been approved and will be payable in June 2015.

Key management personnel – long-term incentive (equity based payments)

The AusNet Services Board approved a LTI plan for the Managing Director and senior executives that came into effect from 1 April 2006. The following table shows the value of cash grants subject to future performance testing, percentage payable or forfeited and future financial years that grants may vest and be paid. The grants made in 2013 and 2014 are still in progress and, as such, no percentage of these grants have been paid or forfeited as at the date of this report.

	Date of grant	Percentage of maximum grant payable (%) [1]	Percentage of maximum grant forfeited (%)	Vesting date	Maximum total value of grant ($) [2]
Nino **Ficca**	1 April 2012	32.6%	67.4%	31 March 2015	1,306,250
John **Azaris** [4]	1 April 2012	26.8%	73.2%	31 March 2015	259,375
Chad **Hymas** [4]	1 April 2012	26.8%	73.2%	31 March 2015	99,375
John **Kelso**	1 April 2012	26.8%	73.2%	31 March 2015	240,625
Adam **Newman**	4 March 2013	26.8%	73.2%	31 March 2015	281,206
Alistair **Parker** [4]	1 April 2012	26.8%	73.2%	31 March 2015	123,125
Mario **Tieppo** [3]	9 December 2013	26.8%	73.2%	31 March 2015	109,150
Total granted 1 April 2012					**2,419,106**
Nino **Ficca**	1 April 2013	–	–	31 March 2016	1,355,234
John **Azaris**	1 April 2013	–	–	31 March 2016	269,102
Chad **Hymas**	1 April 2013	–	–	31 March 2016	206,203
John **Kelso**	1 April 2013	–	–	31 March 2016	249,648
Adam **Newman**	1 April 2013	–	–	31 March 2016	421,484
Alistair **Parker**	1 April 2013	–	–	31 March 2016	255,484
Mario **Tieppo** [3]	9 December 2013	–	–	31 March 2016	199,719
Total granted 1 April 2013					**2,956,874**
Nino **Ficca**	1 April 2014	–	–	31 March 2017	1,406,056
John **Azaris** [4]	1 April 2014	–	–	31 March 2017	279,193
Chad **Hymas** [4]	1 April 2014	–	–	31 March 2017	213,936
John **Kelso**	1 April 2014	–	–	31 March 2017	259,010
Adam **Newman**	1 April 2014	–	–	31 March 2017	437,290
Alistair **Parker** [4]	1 April 2014	–	–	31 March 2017	265,065
Mario **Tieppo** [3]	1 April 2014	–	–	31 March 2017	269,102
Total granted 1 April 2014					**3,129,652**

1 These grants have been approved and will be payable in June 2015. In determining LTI's for the 1 April 2012 grant, the Board has not exercised any discretion in relation to the performance measures and outcomes payable under the LTI Plan.

2 For the grant of 1 April 2012, the amounts payable equated to 26.8% of the maximum LTI, except for Mr Ficca for whom the amount payable equated to 32.6% of the maximum LTI. For the grants of 1 April 2013 and 1 April 2014, the amounts are based on maximum performance in relation to TSR, EPS, ROIC and ICR at the end of the three-year performance period described above and assumes prevailing FARs increase by 3.75% per annum.

3 Mr Tieppo commenced as KMP from 9 December 2013. As part of his contract of employment, Mr Tieppo has been granted pro-rata participation in the 1 April 2012 and 1 April 2013 tranches of the Company's LTI plan, which are due to be tested on 31 March 2015 and 31 March 2016 respectively. The maximum total value of grant disclosed above is based on this pro-rata entitlement.

4 Mr Azaris, Mr Hymas and Mr Parker commenced as KMP from 1 April 2013. The LTI participation and maximum grant payable disclosed above also include those LTI's that were granted prior to their commencement as KMP.

Securityholdings of KMP

The KMP of AusNet Services have disclosed relevant interests in stapled securities as at 31 March 2015 as follows:

Name	Number of stapled securities at 1 April 2014	Granted during the year as compensation (i)	Acquisitions / (disposal)	Number of stapled securities at 31 March 2015
Non-executive Directors				
Ng Kee Choe [1]	195,883	–	–	195,883
Ralph **Craven**	–	–	–	–
Jeremy **Davis** [4]	120,750	–	–	120,750
Sally **Farrier**	–	–	–	–
Eric **Gwee** [1,4]	153,591	–	–	153,591
Ho Tian Yee	–	–	–	–
Tony **Iannello** [3]	190,976	–	–	190,976
Sun Jianxing	–	–	–	–
Tina **McMeckan** [5]	90,000	–	–	90,000
Ian **Renard**	84,898	–	–	84,898
Executives				
Nino **Ficca** [2]	1,268,183	195,000	–	1,463,183
John **Azaris**	132,600	39,000	(110,000)	61,600
Chad **Hymas**	80,192	15,050	5,664	100,906
John **Kelso**	72,937	35,500	527	108,964
Adam **Newman**	20,000	30,000	–	50,000
Alistair **Parker**	31,000	19,250	2,621	52,871
Mario **Tieppo**	–	4,000	–	4,000

1 Securities held by The Central Depository (Pte) Limited. Mr Gwee retired as a Director of AusNet Services on 17 July 2014.

2 319,850 securities held by immediate family members of Mr Ficca and 1,143,333 securities held by Mr and Mrs Ficca as Trustees for the Ficca Investment Trust.

3 87,500 securities held jointly by Mr Iannello and immediate family members of Mr Iannello through a Superannuation Plan and 103,476 securities held by immediate family members of Mr Iannello as trustee for the ADI Investment Trust.

4 Mr Davis and Mr Gwee retired as Directors of AusNet Services on 17 July 2014. The number of stapled securities disclosed at 31 March 2015 represents the number held at the date that Mr Davis and Mr Gwee ceased to be KMP.

5 Securities held by McMeckan Superannuation Pty Ltd as Trustee for the McMeckan Family Super Fund.

(i) Includes securities purchased under AusNet Services' Long-term Incentive Plan

Indemnification and insurance of officers and auditors

The constitutions of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity each provide for the company to indemnify each current and former Director, executive officer (as defined in the constitutions), and such other current and former officers of the company or of a related body corporate as the Directors determine (each an 'Officer'), on a full indemnity basis and to the full extent permitted by law against all liabilities (as defined in the constitutions) incurred by the Officer as an officer of the company or of a related body corporate.

The constitutions also provide for AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity, to the extent permitted by law, to purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability (as defined in the constitutions) incurred by the Officer as an officer of the company or of a related body corporate.

AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity may enter into a deed with any Officer to give effect to the rights conferred by the constitutions as described above.

The companies have executed protection deeds in favour of each of the Directors, the Company Secretary and certain general managers on substantially the same terms as provided in the constitutions. The deeds also give a right of access to the books of the companies and to Board documents (to the Directors only).

During the financial year, the Stapled Group paid a premium to insure the Directors and Company Secretaries of the Australian-based combined entities and the general managers of each of the divisions of AusNet Services. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance policy, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the policy.

No insurance premiums are paid by the Stapled Group in regard to insurance cover provided to the auditor of the Stapled Group, KPMG. The auditor is not indemnified and no insurance cover is provided to the auditor.

Non audit services

AusNet Services may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the relevant company and/or combined entity are important.

Details of the amounts paid or payable to the auditor, KPMG, for audit and non-audit services provided during the year are set out in note 22 of the financial report.

In accordance with the advice provided by the Audit and Risk Management Committee, the Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 55.

Rounding of amounts

AusNet Services Distribution is a company of a kind referred to in Class Order 98/100, 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 Class Order to the nearest hundred thousand dollars unless otherwise stated.

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

Ng Kee Choe
Chairman

Nino Ficca
Managing Director

Melbourne
13 May 2015

Lead auditor's independence declaration

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

To: the directors of AusNet Services (Distribution) Ltd, AusNet Services (Transmission) Ltd and the Responsible Entity of AusNet Services Finance Trust, AusNet Services (RE) Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Michael Bray
Partner

Melbourne

13 May 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

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Combined income statement

For the year ended 31 March 2015

	Notes	2015 $M	2014 $M
Revenue	3	1,833.9	1,799.4
Expenses, excluding finance costs and termination expenses	4	(1,165.9)	(1,094.0)
Termination expenses	4	–	(57.7)
Profit from operating activities		**668.0**	**647.7**
Finance income	5	26.7	24.7
Finance costs	5	(340.3)	(367.0)
Net finance costs		**(313.6)**	**(342.3)**
Profit before income tax		354.4	305.4
Income tax expense	6	(331.8)	(127.1)
Profit for the year		**22.6**	**178.3**
Attributable to:			
AusNet Services Distribution		(128.7)	3.4
AusNet Services Transmission and AusNet Services Finance Trust		151.3	174.9
Profit for the year		**22.6**	**178.3**
Earnings per share attributable to the ordinary equityholders of AusNet Services Distribution			
Basic and diluted (loss)/earnings per share (cents per share)*	8	(3.76)	0.10

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

*Basic and diluted earnings per stapled security of the Stapled Group for the year ended 31 March 2015 was 0.66 cents per security (2014: 5.28 cents). Refer to note 8.

Combined statement of comprehensive income

For the year ended 31 March 2015

	Notes	2015 $M	2014 $M
Profit for the year		22.6	178.3
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Movement in defined benefit fund	18	(36.6)	37.8
Income tax on movement in defined benefit fund	6(d)	11.0	(11.3)
		(25.6)	**26.5**
Items that may be reclassified to profit or loss in subsequent periods			
Movement in hedge reserve		(19.5)	85.3
Income tax on movement in hedge reserve	6(d)	5.9	(25.6)
	19(c)	**(13.6)**	**59.7**
Other comprehensive income for the year, net of income tax		(39.2)	86.2
Total comprehensive income for the year		**(16.6)**	**264.5**
Attributable to:			
AusNet Services Distribution		(158.9)	80.2
AusNet Services Transmission and AusNet Services Finance Trust		142.3	184.3
Total comprehensive income for the year		**(16.6)**	**264.5**

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

Combined statement of financial position

As at 31 March 2015

	Notes	2015 $M	2014 $M
ASSETS			
Current assets			
Cash and cash equivalents		883.1	409.8
Receivables	9	488.9	281.7
Inventories	10	37.5	42.3
Derivative financial instruments	19(c)	129.3	0.1
Other assets	11	24.3	25.0
Total current assets		**1,563.1**	**758.9**
Non-current assets			
Receivables	9	207.2	215.3
Inventories	10	19.4	17.6
Property, plant and equipment	12	9,341.9	8,944.3
Intangible assets	13	392.9	392.8
Derivative financial instruments	19(c)	535.2	264.2
Tax receivable	23(b)	–	17.1
Other assets	11	3.6	2.1
Total non-current assets		**10,500.2**	**9,853.4**
Total assets		**12,063.3**	**10,612.3**
LIABILITIES			
Current liabilities			
Payables and other liabilities	14	497.7	272.3
Current tax payable	6(c)	138.6	69.7
Borrowings	15	776.7	673.6
Provisions	16	122.3	99.3
Derivative financial instruments	19(c)	46.6	70.7
Total current liabilities		**1,581.9**	**1,185.6**
Non-current liabilities			
Payables and other liabilities	14	28.1	11.4
Non-current tax payable	6(c)	5.4	–
Borrowings	15	6,439.4	5,395.6
Provisions	16	78.5	35.0
Derivative financial instruments	19(c)	209.1	235.4
Deferred tax liabilities	6(e)	472.1	304.7
Total non-current liabilities		**7,232.6**	**5,982.1**
Total liabilities		**8,814.5**	**7,167.7**
Net assets		**3,248.8**	**3,444.6**
EQUITY			
Equityholders of AusNet Services Distribution			
Contributed equity	17	0.5	0.5
Reserves		(70.7)	(57.0)
Retained profits		567.9	713.1
		497.7	**656.6**
Equityholders of AusNet Services Transmission and AusNet Services Finance Trust		2,751.1	2,788.0
Total equity		**3,248.8**	**3,444.6**

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

Combined statement of changes in equity

For the year ended 31 March 2015

	Notes	Contributed equity $M	Issued units $M
31 March 2015			
AusNet Services Distribution			
Balance as at 1 April 2014		0.5	–
Total comprehensive income for the year			
Loss for the year		–	–
Other comprehensive income		–	–
Total comprehensive income for the year		**–**	**–**
Balance as at 31 March 2015		**0.5**	**–**
AusNet Services Transmission and AusNet Services Finance Trust			
Balance as at 1 April 2014		650.1	2,714.3
Total comprehensive income for the year			
Profit for the year		–	–
Other comprehensive income		–	–
Total comprehensive income for the year		**–**	**–**
Transactions with owners, recorded directly in equity			
Distributions paid	7	–	(13.8)
Distribution Reinvestment Plan (net of transaction costs)	7	–	105.5
Total transactions with owners		**–**	**91.7**
Balance as at 31 March 2015		**650.1**	**2,806.0**
Total stapled securityholders' equity as at 31 March 2015		**650.6**	**2,806.0**
31 March 2014			
AusNet Services Distribution			
Balance as at 1 April 2013		0.5	–
Total comprehensive income for the year			
Profit for the year		–	–
Other comprehensive income		–	–
Total comprehensive income for the year		**–**	**–**
Balance as at 31 March 2014		**0.5**	**–**
AusNet Services Transmission and AusNet Services Finance Trust			
Balance as at 1 April 2013		650.1	2,708.2
Total comprehensive income for the year			
Profit for the year		–	–
Other comprehensive income		–	–
Total comprehensive income for the year		**–**	**–**
Transactions with owners, recorded directly in equity			
Distributions paid	7	–	(16.0)
Distribution Reinvestment Plan (net of transaction costs)	7	–	22.1
Total transactions with owners		**–**	**6.1**
Balance as at 31 March 2014		**650.1**	**2,714.3**
Total stapled securityholders' equity as at 31 March 2014		**650.6**	**2,714.3**

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

(i) 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 (refer note 1(l)).

Hedge reserve (i) $M	Retained profits $M	Fair value adjustment on stapling (ii) $M	Other equity component (iii) $M	Total equity $M
(57.0)	713.1	–	–	656.6
–	(128.7)	–	–	(128.7)
(13.7)	(16.5)	–	–	(30.2)
(13.7)	**(145.2)**	**–**	**–**	**(158.9)**
(70.7)	**567.9**	**–**	**–**	**497.7**
–	467.3	51.4	(1,095.1)	2,788.0
–	151.3	–	–	151.3
0.1	(9.1)	–	–	(9.0)
0.1	**142.2**	**–**	**–**	**142.3**
–	(270.9)	–	–	(284.7)
–	–	–	–	105.5
–	**(270.9)**	**–**	**–**	**(179.2)**
0.1	**338.6**	**51.4**	**(1,095.1)**	**2,751.1**
(70.6)	**906.5**	**51.4**	**(1,095.1)**	**3,248.8**
(116.7)	692.6	–	–	576.4
–	3.4	–	–	3.4
59.7	17.1	–	–	76.8
59.7	**20.5**	**–**	**–**	**80.2**
(57.0)	**713.1**	**–**	**–**	**656.6**
–	546.1	51.4	(1,095.1)	2,860.7
–	174.9	–	–	174.9
–	9.4	–	–	9.4
–	**184.3**	**–**	**–**	**184.3**
–	(263.1)	–	–	(279.1)
–	–	–	–	22.1
–	**(263.1)**	**–**	**–**	**(257.0)**
–	**467.3**	**51.4**	**(1,095.1)**	**2,788.0**
(57.0)	**1,180.4**	**51.4**	**(1,095.1)**	**3,444.6**

(ii) This amount represents the fair value uplift to the assets of the AusNet Services Transmission Group on the date of stapling (refer note 1(b)(i)). The fair value uplift was applied to easements which are considered to have an indefinite useful life.

(iii) The AusNet Services Transmission other equity component results from the application of reverse acquisition accounting and represents the difference between the net assets of AusNet Services Transmission and AusNet Finance Pty Ltd and the purchase price paid by the legal acquirer, AusNet Services Transmission.

Combined statement of cash flows

For the year ended 31 March 2015

	Notes	2015 $M	2014 $M
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		2,068.6	2,000.3
Payments to suppliers and employees (inclusive of goods and services tax)		(904.8)	(897.3)
Payment of MSA termination fee (inclusive of goods and services tax) (i)		(39.3)	–
Income tax paid		(54.5)	(35.4)
Finance income received		23.8	23.1
Finance costs paid		(326.2)	(360.5)
Net cash inflow from operating activities	28	**767.6**	**730.2**
Cash flows from investing activities			
Payments for property, plant and equipment		(800.5)	(925.2)
Proceeds from sale of property, plant and equipment		5.7	0.8
Payments for acquisition of a subsidiary (net of cash acquired)		(0.4)	(24.2)
Receipts from desalination licence receivable	9	8.8	8.8
Net cash outflow from investing activities		**(786.4)**	**(939.8)**
Cash flows from financing activities			
Distributions paid (ii)	7	(179.2)	(257.0)
Proceeds from borrowings		1,830.3	2,162.6
Repayment of borrowings		(1,159.0)	(1,827.2)
Net cash inflow from financing activities		**492.1**	**78.4**
Net increase/(decrease) in cash held		473.3	(131.2)
Cash and cash equivalents at the beginning of the year		409.8	541.0
Cash and cash equivalents at the end of the year		**883.1**	**409.8**

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

(i) Settlement of fees for the termination of the Management Services Agreements (MSAs) with SPI Management Services Pty Ltd (SPIMS) and Enterprise Business Services (Australia) Pty Ltd (EBS) (a subsidiary of SPIMS) which were recognised in the year ended 31 March 2014. The net payment represents the termination fee of $50 million plus recoverable GST, offset by SPIMS employee provisions transferred to AusNet Services of $15.7 million.

(ii) Amounts shown represent distributions paid of $284.7 million (2014: $279.1 million) offset by proceeds from the Distribution Reinvestment Plan of $105.6 million (2014: $22.2 million), less transaction costs.

Notes to the combined financial statements

31 March 2015

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Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

(a) Basis of preparation

The combined general purpose financial report, prepared by a for-profit entity for the year ended 31 March 2015, represents the combined financial statements of the Stapled Group, which comprises AusNet Services (Distribution) Ltd (AusNet Services Distribution) and its subsidiaries, AusNet Services (Transmission) Ltd (AusNet Services Transmission) and its subsidiaries, and AusNet Services Finance Trust. The Stapled Group is also referred to as AusNet Services.

Pursuant to the Stapling Deed effective 21 October 2005, a Stapled Group was established for the purpose of facilitating a joint quotation of AusNet Services Distribution, AusNet Services Transmission and AusNet Services Finance Trust on the Australian Securities Exchange and the Singapore Exchange Securities Trading Limited. The Stapled Group was listed on 14 December 2005. The combined financial statements are presented in accordance with class order 13/1050, issued by the Australian Securities and Investment Commission.

So long as the three entities remain jointly quoted, the number of shares in each of AusNet Services Distribution and AusNet Services Transmission and the number of units in AusNet Services Finance Trust shall be equal and shareholders and unitholders shall be identical.

AusNet Services, AusNet Services Distribution, AusNet Services Transmission and AusNet Services Finance Trust were formerly known as SP AusNet, SP Australia Networks (Distribution) Ltd, SP Australia Networks (Transmission) Ltd, and SP Australia Networks (Finance) Trust respectively up until 4 August 2014.

The combined general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations adopted by the Australian Accounting Standards Board and the Corporations Act 2001 (Cth). The combined financial statements and notes also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board. This general purpose financial report is presented in Australian dollars.

The financial statements were approved by the Board of Directors on 13 May 2015.

The Stapled Group's current liabilities exceed current assets by $18.8 million at 31 March 2015. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations. The Stapled Group is, and is expected to continue, trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 31 March 2015, the Stapled Group has available a total of $300 million of undrawn but committed non-current bank debt facilities, $64 million of undrawn but committed current bank debt facilities and $883.1 million of cash.

(i) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) measured at fair value.

(ii) Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Stapled Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 20.

(b) Principles of consolidation

(i) Stapling

For statutory reporting purposes AusNet Services Distribution was identified as the acquirer in the Stapled Group based on the size of its net assets and its operations. Accordingly, it presents the combined financial report of the Stapled Group. As at the date of the stapling arrangement, the carrying amounts of the assets and liabilities of AusNet Services Distribution were consolidated with the fair values of the identifiable assets, liabilities and contingent liabilities of AusNet Services Transmission and AusNet Services Finance Trust.

As the business combination has been effected by contract alone, the total ownership interest in AusNet Services Transmission and AusNet Services Finance Trust is presented as a separate line item in the combined financial statements of AusNet Services Distribution, notwithstanding that by virtue of the stapling arrangement AusNet Services Distribution, AusNet Services Transmission and AusNet Services Finance Trust have common equityholders (securityholders) with the effect that total equity of the Stapled Group belongs to those securityholders. The retained profits of AusNet Services Transmission and the unitholders' funds of AusNet Services Finance Trust are available for distribution directly to securityholders.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Stapled Group. Control exists when the Stapled Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

Subsidiaries are fully consolidated from the date on which control is transferred to the Stapled Group and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities within the Stapled Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(c) Segment reporting

An operating segment is a component of the Stapled 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.

(d) Foreign currency translation

All foreign currency transactions are accounted for using the exchange rate at the date of the transaction. At balance date, monetary items denominated in foreign currencies are translated at the exchange rate existing at that date. Resultant exchange differences are recognised in the income statement for the year, except for exchange differences for qualifying cash flow hedges which are recognised in other comprehensive income.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received net of the amount of Goods and Services Tax (GST) payable to the taxation authority. Revenue is recognised for the major business activities as follows:

(i) Transmission regulated revenue

Transmission regulated revenue is revenue earned from the transmission of electricity and related services and is recognised as the services are rendered.

(ii) Distribution regulated revenue

Distribution regulated revenue is revenue earned from the distribution of electricity and gas and related services and is recognised as the services are rendered.

(iii) Service revenue

Service revenue is recognised as the services are rendered. This includes revenue earned from specialist utility related solutions, in particular metering, monitoring and asset inspection services as well as the operation and maintenance services provided in connection with the desalination electricity transmission assets.

(iv) Contributions from customers for capital works

Non-refundable contributions received from customers towards the cost of extending or modifying the networks are generally recognised as revenue and an asset respectively once control is gained of the contribution or asset and the customer is connected to the network. For unregulated customer projects, contributions received are recognised as revenue on a straight-line basis over the term of the connection agreement. 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 AusNet Services gains 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.

(v) Government grants

Government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and AusNet Services will comply with the conditions associated with the grant, and are then recognised in the income statement as other income on a systematic basis over the useful life of the assets associated with the grant.

(f) Income tax

(i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets and liabilities are, however, not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination), which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Stapled Group intends to settle its tax assets and liabilities on a net basis.

(iii) Tax expense

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

(iv) Tax consolidation

AusNet Services Distribution and AusNet Services Transmission are the head entities in two separate tax consolidated groups comprising each of these entities and their wholly-owned subsidiaries.

The current and deferred tax amounts for each tax consolidated group are allocated among the entities in each group using the stand-alone taxpayer method.

The members of each tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangement requires payments to/(from) the head entity equal to the current tax liability/(asset) calculated under the stand-alone taxpayer method and any deferred tax asset relating to tax losses assumed by the head entity. The members of each tax consolidated group have also entered into valid tax sharing agreements under the tax consolidation legislation which set out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated group.

Each head entity recognises deferred tax assets arising from unused tax losses of its tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the assets can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by each head entity from the subsidiaries in its tax consolidated group are recognised in conjunction with any tax funding arrangement amounts.

Note 1 Summary of significant accounting policies (continued)

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Stapled Group does not have any finance lease arrangements.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Business combinations

The acquisition method of accounting is used for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange as well as the fair value of any contingent consideration. Any subsequent changes in contingent consideration are recognised in the income statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date, irrespective of the extent of any non-controlling interest. All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Transaction costs in relation to business combinations are expensed as incurred.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and investments in money market instruments. Bank overdrafts are repayable on demand and form an integral part of the Stapled Group's cash management, therefore these are included as a component of cash and cash equivalents for the purpose of the combined statement of cash flows.

(j) Receivables

Current and non-current receivables are initially recognised at the fair value of the amounts to be received and are subsequently measured at amortised cost, less any allowance for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance for impairment is established when there is objective evidence that the Stapled Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The change in the amount of the allowance is recognised in the income statement.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on a weighted average and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(l) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which case the timing of the recognition in the income statement depends on the nature of the hedge relationship. The Stapled Group designates certain derivative financial instruments as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

Credit risk is included in the fair value of derivative financial instruments based on a bilateral credit risk adjustment obtained using credit default swap curves. The difference between the fair value of derivatives and their transaction price at inception due to credit valuation adjustments is recognised progressively over the period to maturity.

To ensure derivative financial instruments qualify for hedge accounting the Stapled Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Stapled Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The Stapled Group classifies its derivative financial instruments between current and non-current based on the maturity date of the instrument. As a result, derivative financial instruments are classified as non-current, except for those instruments that mature in less than 12 months, which are classified as current.

(i) Fair value hedge

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognised immediately in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve are recycled in the income statement in the periods when the hedged item will affect the income statement (generally when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in the hedge reserve are transferred from the hedge reserve and included in the measurement of the initial cost or carrying amount of the asset.

Hedge accounting is discontinued when the hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. At that time, any cumulative gain or loss existing in the hedge reserve remains in hedge reserve and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the hedge reserve is immediately recognised in the income statement.

(m) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less depreciation. The cost of contributed assets is their fair value at the date the Stapled Group gains control of the asset.

Historical cost includes all expenditure that is directly attributable to the acquisition of the asset, including an appropriate allocation of overheads and capitalised borrowing costs. Cost may also include transfers from the hedge reserve of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Stapled Group and the cost of the item can be measured reliably.

Items of plant and equipment under construction are recognised as capital work in progress. Once the asset construction is complete and the asset is capable of operating in the manner intended by management, the item of plant and equipment is transferred from capital work in progress to the relevant asset class and depreciation of the asset commences.

Maintenance and repair costs and minor renewals are charged as expenses as incurred, except where they relate to the replacement of an asset, in which case the costs are capitalised and depreciated, and the replaced item is derecognised.

Depreciation is recognised on property, plant and equipment, including freehold buildings but excluding land and easements. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed annually, and where changes are made, their effects are accounted for on a prospective basis.

The expected average useful lives of major asset classes are as follows:

	Years
Distribution network (gas)	15-80
Buildings	40-99
Transmission network	15-70
Distribution network (electricity)	5-70
Other general assets	3-10
Motor vehicles and heavy machinery	3-12
Computer equipment and software	3-5
Land and easements	Indefinite

(n) Intangible assets

(i) Distribution licences

The distribution licences held entitle certain subsidiaries to distribute electricity and gas within the subsidiary's licensed region. Distribution licences are stated at cost and are considered to be indefinite life intangible assets, which are not amortised. The distribution licences are tested for impairment annually and are carried at cost less any accumulated impairment losses.

(ii) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Stapled Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the income statement as a gain.

Goodwill is not amortised but is reviewed for impairment at least annually (refer note 1(o)).

(iii) Other intangible assets

Other intangible assets that are acquired by the Stapled Group and that have a finite useful life are measured at cost less accumulated amortisation and accumulated impairment losses.

Note 1 Summary of significant accounting policies (continued)

(o) Impairment of non-financial assets

At each reporting date, the Stapled Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss occurs when an asset's carrying amount exceeds its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Stapled Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest group of assets that generate largely independent cash inflows.

Intangible assets with indefinite useful lives, including goodwill, are tested for impairment annually regardless of whether there is an indication that the asset or related CGU may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss is recognised in the income statement immediately.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Stapled Group prior to the end of financial year which are unpaid. Trade and other payables are stated at cost, are unsecured and are usually payable within 30 days of end of month.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost, except as detailed below. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings which are part of a fair value hedge relationship are recognised at amortised cost, adjusted for the gain or loss attributable to the hedged risk. The gain or loss attributable to the hedged risk is recorded in the income statement together with any changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges (refer note 1(l)).

Borrowings are classified as current liabilities unless the Stapled Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date or has the sole discretion to refinance or roll over the liability for at least 12 months after the reporting date under an existing loan facility.

(r) Net financing costs

Finance income comprises interest income on funds invested and the return on the desalination licence receivable (refer to note 9). Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Finance costs comprise interest expense on borrowings, foreign exchange gains/losses, gains/losses on hedging instruments that are recognised in the income statement, unwinding of discount on provisions and the net interest cost in respect of defined benefit obligations. All borrowing costs are recognised in the income statement using the effective interest rate method, other than borrowing costs directly attributable to a qualifying asset which are capitalised into the cost of that asset.

The capitalisation rate used to determine the amount of borrowing costs to be included in the cost of qualifying assets is the average interest rate of 5.8 per cent (2014: 7.1 per cent) applicable to the Stapled Group's outstanding borrowings during the period.

(s) Provisions

Provisions are recognised when the Stapled Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount of the provision can be measured reliably. Provisions are not recognised for future operating losses.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligations. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(t) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, including on-costs. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution superannuation funds

Contributions made to defined contribution superannuation funds are expensed when the liability is incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Stapled Group's obligation in respect of these funds is limited to the contributions to the fund.

(iv) Defined benefit superannuation funds

The Stapled Group's net obligation in respect of the defined benefit superannuation funds is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and recognised after deducting the fair value of any plan assets.

The discount rate is the yield at the balance date on government bonds that have maturity dates approximating the terms of the Stapled Group's obligations. A qualified actuary performs the calculation using the projected unit credit method.

Remeasurements comprise actuarial gains and losses and the return on plan assets (excluding interest). They are recognised in full directly in retained profits in the period in which they occur and are presented in other comprehensive income.

When the calculation of the net obligation results in a benefit to the Stapled Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

(v) Earnings per share

(i) Basic earnings per share and basic earnings per stapled security

Basic earnings per share is calculated by dividing the profit attributable to members of the Stapled Group, excluding any non-controlling interest and costs of servicing equity other than distributions, by the weighted average number of shares of AusNet Services Distribution outstanding during the financial year.

Because 100 per cent of the profits of AusNet Services Transmission and AusNet Services Finance Trust are included in non-controlling interest, but are available to the securityholders, an alternative presentation of earnings per stapled security for the Stapled Group is also presented which includes earnings attributable to non-controlling interest.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest or other financing costs associated with dilutive potential shares and includes these dilutive potential shares in the weighted average number of shares outstanding used in the calculation.

(w) New accounting standards not yet adopted

The following accounting standards, amendments to accounting standards and interpretations have been identified as those which may impact the Stapled Group in the period of initial adoption. They were available for early adoption for the Stapled Group's annual reporting period beginning 1 April 2014, but have not been applied in preparing this financial report:

> AASB 9 *Financial Instruments* replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 April 2018, with early adoption permitted. While the impact of this standard has yet to be quantified by the Stapled Group, it is expected to reduce the circumstances under which AusNet Services recognises hedge ineffectiveness, or discontinues hedge accounting and recognises a de-designation gain or loss. This arises because this standard allows synthetic debt positions to be treated as hedged items, and it also amends the basis by which hedge effectiveness is measured.

> AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and associated Interpretations. AASB 15 is effective for annual reporting periods beginning on or after 1 April 2017, with early adoption permitted. The impact of this standard has yet to be quantified by the Group.

There are also other amendments and revisions to accounting standards that have not been early adopted. These changes are not expected to result in any material changes to the Stapled Group's financial performance or financial position.

(x) Rounding of amounts

The Stapled Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off to the nearest hundred thousand dollars, unless otherwise stated.

Note 2 Segment information

(a) Description of reportable segments

The Stapled 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. The Stapled Group charges 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. The Stapled Group's 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. The Stapled Group charges 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. The Stapled Group's gas distribution network covers central and western Victoria.

(iii) Electricity transmission

The Stapled Group owns and manages the vast majority of the electricity transmission network in Victoria. The Stapled Group's electricity transmission network consists of the transmission lines and towers which carry electricity at high voltages from power stations to electricity distributors around Victoria forming the backbone of the Victorian electricity network. The network is centrally located amongst the five eastern states of Australia that form the National Electricity Market, and provides key links between the electricity transmission networks of Victoria, South Australia, New South Wales and Tasmania. The Stapled Group charges 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 includes both regulated and unregulated electricity transmission assets and revenues. The electricity transmission segment does not purchase or sell electricity.

(iv) Select Solutions

Select Solutions provides asset intelligence and end-to-end metering services to external parties as well as to all other segments of AusNet Services. Select Solutions' customers are primarily businesses operating in the essential infrastructure sector such as electricity, water and gas utility owners and telecommunications companies.

(b) Reportable segment financial information

	Electricity distribution $M	Gas distribution $M	Electricity transmission $M	Select Solutions (iii) $M	Un-allocated expenses (iv) $M	Inter-segment eliminations $M	Combined $M
2015							
Regulated revenue	839.0	174.1	583.9	–	–	(11.7)	1,585.3
Customer contributions	33.3	12.3	–	–	–	–	45.6
Service revenue	–	–	12.7	138.2	–	–	150.9
Other revenue	7.3	0.9	23.2	20.7	–	–	52.1
Total segment revenue	**879.6**	**187.3**	**619.8**	**158.9**	**–**	**(11.7)**	**1,833.9**
Segment expense before depreciation and amortisation (i)	(425.9)	(45.3)	(185.3)	(141.9)	–	11.7	(786.7)
Segment result - EBITDA (ii)	**453.7**	**142.0**	**434.5**	**17.0**	**–**	**–**	**1,047.2**
Depreciation and amortisation	(218.8)	(59.1)	(95.9)	(5.4)	–	–	(379.2)
Net finance costs							(313.6)
Income tax expense							(331.8)
Profit for the year							**22.6**
Capital expenditure	486.9	99.0	212.3	11.2	–	–	809.4
2014							
Regulated revenue	783.9	193.3	593.7	–	–	(14.2)	1,556.7
Customer contributions	25.8	25.6	–	–	–	–	51.4
Service revenue	–	–	11.7	131.9	–	–	143.6
Other revenue	5.4	0.6	22.9	18.8	–	–	47.7
Total segment revenue	**815.1**	**219.5**	**628.3**	**150.7**	**–**	**(14.2)**	**1,799.4**
Segment expense before depreciation and amortisation	(363.5)	(51.4)	(191.4)	(132.2)	(57.7)	14.2	(782.0)
Segment result - EBITDA (ii)	**451.6**	**168.1**	**436.9**	**18.5**	**(57.7)**	**–**	**1,017.4**
Depreciation and amortisation	(213.9)	(56.0)	(95.9)	(3.9)	–	–	(369.7)
Net finance costs							(342.3)
Income tax expense							(127.1)
Profit for the year							**178.3**
Capital expenditure	568.6	112.2	232.7	36.5	–	–	950.0

(i) Electricity distribution segment includes $32.5 million of Advanced Metering Infrastructure (AMI) customer rebates, and a $28.1 million write-off of AMI communication card assets in the year ended 31 March 2015.

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

(iii) Capital expenditure for Select Solutions of $36.5 million in the previous financial year includes $27.2 million for the acquisition of the Geomatic Technologies business.

The segment financial information for Select Solutions reported in note 2(b) only includes revenues and expenses associated with external parties. All expenses incurred by Select Solutions for AusNet Services' other segments are allocated to those segments.

(iv) Unallocated expenses in the previous financial year represents the MSA termination fee, as well as restructure costs associated with the internalisation of services previously provided by EBS.

Note 2 Segment information (continued)

(c) Notes to and forming part of the segment information

(i) Accounting policies

Segment information is prepared in conformity with the accounting policies of the Stapled Group as disclosed in note 1 and AASB 8 *Operating Segments*.

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 transfers

Segment revenues, expenses and results include transmission network connection charges between the electricity distribution and electricity transmission segments. The prices for such transfers are regulated and are eliminated on consolidation.

Note 3 Revenue

	2015 $M	2014 $M
Revenue		
Regulated revenue	1,585.3	1,556.7
Customer contributions	45.6	51.4
Service revenue	150.9	143.6
Other revenue	52.1	47.7
Total revenue	**1,833.9**	**1,799.4**

Regulated revenue includes revenue earned from the distribution of electricity and gas and transmission of electricity in accordance with the relevant regulatory determination, as well as revenue earned from alternative control services (distribution), and negotiated and prescribed projects (transmission).

Note 4 Expenses

	Notes	2015 $M	2014 $M
Expenses, excluding finance costs, included in the income statement:			
Use of system and associated charges		95.8	86.3
Easement tax		103.4	103.4
Employee benefits			
Employee benefits expenses (iii)		162.1	124.9
Defined benefit superannuation expenses	18	7.5	7.1
Defined contribution superannuation expenses		17.4	13.9
Maintenance		95.0	95.5
Information technology and communication costs (iii)		23.5	41.4
Operating lease rental expenses		19.0	13.6
Administrative expenses		47.4	49.8
Materials		54.9	51.8
Flame logo fee	25(d)	0.5	1.0
Management services charge (iii)	25(d)	–	19.6
Performance fees	25(d)	–	22.2
Other operating expenses		92.6	85.7
Depreciation and amortisation		379.2	369.7
Net loss on disposal of property, plant and equipment		7.0	8.1
AMI customer rebates (i)		32.5	–
AMI asset write-off (ii)		28.1	–
Total expenses, excluding finance costs and termination expenses		**1,165.9**	**1,094.0**
Termination fee		–	50.0
Restructuring expenses		–	7.7
Total expenses, excluding finance costs		**1,165.9**	**1,151.7**

(i) Under the Victorian Government's customer rebate policy, AusNet Services is required to pay a fixed amount of $125 per customer as a one-off lump sum for premises that did not have a smart meter installed that communicated remotely with the market by 31 March 2015. Based on the current status of the program and the eligibility criteria under the policy, a $32.5 million provision has been raised at 31 March 2015 for the cost of this obligation, including associated administration costs.

(ii) A write-off of $28.1 million has been recognised in relation to WiMax and 3G communication cards for smart meters that will no longer be used under AusNet Services' current program. Of this balance, $20.6 million relates to property, plant and equipment while the remaining $7.5 million relates to inventory.

(iii) Following termination of the MSA in March 2014, management personnel previously included in the management services charge are now directly employed by AusNet Services and included within labour expenses. In addition, following the internalisation of EBS, service charges previously captured in Information technology and communications costs are now included within labour expenses.

Note 5 Net finance costs

	Notes	2015 $M	2014 $M
Finance income			
Investment income		12.8	10.3
Return on desalination licence receivable		13.9	14.4
Total finance income		**26.7**	**24.7**
Finance costs			
Interest expense		349.6	382.5
Other finance charges – cash		3.1	3.1
Other finance charges – non-cash		5.2	5.4
Loss on accounting for hedge relationships	19(c)	4.5	3.7
Unwind of discount on provisions		2.4	0.5
Defined benefit net interest expense		–	1.0
Capitalised finance charges		(24.5)	(29.2)
Total finance costs		**340.3**	**367.0**
Net finance costs		**313.6**	**342.3**

Note 6 Income tax and deferred tax

(a) Income tax expense

	Notes	2015 $M	2014 $M
Current tax		151.4	124.5
Prior year (over)/under provision - current tax		(3.9)	1.3
Deferred tax	6(f)(i)	182.8	3.7
Prior year under/(over) provision - deferred tax		1.5	(2.4)
		331.8	**127.1**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2015 $M	2014 $M
Profit before income tax expense	354.4	305.4
Tax at the Australian tax rate of 30% (2014: 30%)	106.3	91.6
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-assessable interest income (i)	–	(48.5)
ATO settlement primary tax cash payment (i)	24.6	–
ATO settlement – cancellation of tax losses (i)	118.0	–
Net tax and interest on section 163AA impost dispute (ii)	3.0	86.7
Net tax and interest on intellectual property dispute (iii)	84.1	–
Prior year (over)/under provision	(2.4)	(1.1)
Sundry items	(1.8)	(1.6)
Income tax expense	**331.8**	**127.1**

The Stapled Group's effective tax rate for the year ended 31 March 2015 was approximately 93.6 per cent (2014: 41.6 per cent). The divergence in the effective tax rate, from the prima facie tax rate of 30 per cent, was mainly caused by the following:

(i) On 22 October 2014, the Stapled Group and the Australian Taxation Office (ATO) reached an in-principle, non-binding agreement to settle all matters concerning intra-group financing arrangements and rights to future income issues. Following execution of a binding settlement deed on 4 March 2015, the Stapled Group has:

> made a primary tax payment of $23.5 million and an interest payment (deductible) of $1.5 million on 9 April 2015;

> cancelled $506.5 million of carried-forward tax losses. Of this, $393.2 million were previously recognised in the statement of financial position and as such have been written off; and

> ceased taking interest deductions in respect of AusNet Services Finance Trust loans from 1 April 2014.

This settlement provides tax certainty, with the ATO concluding all audit activity for years up to and including 31 March 2014.

(ii) Recognition during the previous period of $100.8 million for the amount potentially payable under the Section 163AA impost dispute. This is offset by the deductibility of the general interest component which results in a $14.1 million tax credit. In the current year, a general interest charge of $3 million was recognised. Refer to note 23(a).

(iii) In light of the judgment received from the Full Court of the Federal Court on 6 May 2015 (refer to note 23(b)), and the significant uncertainty that has arisen, AusNet Services has recognised an $84.1 million tax charge, consisting of the following components:

> a write-off of the $40.1 million deferred tax asset for intellectual property – copyright;

> a write-off of the $17.1 million non-current tax receivable initially recognised on the part-payment of the dispute; and

> recognition of a $26.9 million tax liability, being the net cash exposure after taking into account the deductibility of the interest payment. Of this amount, $21.5 million has been classified as current (relating to the pre tax consolidation years), and $5.4 million has been classified as non-current (relating to the post tax consolidation years).

(c) Reconciliation of tax payable

	2015 $M	2014 $M
Current tax payable		
Net amount potentially payable under Section 163AA impost dispute	59.1	56.1
ATO settlement primary tax payment for intra group financing arrangements	24.6	–
Net amount potentially payable under intellectual property tax dispute – current	21.5	–
Other current tax payable	33.4	13.6
Total current tax payable	**138.6**	**69.7**
Non-current tax payable		
Net amount potentially payable under intellectual property tax dispute – non-current	5.4	–
Total non-current tax payable	**5.4**	**–**
Total tax payable	**144.0**	**69.7**

(d) Amounts recognised directly in other comprehensive income

	2015 $M	2014 $M
Aggregate deferred tax arising in the year recognised in other comprehensive income:		
Hedge reserve – cash flow hedges	(5.9)	25.6
Remeasurement of defined benefit obligation	(11.0)	11.3
Net deferred tax recognised in other comprehensive income	**(16.9)**	**36.9**

Note 6 Income tax and deferred tax (continued)

(e) Recognised deferred tax assets and liabilities

	Deferred tax assets		Deferred tax liabilities	
	2015 $M	2014 $M	2015 $M	2014 $M
Employee benefits	25.6	19.9	–	–
Other accruals and provisions	37.8	31.9	–	–
Intellectual property – copyright	–	40.1	–	–
Derivative financial instruments and fair value adjustments on borrowings	38.3	31.1	–	–
Tax losses (i)	228.3	316.0	–	–
Defined benefit funds	11.9	–	–	(0.2)
Intangibles	–	–	(4.7)	(4.8)
Desalination licence receivable	–	–	(10.1)	(5.7)
Property, plant and equipment	–	–	(796.4)	(729.6)
Other	–	–	(2.8)	(3.4)
Deferred tax assets/(liabilities)	**341.9**	**439.0**	**(814.0)**	**(743.7)**
Set-off of tax	(341.9)	(439.0)	341.9	439.0
Net deferred tax assets/(liabilities)	**–**	**–**	**(472.1)**	**(304.7)**

(i) Of these tax losses, $153 million are expected to be cancelled if AusNet Services' restructure and simplification proposal is approved and implemented.

(f) Movement in temporary differences during the year

	2015 $M	2014 $M
Net deferred tax assets/(liabilities)		
Opening balance at 1 April	(304.7)	(266.5)
(Charged)/credited to the income statement (i)	(182.8)	(3.7)
Credited/(debited) to other comprehensive income	16.9	(36.9)
Net prior year over/(under) provision	(1.5)	2.4
Closing balance at 31 March	**(472.1)**	**(304.7)**

(i) Deferred tax (income)/expense recognised in the income statement in respect of each type of temporary difference is as follows:

	Charged/(credited) to the income statement	
	2015 $M	2014 $M
Employee benefits	(5.7)	0.2
Other accruals and provisions	(5.9)	(15.5)
Intellectual property – copyright	40.1	1.0
Derivative financial instruments and fair value adjustments on borrowings	(1.3)	(1.1)
Tax losses	87.7	(47.7)
Intangibles	(0.1)	(0.1)
Defined benefit funds	(1.1)	(0.8)
Desalination licence receivable	4.4	4.4
Property, plant and equipment	65.3	63.8
Other	(0.6)	(0.5)
Total charged/(credited) to the income statement	**182.8**	**3.7**

Note 7 Distributions

The following distributions were approved and paid by AusNet Services to stapled securityholders during the current financial year:

	Paid by	Date paid	Cents per security	Total distribution $M
Distributions				
Fully franked dividend	AusNet Services Transmission	27 June 2014	1.393	47.2
Interest income	AusNet Services Finance Trust	27 June 2014	2.379	80.6
Return of capital	AusNet Services Finance Trust	27 June 2014	0.408	13.8
Fully franked dividend	AusNet Services Transmission	24 December 2014	2.200	75.3
Interest income	AusNet Services Finance Trust	24 December 2014	1.980	67.8
Total distributions			**8.360**	**284.7**

The following distributions were approved and paid by AusNet Services to stapled securityholders during the previous financial year:

	Paid by	Date paid	Cents per security	Total distribution $M
Distributions				
Fully franked dividend	AusNet Services Transmission	28 June 2013	1.367	46.0
Interest income	AusNet Services Finance Trust	28 June 2013	2.649	89.2
Return of capital	AusNet Services Finance Trust	28 June 2013	0.084	2.8
Fully franked dividend	AusNet Services Transmission	23 December 2013	1.393	47.0
Interest income	AusNet Services Finance Trust	23 December 2013	2.396	80.9
Return of capital	AusNet Services Finance Trust	23 December 2013	0.391	13.2
Total distributions			**8.280**	**279.1**

In relation to the distributions paid in the current financial year of $284.7 million (2014: $279.1 million), $105.6 million (2014: $22.2 million) less transaction costs was utilised in the allotment of new securities issued under the Distribution Reinvestment Plan (DRP).

Note 7 Distributions (continued)

(a) Franking account

	2015 $M	2014 $M
30 per cent franking credits available to shareholders for subsequent financial years	107.8	59.9

The above available amounts are based on the balance of the dividend franking account at year end adjusted for franking credits that will arise from the payment of current tax liabilities, excluding the $59.1 million tax potentially payable under the Section 163AA impost dispute and the $26.9 million potentially payable under the intellectual property dispute. Included within the franking account is $47.7 million (2014: $45.7 million) arising from the tax payments made to the ATO in relation to the Section 163AA impost and intellectual property matters (refer to note 23(a) and (b)). If the Stapled Group is successful in the legal proceedings against the ATO, this amount will be reversed, resulting in lower franking credits being available.

The ability to utilise the franking credits is dependent upon there being sufficient net assets for the payment of dividends, the dividend payment being fair and reasonable to shareholders, and the dividend payment not materially prejudicing AusNet Services' ability to pay its creditors. In accordance with the tax consolidation legislation, AusNet Services Distribution and AusNet Services Transmission as the respective head entities in the tax consolidated groups have available $0.1 million and $107.7 million (2014: $0.1 million and $59.8 million) of franking credits respectively. For the final 2015 final distribution, the additional franking credits from the tax payments under the ATO disputes will not be utilised.

Note 8 Earnings per stapled security

(a) Basic earnings per stapled security

As the stapling is a business combination by contract alone, the total ownership interest in AusNet Services Transmission and AusNet Services Finance Trust is presented as non-controlling interest in the combined financial statements of AusNet Services Distribution.

By virtue of the stapling arrangement, AusNet Services Distribution, AusNet Services Transmission and AusNet Services Finance Trust have common equityholders (the securityholders) with the effect that total equity belongs to the securityholders. Therefore an alternative measure of earnings per stapled security has been calculated which includes non-controlling interest and hence the earnings of AusNet Services Transmission and AusNet Services Finance Trust.

	2015	2014
Profit attributable to the ordinary securityholders of the Stapled Group ($M)	22.6	178.3
Weighted average number of securities (million)	3,427	3,377
Earnings per stapled security (cents)	0.66	5.28

(b) Diluted earnings per stapled security

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

(c) Basic and diluted earnings per share for AusNet Services Distribution

	2015	2014
(Loss)/profit attributable to the ordinary equityholders of AusNet Services Distribution ($M)	(128.7)	3.4
Weighted average number of shares (million)	3,427	3,377
(Loss)/earnings per share (cents)	(3.76)	0.10

Note 9 Receivables

	Notes	2015 $M	2014 $M
Current receivables			
Accounts receivable		36.0	141.8
Related party receivables	25(e)	9.2	11.5
Desalination licence receivable (i)		10.2	10.2
Murrindindi bushfire settlement – reimbursement from insurers (ii)		260.9	-
		316.3	**163.5**
Accrued revenue		167.5	116.2
Other receivables		0.5	0.2
Interest receivable		4.6	1.8
Total current receivables		**488.9**	**281.7**
Non-current receivables			
Desalination licence receivable (i)		207.2	215.3
Total non-current receivables		**207.2**	**215.3**
Total receivables (iii)		**696.1**	**497.0**

(i) In December 2012, AusNet Services entered into a 27 year licence agreement with the Victorian State Government for the right to operate and maintain the 87 kilometre high-voltage underground transmission line supplying electricity to the Victorian desalination plant in Wonthaggi. At the same time, AusNet Services also entered into a 27 year agreement with the desalination plant operator to operate and maintain the transmission line in return for a monthly revenue payment.

The upfront payment of $235 million plus transaction costs of $1.2 million for the licence has been classified as a receivable. This receivable is interest-bearing and $8.8 million (2014: $8.8 million) of the total cash flows received from the operator during the year has been allocated against this receivable balance. The monthly revenue payment received from the operator is fixed, with an annual adjustment for inflation. Any amounts not received from the operator, but which are past due, can be recovered by AusNet Services from the Victorian State Government.

At the end of the agreements, AusNet Services is required to hand back the transmission line and all associated assets. In the event of early termination of the agreements, the unamortised portion of the upfront licence payment is refunded to AusNet Services, along with the reimbursement of necessary costs incurred in order to effect the termination.

(ii) This amount was received subsequent to 31 March 2015 and was used to settle AusNet Services' obligation under the settlement. Refer to note 14.

(iii) The fair value of total receivables as at 31 March 2015 was $696.1 million (2014: $497.0 million).

(a) Terms and conditions of accounts receivable

Accounts receivable are non-interest bearing and the average credit period on sales of transmission, distribution and specialist utility services is ten business days. An allowance has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtors.

All debts greater than 90 days are provided for in full, except where past experience of individual debtors provides evidence that another amount, if any, is more appropriate.

Collateral in the form of bank guarantees, letters of credit and deposits are obtained from certain counterparties where appropriate. The amounts called upon during the current and previous financial years were insignificant.

Note 9 Receivables (continued)

(b) Ageing of accounts receivable

The ageing of accounts receivable as at reporting date was:

	2015 Gross $M	2015 Allowance $M	2014 Gross $M	2014 Allowance $M
Not past due	25.9	–	132.8	–
0 – 30 days	6.2	–	6.2	–
31 – 60 days	2.7	–	1.1	–
61 – 90 days	0.7	–	0.3	–
Greater than 90 days	0.5	–	1.4	–
Total	**36.0**	**–**	**141.8**	**–**

Of those debts that are past due, the majority are receivable from high credit quality counterparties. Receivables relating to regulated revenue streams (which account for approximately 86.4 per cent of revenues) are owed by retailers and distributors in the industry. There are strict regulatory requirements regarding who can obtain a retail or distribution licence and the Essential Services Commission has minimum prudential requirements which must be met before a participant can be registered as a distributor. AEMO also has high prudential requirements for retailers who participate in the market. Retailers must provide guarantees as requested by AEMO to minimise the risk of exposure by other participants to any defaults.

(c) Reconciliation of movement in allowance for impairment loss

The movement in the allowance for impairment loss in respect of accounts receivable was as follows:

	2015 $M	2014 $M
Opening balance	–	0.1
Additional allowance recognised/(written back)	0.2	0.2
Amounts utilised	(0.2)	(0.3)
Closing balance	**–**	**–**

Note 10 Inventories

	2015 $M	2014 $M
Current inventories		
Construction, maintenance stocks and general purpose materials – at cost	45.0	42.3
Inventory write-off	(7.5)	–
Total current inventories	**37.5**	**42.3**
Non-current inventories		
Construction, maintenance stocks and general purpose materials – at cost	19.4	17.6
Total non-current inventories	**19.4**	**17.6**
Total inventories	**56.9**	**59.9**

Note 11 Other assets

	Notes	2015 $M	2014 $M
Current other assets			
Prepayments		24.3	25.0
Total current other assets		**24.3**	**25.0**
Non-current other assets			
Prepayments		3.0	–
Other assets		0.6	0.5
Defined benefit surplus	18	–	1.6
Total non-current other assets		**3.6**	**2.1**
Total other assets		**27.9**	**27.1**

Note 12 Property, plant and equipment

	Freehold land $M	Buildings $M	Easements $M	Transmission network $M
2015				
Carrying amount at 1 April 2014	253.8	229.1	1,218.8	1,771.9
Additions	–	–	–	–
Transfers	–	48.5	0.4	144.6
Write-offs (i)	–	–	–	–
Disposals	(2.6)	(0.4)	–	(2.5)
Depreciation expense	–	(9.0)	–	(74.3)
Carrying amount at 31 March 2015	**251.2**	**268.2**	**1,219.2**	**1,839.7**
Cost	251.2	328.5	1,219.2	2,413.6
Accumulated depreciation	–	(60.3)	–	(573.9)
Carrying amount at 31 March 2015	**251.2**	**268.2**	**1,219.2**	**1,839.7**
2014				
Carrying amount at 1 April 2013	253.0	201.3	1,218.7	1,687.8
Additions	–	–	–	–
Acquisition through business combination	–	–	–	–
Transfers	0.8	35.9	0.1	158.8
Disposals	–	(0.1)	–	(1.5)
Depreciation expense	–	(8.0)	–	(73.2)
Carrying amount at 31 March 2014	**253.8**	**229.1**	**1,218.8**	**1,771.9**
Cost	253.8	280.8	1,218.8	2,276.9
Accumulated depreciation	–	(51.7)	–	(505.0)
Carrying amount at 31 March 2014	**253.8**	**229.1**	**1,218.8**	**1,771.9**

(i) Relates to AMI communications cards, Refer to note 4(ii) for further details.

Electricity distribution network $M	Gas distribution network $M	Other plant and equipment $M	Capital work in progress $M	Total $M
3,192.4	1,359.2	409.6	509.5	8,944.3
–	–	0.7	808.7	809.4
456.7	109.7	50.9	(810.8)	–
(20.6)	–	–	–	(20.6)
(3.1)	(2.6)	(1.5)	–	(12.7)
(144.5)	(37.7)	(113.0)	–	(378.5)
3,480.9	**1,428.6**	**346.7**	**507.4**	**9,341.9**
4,581.8	1,769.8	895.8	507.4	11,967.3
(1,100.9)	(341.2)	(549.1)	–	(2,625.4)
3,480.9	**1,428.6**	**346.7**	**507.4**	**9,341.9**
2,897.6	1,326.5	291.7	521.3	8,397.9
–	–	–	922.8	922.8
–	–	1.5	–	1.5
447.5	69.4	222.1	(934.6)	–
(5.3)	(0.8)	(1.2)	–	(8.9)
(147.4)	(35.9)	(104.5)	–	(369.0)
3,192.4	**1,359.2**	**409.6**	**509.5**	**8,944.3**
4,150.5	1,664.5	858.2	509.5	11,213.0
(958.1)	(305.3)	(448.6)	–	(2,268.7)
3,192.4	**1,359.2**	**409.6**	**509.5**	**8,944.3**

Note 13 Intangible assets

	2015 $M	2014 $M
Distribution licences (i)		
Opening net book amount – distribution licences	354.5	354.5
Closing net book amount – distribution licences	**354.5**	**354.5**
Goodwill		
Opening net book amount – goodwill	36.5	12.1
Acquisition of business (ii)	(0.7)	24.4
Closing net book amount – goodwill	**35.8**	**36.5**
Other intangible assets		
Opening net book amount – other intangible assets	1.8	2.5
Acquisition of business (ii)	1.5	–
Amortisation	(0.7)	(0.7)
Closing net book amount – other intangible assets	**2.6**	**1.8**
Total intangible assets	**392.9**	**392.8**

(i) The distribution licences are considered to have an indefinite life for the following reasons:

- the licences have been issued in perpetuity provided the licensee complies with certain licence requirements;
- the Stapled Group monitors its performance against those licence requirements and ensures that they are met; and
- the Stapled Group intends to, and is able to continue to maintain the network for the foreseeable future.

(ii) Goodwill on the acquisition of Geomatic Technologies was recognised based on the provisional values of the net assets acquired at the time of acquisition. Following the completion of purchase price accounting, the balance of other intangible assets was increased by $1.5 million. The goodwill balance has been adjusted to reflect the final opening balances (net of tax).

Note 14 Payables and other liabilities

	Notes	2015 $M	2014 $M
Current payables and other liabilities			
Trade payables and accruals		158.1	151.0
Accrued interest		41.3	33.4
Customer deposits		15.0	25.2
Deferred revenue		9.8	3.2
Related party payables	25(e)	12.6	59.5
Murrindindi bushfire settlement (i)		260.9	-
Total current payables and other liabilities		**497.7**	**272.3**
Non-current payables and other liabilities			
Deferred revenue		28.1	11.4
Total non-current payables and other liabilities		**28.1**	**11.4**
Total payables and other liabilities		**525.8**	**283.7**

(i) On 6 February 2015, AusNet Services announced that the parties to the Murrindindi bushfire class action had agreed to settle the action. This settlement was reached without admission of liability by AusNet Services or any other party. The settlement agreement is subject to the approval of the Supreme Court of Victoria. Under the terms of the settlement, the parties involved in the litigation have agreed to pay $300 million with AusNet Services contributing $260.9 million which will be paid in full by AusNet Services' liability insurers. This amount has been recognised in the financial statements for the year ended 31 March 2015 as both a liability and a corresponding asset to be received from insurers. This obligation was fully settled by AusNet Services' insurers subsequent to 31 March 2015.

Note 15 Borrowings

	Maturity date	2015 $M	2014 $M
Current borrowings			
Commercial paper	Various	94.6	89.5
Swiss franc (CHF) senior notes (i)	Sep 2015	646.1	–
Bank debt facilities	Oct 2015	36.0	252.7
US dollar (USD) senior notes (i)		–	331.4
Total current borrowings		**776.7**	**673.6**
Non-current borrowings			
US dollar (USD) senior notes (i)	2016	518.5	433.1
Bank debt facilities	2017–2019	472.1	296.2
Swiss francs (CHF) senior notes (i)	2017–2019	718.6	1,233.6
Domestic medium term notes	2017–2024	1,414.2	1,211.1
Pound sterling (GBP) senior notes (i)	2018	540.9	520.6
Floating rate notes	2020	99.7	99.7
Euro (EUR) senior notes (i)	2020–2027	2,076.1	1,257.8
Hong Kong dollar senior notes (i)	2020–2028	376.6	289.1
Japanese yen (JPY) senior notes (i)	2024	55.9	54.4
Norwegian kroner (NOK) senior notes (i)	2029	166.8	–
Total non-current borrowings		**6,439.4**	**5,395.6**
Total borrowings (ii)		**7,216.1**	**6,069.2**

(i) The carrying value of foreign currency borrowings is translated at spot rate as at balance sheet date. The foreign currency risk associated with these borrowings is hedged through the use of cross-currency swaps. Refer to note 19.

(ii) The fair value of total borrowings as at 31 March 2015 was $7,817.7 million (2014: $6,535.2 million). Given lower floating market interest rates as at 31 March 2015 compared to the fixed rates on certain borrowings, and the impact of a significant depreciation of the AUD on foreign-denominated borrowings, the total carrying value of borrowings is lower than the total fair value. Refer to note 1(q) for details on how the carrying value of borrowings is determined.

(a) Other bank guarantees

Certain entities are required to provide bank guarantees in the form of tender bid bonds or performance bonds for contractual obligations. The subsidiaries have guarantee facilities with a number of institutions amounting to $15 million, of which $4.7 million was provided to third parties at 31 March 2015 (2014: $2.2 million).

Note 16 Provisions

	Notes	2015 $M	2014 $M
Current provisions			
Employee benefits (i)		77.5	60.6
Environmental provision (ii)		0.6	0.6
Customer rebates (iii)		6.7	7.6
Sundry provisions (iv)		4.0	8.5
Restructuring provision (v)		1.0	7.7
SPIMS employee provisions (vi)		–	14.3
AMI customer rebates provision (vii)		32.5	–
Total current provisions		**122.3**	**99.3**
Non-current provisions			
Employee benefits (i)		8.0	6.7
Environmental provision (ii)		28.3	25.9
Sundry provisions (iv)		2.6	–
Defined benefit funds	18	39.6	1.0
SPIMS employee provisions (vi)		–	1.4
Total non-current provisions		78.5	35.0
Total provisions		**200.8**	**134.3**

Movements in each class of provision during the year, other than employee benefits, are set out below:

	Environmental provision (ii) $M	Customer rebates (iii) $M	Sundry provisions (iv) $M	Restructuring provision (v) $M	AMI customer rebates provision (vii) $M
Balance at 1 April 2014	26.5	7.6	8.5	7.7	–
Additional provisions recognised	–	14.1	1.4	–	32.5
Provisions written back	–	–	(0.7)	(2.9)	–
Unwind of discount	2.4	–	–	–	–
Amounts utilised	–	(15.0)	(2.6)	(3.8)	–
Balance at 31 March 2015	**28.9**	**6.7**	**6.6**	**1.0**	**32.5**
Current	0.6	6.7	4.0	1.0	32.5
Non-current	28.3	–	2.6	–	–
Total	**28.9**	**6.7**	**6.6**	**1.0**	**32.5**

(i) Employee benefits provisions represent provisions for annual and long service leave for AusNet Services employees and provisions for employee bonuses. This includes former SPIMS and EBS employees who became AusNet Services employees on 1 April 2014 and 1 July 2014 respectively following agreement to terminate the MSA and unwind the shared information technology services on 31 March 2014.

(ii) The environmental provision represents an estimate of the costs of rehabilitating sites, including the estimated costs to remediate soil and water contamination on gas sites which were previously used as coal gas production facilities.

(iii) The provision for customer rebates represents an assessment of the rebates payable to the customer for costs incurred by the customer in the construction of low voltage and high voltage infrastructure for turnkey projects in the electricity distribution network.

(iv) Sundry provisions include uninsured losses, make good provisions for premises and unaccounted for gas.

(v) The restructuring provision represents outstanding amounts in relation to the restructure and internalisation of EBS following the agreement to unwind the shared information technology services on 31 March 2014.

(vi) The SPIMS employee entitlement provision represents the balance of SPIMS employee entitlements transferred to AusNet Services as at 31 March 2014 following the termination of the MSA. The balances are now contained within the employee entitlements provisions.

(vii) Refer to note 4(i) for further detail on the AMI customer rebates provision recognised during the year.

Note 17 Equity

	Notes	2015 Shares	2014 Shares
Share capital			
Ordinary shares – fully paid (million)	(a), (b)	3,466.9	3,386.6

(a) Ordinary shares

Ordinary shares authorised and issued have no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of AusNet Services Distribution in proportion to the number of and amounts paid on the shares issued. Holders of ordinary shares are entitled to one vote on a show of hands or one vote for each ordinary share held on a poll at shareholders' meetings.

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	$M(i)
1 April 2014	Opening balance		3,386,607,080	0.5
27 June 2014	Distribution Reinvestment Plan	(ii)	38,637,082	–
24 December 2014	Distribution Reinvestment Plan	(ii)	41,668,847	–
31 March 2015	Closing balance		3,466,913,009	0.5
1 April 2013	Opening balance		3,367,543,113	0.5
28 June 2013	Distribution Reinvestment Plan	(iii)	8,782,410	–
23 December 2013	Distribution Reinvestment Plan	(iii)	10,281,557	–
31 March 2014	Closing balance		3,386,607,080	0.5

(i) With respect to the allocation of the proceeds in the form of shares in AusNet Services Transmission and AusNet Services Distribution and units in AusNet Services Finance Trust, all amounts were allocated to the units in AusNet Services Finance Trust with the shares in AusNet Services Transmission and AusNet Services Distribution being issued at nominal consideration.

(ii) On 27 June 2014 and on 24 December 2014, 38.6 million and 41.7 million new stapled securities were issued under the DRP respectively. The new securities were issued at a price of $1.33 per security and $1.30 per security respectively, providing approximately $51.4 million and $54.2 million respectively.

(iii) On 28 June 2013 and on 23 December 2013, 8.8 million and 10.3 million new stapled securities were issued under the DRP respectively. The new securities were issued at a price of $1.18 per security and $1.15 per security respectively, providing approximately $10.4 million and $11.8 million respectively.

(c) Capital management

The Board's policy is to target an 'A' range credit rating and a capital structure appropriate to generate desired shareholder returns, and to ensure a low cost of capital is available to the entity.

An important credit metric which assists management to monitor AusNet Services' capital structure is the net debt to Asset Base ratio, determined as indebtedness as a percentage of the Asset Base. Indebtedness is debt at face value (net of cash), excluding any derivative financial instruments. The Asset Base consists of the following items:

> Regulated Asset Base (RAB), which is subject to some estimation as the AER ultimately determines the RAB of each network. RAB includes the value of regulated network assets as well as network assets that will become regulated at the next regulatory period; and

> The value of unregulated network assets whose revenues and return are set through a negotiated or competitive process rather than through regulation, including the carrying value of the desalination licence receivable.

The movement of this metric over time demonstrates how the business is funding its capital expenditure in terms of debt versus income generating assets. AusNet Services targets a net debt to Asset Base ratio of less than 75 per cent.

Note 17 Equity (continued)

(c) Capital management (continued)

The net debt to Asset Base ratio as at reporting date was as follows:

	2015 %	2014 %
Net debt to Asset Base	67.5	68.6

The terms of certain financing arrangements contain financial covenants that require maintenance of specified interest coverage ratios and gearing ratios. In addition, certain arrangements contain provisions that are specifically affected by changes in credit ratings, change of control and/or ownership and cross default provisions.

AusNet Services monitors and reports compliance with its financial covenants on a monthly basis. There have been no breaches during the year.

The Responsible Entity of AusNet Services Finance Trust is the holder of an Australian Financial Services Licence. In accordance with the licence requirements, the Responsible Entity must maintain a minimum capital balance of $10 million. In this regard, capital consists of the ordinary shares and retained profits.

Note 18 Defined benefit obligations

	2015 $M	2014 $M
Total amounts included in the statement of financial position in respect of the defined benefit plans are as follows:		
Present value of defined benefit obligations	(338.5)	(248.0)
Fair value of plan assets	298.9	248.6
Net (liability)/asset arising from defined benefit obligations	**(39.6)**	**0.6**
Amounts recognised in the income statement in respect of the defined benefit plans are as follows:		
Current service cost	7.5	7.1
Net interest cost on defined benefit obligation	–	1.0
Total	**7.5**	**8.1**
Remeasurement (losses)/gains recognised during the year in other comprehensive income	**(36.6)**	**37.8**

The Stapled Group makes contributions to two Equipsuper defined benefit superannuation plans that provide defined benefit amounts to employees or their dependants upon retirement, death, disablement or withdrawal. Benefits are mostly in the form of a lump sum based on the employee's final average salary, although, in some cases, defined benefit members are also eligible for pension benefits. The terms and conditions of the two plans are consistent.

The defined benefit sections of the Equipsuper plans are closed to new members. All new members receive defined contribution, accumulation style benefits.

The defined benefit superannuation plans are administered by a trust that is legally separated from the Stapled Group. The trustees consist of both employee and employer representatives and an independent chair, all of whom are governed by the scheme rules. The trustees are responsible for the administration of plan assets and for the definition of plan strategy.

The Stapled Group expects to make contributions of $4.3 million to the defined benefit plans during the next financial year. The Target Funding method is used to determine the contribution rates. Under the Target Funding method, the employer contribution rate is set at a level which is expected to result in the plans' assets equalling 105 per cent of the plans' liabilities within five years.

The defined benefit superannuation plans expose the Stapled Group to additional actuarial, interest rate and market risk.

Mercer Investment Nominees Limited performed actuarial valuations of the funds as at 31 March 2015 and 31 March 2014.

(a) Movement in defined benefit obligation

	2015 $M	2014 $M
Movements in the present value of the defined benefit obligations were as follows:		
Opening defined benefit obligation	248.0	256.0
Current service cost	7.5	7.1
Interest cost	11.4	9.0
Contributions by plan participants	2.7	2.4
Actuarial loss/(gain)	60.8	(15.7)
Benefits, taxes and premiums paid	(20.2)	(10.8)
Transfers in (i)	28.3	-
Closing defined benefit obligations	**338.5**	**248.0**
Movements in the fair value of plan assets were as follows:		
Opening fair value of plan assets	248.6	221.3
Interest income	11.4	8.0
Actual return on fund assets less interest income	24.2	22.1
Contributions from the employer	4.8	5.6
Contributions by plan participants	2.7	2.4
Benefits, taxes and premiums paid	(20.2)	(10.8)
Transfers in (i)	27.4	-
Closing fair value of plan assets	**298.9**	**248.6**

The actual return on plan assets was a gain of $35.6 million (2014: gain of $30.1 million).

(i) Transfers in represent the transfer of employees formerly under the SPIMS defined benefit plan into the Stapled Group's plans.

(b) Analysis of plan assets

Plan assets can be broken down into the following major categories of investments:

	2015 %	2014 %
Investments quoted in active markets:		
Australian equities	31	31
International equities	24	25
Fixed interest securities	11	11
Unquoted investments:		
Property	9	9
Growth alternative	7	8
Defensive alternative	10	7
Cash	8	9
	100	**100**

Plan assets do not comprise any of the Stapled Group's own financial instruments or any assets used by Group companies.

Note 18 Defined benefit obligations (continued)

(c) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	Defined benefit expense		Defined benefit obligation	
Key assumptions	2015 %	2014 %	2015 %	2014 %
Discount rate	4.30	3.70	2.70	4.30
Expected salary increase rate	4.50	4.50	4.50	4.50

As at 31 March 2015, the weighted average duration of the defined benefit obligation was 9 years (2014: 10 years).

(d) Sensitivity analysis

Changes in the relevant actuarial assumptions as at reporting date, with all other variables held constant, would result in an increase/(decrease) in the value of the defined benefit obligation as shown below:

	Defined benefit obligation	
	Increase $M	Decrease $M
Discount rate (0.5 per cent movement)	(18.9)	20.5
Expected salary increase rate (0.5 per cent movement)	15.3	(14.4)

When calculating the above sensitivity analysis the same method has been applied as when calculating the defined benefit liability recognised in the combined statement of financial position.

Note 19 Financial risk management

The Stapled Group's activities expose it to a number of financial risks, including changes in interest rates and foreign currency exchange rates, liquidity risk and credit risk. The Stapled Group manages its exposure to these risks in accordance with its Treasury Risk Policy which is approved by the Board. The policy is reviewed annually or more regularly if required by a significant change in the Stapled Group's operations. Any material changes are submitted to the Board for approval.

The objective of the Treasury Risk Policy is to document the Stapled Group's approach to treasury risk management and to provide a framework for ongoing evaluation and review of risk management techniques. The policy provides an analysis of each type of risk to which the Stapled Group is exposed and the objective of and techniques for managing the risk, including identifying and reporting risks to management and the Board.

Treasury evaluates and hedges financial risks in close co-operation with the Stapled Group's operating units. The Treasury Risk Policy provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating risks, use of derivative financial instruments and investing excess liquidity.

The Treasury Risk Policy operates in conjunction with several other AusNet Services policies, including:

> The AusNet Services Authority Manual which sets out the approvals required for such things as investment of surplus funds, execution of hedging transactions, borrowings and issue of guarantees and indemnities;

> The AusNet Services Treasury Operations Manual which sets out the day to day Treasury front office processes such as cash management and the operations of the Treasury back office, such as settlement processes and bank account operations;

> The AusNet Services Refinancing and Hedging Strategy which sets out the refinancing and hedging strategies over the relevant financial period; and

> The AusNet Services Credit Metrics Policy which sets out target ranges for the key credit metrics that determine the Stapled Group's credit strength, such as the percentage of debt to the value of the RAB at balance date.

Together these policies provide a financial risk management framework which supports the Stapled Group's objectives of finding the right balance between risk and reward to enhance profitability and business performance while minimising current and future exposures.

The material financial risks associated with AusNet Services' activities are each described below, together with details of AusNet Services' policies for managing the risk.

(a) Interest rate risk

Interest rate risk is the risk of suffering a financial loss due to an adverse movement in interest rates. AusNet Services is exposed to the risk of movements in interest rates on its borrowings.

In addition, AusNet Services' regulated revenues for the transmission and distribution businesses are directly impacted by changes in interest rates at each of their price review periods. This is a result of the 'building block' approach where interest rates are considered in the determination of the regulatory weighted average cost of capital and consequently regulated revenues. The current price review period is five years for gas and electricity distribution and three years for electricity transmission.

The objective of hedging activities carried out by the Stapled Group in relation to interest rate risk is to minimise the exposure to changes in interest rates by matching the actual cost of debt with the cost of debt assumed by the regulator when setting the rate of return for the relevant regulated business. The exposure is managed by maintaining the percentage of fixed rate debt to total debt at a level between 90 per cent and 100 per cent for the relevant business over its regulatory period. AusNet Services therefore considers net interest rate exposure, after hedging activities, to be minimal for the Stapled Group. The percentage of fixed rate debt to total debt (on a net debt basis) as at 31 March 2015 was 98.5 per cent (2014: 94.1 per cent).

The Stapled Group utilises interest rate swaps to manage its exposure to cash flow interest rate risk and achieve the targeted proportion of fixed rates on its debt portfolio. Under interest rate swaps, the Stapled Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Stapled Group to mitigate the risk of changing interest rates on debt held.

As at reporting date, the Stapled Group had the following financial assets and liabilities exposed to interest rate risk. The values disclosed below are the principal amounts, which differ from the carrying values and as such do not agree to the statement of financial position.

	2015 $M	2014 $M
Financial assets		
Fixed rate instruments	810.9	406.7
Financial liabilities (i)		
Fixed rate instruments	(5,808.8)	(5,291.3)
Floating rate instruments	(896.7)	(737.4)

(i) The financial liabilities above include the impact of derivative financial instruments used to manage the interest rate and foreign currency exposures on those liabilities. Therefore, they represent the post-hedge position. It should be noted that some fixed rate borrowings (post-hedge) as at reporting date are only fixed for a portion of their term. This is because the maturity profile of borrowings differs from the price review periods of the regulated businesses in order to achieve the objective of matching the actual cost of debt with the assumed cost of debt for each regulated price review period.

Note 19 Financial risk management (continued)

(a) Interest rate risk (continued)

The Stapled Group's exposure to changes in interest rates is limited to debt denominated in Australian dollars due to the Stapled Group's policy of mitigating interest rate risk exposure on foreign currency debt. As a result, the sensitivity analysis below has only been performed based on movements in Australian interest rates. As at reporting date, if Australian interest rates had increased by 1.50 per cent and decreased by 1.50 per cent as at 31 March 2015 (2014: increased by 2.77 per cent and decreased by 2.63 per cent), with all other variables held constant, post-tax profit and equity would have increased/(decreased) as follows:

	Net profit after tax $M	Equity after tax (hedge reserve) $M
2015		
Increase in Australian interest rates with all other variables held constant	24.3	221.9
Decrease in Australian interest rates with all other variables held constant	(19.5)	(271.0)
2014		
Increase in Australian interest rates with all other variables held constant	18.6	256.9
Decrease in Australian interest rates with all other variables held constant	(19.7)	(319.8)

The judgements of reasonably possible movements were determined using statistical analysis of the 95th percentile best and worst expected outcomes having regard to actual historical interest rate data over the previous five years based on the three-month bank bill swap rate. Management considers that past movements are a transparent basis for determining reasonably possible movements in interest rates.

Due to the Stapled Group's interest rate risk management policies, the exposure to cash flow and foreign currency interest rate risk at any point in time is minimal. Therefore, the impact of a reasonably possible movement in interest rates on net profit after tax is minimal. The impact on equity is due to the valuation change of derivative financial instruments in cash flow hedges. This amount in the hedge reserve is transferred to the income statement when the underlying hedged transaction affects income in order to reflect the hedged position.

(b) Currency risk

The Stapled Group is exposed to currency risk due to funding activities in offshore debt markets as a means of providing cost effective and efficient funding alternatives, as well as a result of undertaking certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters. The objective of AusNet Services' currency risk management program is to eliminate material foreign exchange risk by utilising various hedging techniques as approved by the Board. AusNet Services therefore considers its currency risk exposure to be minimal.

The Stapled Group is subject to the following currency exposures:

> United States dollars (USD);

> Pound sterling (GBP);

> Swiss francs (CHF);

> Hong Kong dollars (HKD);

> Japanese yen (JPY);

> Euro (EUR); and

> Norwegian krone (NOK).

The Stapled Group enters into cross-currency swaps to manage exposures from foreign currency loans. It is the policy of the Stapled Group to cover 100 per cent of the cash flow exposure generated by these loans.

The Stapled Group also enters into forward foreign currency contracts to hedge the exchange rate risk in relation to specific purchase orders. It is the policy of the Stapled Group to fully hedge currency exposures above a Board approved threshold once the exposure is confirmed. The derivative financial instrument used to hedge the exposure is entered into when there is a high degree of certainty as to the nature of the exposure, including currency, amount and delivery date so as to ensure a high level of effectiveness in cash flow hedging.

As at reporting date, if the Australian dollar had moved against each of the currencies, with all other variables held constant, post-tax profit and equity would have increased/(decreased) as follows:

	Net profit after tax $M	Equity after tax (hedge reserve) $M
2015		
Increase in foreign exchange rates for all currency exposures	(1.4)	(33.6)
Decrease in foreign exchange rates for all currency exposures	0.6	52.8
2014		
Increase in foreign exchange rates for all currency exposures	(1.7)	(35.2)
Decrease in foreign exchange rates for all currency exposures	5.5	51.8

The judgements of reasonably possible movements were determined using statistical analysis of the 95th percentile best and worst expected outcomes having regard to actual historical spot exchange rate data over the previous five years, with all other variables held constant. Management considers that past movements are a transparent basis for determining reasonably possible movements in exchange rates. As at 31 March 2015, the movements in foreign exchange rates used in the table above are as follows:

> United States dollars (USD) – 17 cents (2014: 21 cents)
> Pound sterling (GBP) – 11 pence (2014: 10 pence)
> Swiss francs (CHF) – 15 Swiss centime (2014: 17 Swiss centime)
> Hong Kong dollars (HKD) – 1.29 HK dollar (2014: 1.651 HK dollar)
> Japanese yen (JPY) – 11.18 Japanese yen (2014: 19.66 yen)
> Euro (EUR) – 14 Euro cents (2014: 14 Euro cents)
> Norwegian krone (NOK) – 65 Norwegian ore

The impact on the hedge reserve is due to the valuation change of derivative financial instruments in cash flow hedges. This amount in the hedge reserve is transferred to the income statement when the underlying hedged transaction affects income in order to reflect the hedged position.

Exchange rate risk arising from foreign currency denominated borrowings is managed using cross-currency swaps at 100 per cent of borrowed funds at inception date. The residual exposure to exchange rate movements disclosed in the sensitivity table above for post-tax profit only arises from trade payables and cash denominated in foreign currency, which are immaterial to the Stapled Group.

(c) Derivative financial instruments used to hedge interest rate and currency risk

The Stapled Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, as detailed below:

	Interest rate swaps $M	Forward foreign currency contracts $M	Cross-currency swaps $M	Total net derivative financial instruments $M
2015				
Current assets	–	0.5	128.8	129.3
Non-current assets	135.5	–	399.7	535.2
Current liabilities	(46.5)	(0.1)	–	(46.6)
Non-current liabilities	(192.2)	–	(16.9)	(209.1)
Total derivative financial instruments	**(103.2)**	**0.4**	**511.6**	**408.8**
Consists of:				
– fair value hedges (i)	94.1	–	229.6	323.7
– cash flow hedges (ii)	(197.3)	0.4	282.0	85.1
Total derivative financial instruments	**(103.2)**	**0.4**	**511.6**	**408.8**
2014				
Current assets	–	0.1	–	0.1
Non-current assets	78.5	–	185.7	264.2
Current liabilities	(1.5)	(0.1)	(69.1)	(70.7)
Non-current liabilities	(132.2)	–	(103.2)	(235.4)
Total derivative financial instruments	**(55.2)**	**–**	**13.4**	**(41.8)**
Consists of:				
– fair value hedges (i)	9.8	–	(107.8)	(98.0)
– cash flow hedges (ii)	(65.0)	–	121.2	56.2
Total derivative financial instruments	**(55.2)**	**–**	**13.4**	**(41.8)**

The increase in the net derivative balance at 31 March 2015 is largely due to the depreciation of the AUD relative to the currencies listed in note 19(b).

(i) Derivative financial instruments in a fair value hedge

Derivative financial instruments are designated in a fair value hedge in order to mitigate the exposure to changes in fair value of certain borrowings of AusNet Services. Fair value hedges are generally designated for the terms of borrowings that fall outside of the price review periods for the regulated businesses.

(ii) Derivative financial instruments in a cash flow hedge

Derivative financial instruments are designated in a cash flow hedge in order to mitigate the variability in cash flows attributable to interest rate and/or foreign currency movements on borrowings or highly probable forecast transactions.

Note 19 Financial risk management (continued)

(c) Derivative financial instruments used to hedge interest rate and currency risk (continued)

Offsetting of derivative financial instruments

Derivative assets and liabilities are presented on a gross basis. Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparties if they were subject to default. Notwithstanding that these financial assets and liabilities do not meet the criteria for being presented on a net basis under AASB 132 *Financial Instruments: Presentation*, if these netting arrangements were applied to the derivative portfolio as at 31 March 2015, derivative assets and liabilities would be reduced by $217.2 million respectively (2014: $125.6 million). Refer to the below table:

	Gross amounts in the financial statements $M	Amounts subject to master netting arrangements $M	Net amount $M
2015			
Derivative financial assets	664.5	(217.2)	447.3
Derivative financial liabilities	(255.7)	217.2	(38.5)
	408.8	**–**	**408.8**
2014			
Derivative financial assets	264.3	(125.6)	138.7
Derivative financial liabilities	(306.1)	125.6	(180.5)
	(41.8)	**–**	**(41.8)**

Movement in hedge reserve

The following movements have occurred in the cash flow hedge reserve during the year, net of income tax:

	2015 $M	2014 $M
Opening balance of cash flow hedge reserve	(57.0)	(116.7)
Changes in fair value of cash flow hedges	(64.3)	(32.9)
Amounts reclassified to interest expense for effective hedges	50.7	88.3
Amounts reclassified to property, plant and equipment and inventory	–	4.3
Closing balance of cash flow hedge reserve	**(70.6)**	**(57.0)**

The following table summarises the cash flows of the Stapled Group's cash flow hedges:

	2015 $M	2014 $M
Highly probable forecast asset purchase:		
Less than 1 year	0.4	–
	0.4	–
Borrowings:		
Less than 1 year	(34.2)	(84.3)
1 – 2 years	(78.4)	(51.7)
2 – 5 years	(84.4)	(64.2)
Greater than 5 years	(260.4)	2.6
	(457.4)	**(197.6)**

These amounts will impact the income statement in the same period as cash flows are expected to occur, with the exception of hedges of highly probable forecast transactions which will impact the income statement as the underlying asset is utilised.

Loss on accounting for hedge relationships

The following table provides details of the loss on accounting for hedge relationships recognised in finance costs:

	2015 $M	2014 $M
(Gain)/loss on fair value hedges (i)	(3.6)	1.0
Gain on transactions not in a hedge relationship (ii)	–	(1.8)
Loss on ineffective portion of cash flow hedges	8.1	4.5
	4.5	**3.7**

(i) The remeasurement of AusNet Services' borrowings in fair value hedges resulted in a loss before tax of $305.6 million (2014: loss before tax of $293.1 million). The change in fair value of the associated derivative financial instruments resulted in a gain before tax of $309.2 million (2014: gain before tax of $292.1 million), leaving a net $3.6 million gain (2014: $1 million loss) recognised in finance costs.

(ii) In previous years a number of cash flow hedges no longer satisfied the requirements for hedge accounting and as such were de-designated. This was primarily due to the replacement of maturing Australian dollar debt with foreign currency debt. Notwithstanding that these borrowings and the related derivative financial instruments no longer satisfy the requirements for hedge accounting, they are in economic relationships that are effective in managing interest rate and currency risks, based on contractual face values and cash flows over the life of the transactions.

(d) Liquidity risk

Liquidity risk is defined as the risk of an unforeseen event which will result in AusNet Services not being able to meet its payment obligations in an orderly manner.

The Stapled Group manages liquidity risk by maintaining adequate cash reserves, committed banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. These practices are governed by the Stapled Group's liquidity management policies, which include Board approved guidelines covering the maximum volume of long-term debt maturing in any one year, the minimum number of years over which debt maturities are to be spread and the timing of refinancing. In addition, short-term bank debt and commercial paper must not represent more than an agreed percentage of the total debt portfolio of AusNet Services.

The liquidity management policies ensure that the Stapled Group has a well-diversified portfolio of debt, in terms of maturity and source, which significantly reduces reliance on any one source of debt in any one particular year. In addition, the investment grade credit rating of the Stapled Group ensures ready access to both domestic and offshore capital markets.

(i) Contractual cash flows

Liquidity risk is managed by AusNet Services based on net inflows and outflows from financial assets and financial liabilities. The following table summarises the contractual cash flows of the Stapled Group's non-derivative and derivative financial assets and liabilities based on the remaining earliest contractual maturities. The contractual cash flows are based on undiscounted principal and interest commitments.

Note 19 Financial risk management (continued)

(d) Liquidity risk (continued)

2015	Notes	Principal at face value $M	Carrying amount $M	Total contractual cash flows $M	Less than 1 year $M	1 – 2 years $M	2 – 5 years $M	Greater than 5 years $M
Financial assets								
Non-derivative financial assets								
Cash and cash equivalents		883.1	883.1	883.1	883.1	–	–	–
Accounts and other receivables	9	696.1	696.1	865.4	504.6	21.6	61.4	277.8
Derivative financial assets								
Interest rate swaps			135.5	160.8	49.8	31.6	61.7	17.7
Cross-currency swaps			528.5	139.9	120.8	71.3	16.0	(68.2)
Forward foreign currency contracts			0.5					
– Inflow				6.5	6.1	0.2	0.2	–
– Outflow				(6.0)	(5.6)	(0.2)	(0.2)	–
			2,243.7	**2,049.7**	**1,558.8**	**124.5**	**139.1**	**227.3**
Financial liabilities								
Non-derivative financial liabilities								
Trade and other payables	14	472.9	472.9	472.9	472.9	–	–	–
Commercial paper	15	95.0	94.6	95.0	95.0	–	–	–
Bank debt facilities *	15	511.0	508.1	514.5	514.5	–	–	–
Domestic medium term notes	15	1,314.3	1,414.2	1,789.5	75.2	75.3	819.1	819.9
Floating rate notes	15	100.0	99.7	119.5	3.7	3.4	112.4	–
USD senior notes	15	484.5	518.5	543.2	30.3	512.9	–	–
GBP senior notes	15	537.5	540.9	625.8	34.7	34.7	556.4	–
CHF senior notes	15	1,075.0	1,364.7	1,398.0	666.5	347.2	384.3	–
HKD senior notes	15	287.7	376.6	489.6	13.1	13.1	157.9	305.5
JPY senior notes	15	62.6	55.9	61.9	0.7	0.8	2.3	58.1
EUR senior notes	15	2,078.3	2,076.1	2,365.1	43.5	43.4	130.2	2,148.0
NOK senior notes	15	159.7	166.8	234.2	5.9	5.8	17.5	205.0
Derivative financial liabilities								
Interest rate swaps			238.7	279.9	107.0	63.8	39.1	70.0
Cross-currency swaps			16.9	355.2	19.9	18.1	71.6	245.6
Forward foreign currency contracts			0.1					
– Inflow				(2.0)	(1.6)	(0.2)	(0.2)	–
– Outflow				2.1	1.7	0.2	0.2	–
			7,944.7	**9,344.4**	**2,083.0**	**1,118.5**	**2,290.8**	**3,852.1**
Net cash outflow				**(7,294.7)**	**(524.2)**	**(994.0)**	**(2,151.7)**	**(3,624.8)**

* Bank debt facility drawings are due within the next twelve months and as such have been included within "less than 1 year". However, AusNet Services has the right to roll over these facilities until they ultimately mature in up to five years from the reporting date.

2014	Notes	Principal at face value $M	Carrying amount $M	Total contractual cash flows $M	Less than 1 year $M	1 – 2 years $M	2 – 5 years $M	Greater than 5 years $M
Financial assets								
Non-derivative financial assets								
Cash and cash equivalents		409.8	409.8	409.8	409.8	–	–	–
Accounts and other receivables	9	497.0	497.0	675.7	294.1	22.1	62.9	296.6
Derivative financial assets								
Interest rate swaps			78.5	105.2	13.5	15.5	33.6	42.6
Cross-currency swaps			185.7	(76.1)	(40.5)	23.2	(102.4)	43.6
Forward foreign currency contracts			0.1					
– Inflow				4.3	2.8	1.5	–	–
– Outflow				(4.2)	(2.7)	(1.5)	–	–
			1,171.1	**1,114.7**	**677.0**	**60.8**	**(5.9)**	**382.8**
Financial liabilities								
Non-derivative financial liabilities								
Trade and other payables	14	283.7	283.7	283.7	272.3	11.4	–	–
Commercial paper	15	90.0	89.5	90.0	90.0	–	–	–
Bank debt facilities *	15	553.0	548.9	547.9	547.9	–	–	–
Domestic medium term notes	15	1,185.0	1,211.1	1,662.6	76.3	76.3	495.0	1,015.0
Floating rate notes	15	100.0	99.7	133.0	4.3	4.7	17.5	106.5
USD senior notes	15	885.0	764.5	811.0	364.9	24.9	421.2	–
GBP senior notes	15	537.5	520.6	609.8	32.0	32.0	545.8	–
CHF senior notes	15	1,075.0	1,233.6	1,283.5	22.1	601.4	320.8	339.2
HKD senior notes	15	287.7	289.1	412.6	10.7	10.8	32.2	358.9
JPY senior notes	15	62.6	54.4	59.9	0.7	0.7	2.2	56.3
EUR senior notes		1,253.0	1,257.8	1,543.3	33.3	33.3	99.8	1,376.9
Derivative financial liabilities								
Interest rate swaps			133.7	144.1	72.4	46.3	9.8	15.6
Cross-currency swaps			172.3	499.1	73.3	10.2	217.4	198.2
Forward foreign currency contracts			0.1					
– Inflow				(2.6)	(2.0)	(0.2)	(0.4)	–
– Outflow				2.7	2.1	0.2	0.4	–
			6,659.0	**8,080.6**	**1,600.3**	**852.0**	**2,161.7**	**3,466.6**
Net cash outflow				**(6,965.9)**	**(923.3)**	**(791.2)**	**(2,167.6)**	**(3,083.8)**

* Bank debt facility drawings are due within the next twelve months and as such have been included within "less than 1 year". However, AusNet Services has the right to roll over these facilities until they ultimately mature in up to five years from the reporting date.

Note 19 Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Financing facilities

The Stapled Group targets a minimum net liquidity, defined as available short-term funds and committed financing facilities. As at reporting date, AusNet Services had the following committed financing facilities available:

	2015 $M	2014 $M
Financing facilities (face value)		
Unsecured bank overdraft facility, reviewed annually and payable at call:		
– Amount used	–	–
– Amount unused	2.5	2.5
	2.5	**2.5**
Unsecured working capital facility, reviewed annually:		
– Amount used	36.0	53.0
– Amount unused	64.0	47.0
	100.0	**100.0**
Unsecured bank loan facility with various maturity dates and which may be extended by mutual agreement:		
– Amount used	475.0	500.0
– Amount unused	300.0	700.0
	775.0	**1,200.0**

(e) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Stapled Group and arises from the Stapled Group's financial assets, comprising cash and cash equivalents, trade and other receivables and derivative financial instruments.

The Stapled Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults (refer to note 9). The Stapled Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. Revenues from a single customer, AEMO, in the Stapled Group's electricity transmission segment represents 27 per cent (2014: 27 per cent) of the Stapled Group's total revenues. AusNet Services is licensed to transmit electricity in Victoria whereas AEMO is the provider of shared network services and the planner, authoriser, contractor and director of augmentation of the declared shared network in Victoria. A network agreement is in place between both parties whereby AusNet Services receives network charges from AEMO for the use of AusNet Services' transmission network to transmit electricity to participants in the market. Due to the nature of this network agreement, AusNet Services does not believe that there is any significant credit risk exposure on this customer. AusNet Services therefore considers its credit risk exposure to be minimal.

In accordance with the Treasury Risk Policy, treasury counterparties each have an approved limit based on the lower of Standard & Poor's or Moody's credit rating. Counterparty limits are reviewed and approved annually by the Audit and Risk Management Committee and any changes to counterparties or their credit limits must be approved by the Chief Financial Officer and the Managing Director and must be within the parameters set by the Board as outlined in the Treasury Risk Policy.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. At balance date, AusNet Services had $810.9 million on term deposit and $700.4 million of cross currency and interest rate swaps with 'A' rated or higher Australian and international banks.

Credit risk is included in the fair value of derivative financial instruments based on a bilateral credit risk adjustment obtained using credit default swap curves. The difference between the fair value of derivatives and their transaction price at inception due to credit valuation adjustments is recognised progressively over the period to maturity.

The unamortised value of the deferred credit risk adjustment for derivative financial instruments as at 31 March 2015 is $42.2 million (2014: $28.7 million).

Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Stapled Group's maximum exposure to credit risk. The values disclosed below represent the market values in the event of early settlement (in-the-money market values), which differ from the carrying values and as such do not agree to the statement of financial position. The values below exclude any offsetting financial liabilities with the particular counterparty.

	2015 $M	2014 $M
Financial assets and other credit exposures		
Cross-currency swaps	547.1	186.3
USD interest rate swaps	15.6	18.0
AUD interest rate swaps	137.7	71.3

(f) Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are measured in accordance with generally accepted pricing models based on discounted cash flow analysis.

The only financial instruments measured at fair value subsequent to initial recognition are derivative financial instruments. Derivative financial instruments are initially recognised at fair value in the statement of financial position and subsequently remeasured to their fair value at each reporting date. Accordingly there is no difference between the carrying value and fair value of derivative financial instruments at reporting date. Fair value is measured using valuation techniques and significant market observable data as well as market corroboration based on active quotes. These include industry standard interest rates, foreign exchange and currency basis yield curves sourced directly from Bloomberg.

In addition, an adjustment to the fair value for all cross currency and interest rate swap contracts is applied for credit risk in accordance with AASB 13 *Fair Value Measurement*. Credit risk is obtained directly from the observable Credit Default Swap curves within Bloomberg for each of the relevant counterparties, with the Bilateral Credit Risk applied uniformly across all asset and liability positions as at the reporting date.

As such, fair value measurements are deemed level two within the fair value hierarchy as per AASB 13. The Stapled Group does not have any financial instruments which would be categorised as either level one or three of the fair value hierarchy.

The Stapled Group also has a number of financial assets and liabilities which are not measured at fair value in the combined statement of financial position. With the exception of borrowings (refer to note 15), the carrying amounts of these items are considered to be a reasonable approximation of their fair value at 31 March 2015.

Note 20 Critical accounting estimates and judgements

The Stapled Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Accounting estimates and judgements where changes in those estimates and judgements could result in a significant change to the carrying amounts of assets and liabilities within the next financial year are detailed below:

(a) Determination of CGU's and estimated recoverable amount of intangible assets with an indefinite useful life and associated tangible assets

For the purpose of impairment testing, assets have been allocated to CGUs. Each CGU represents a group of assets that generates cash inflows independent from other groups of assets.

The following CGUs have significant amounts of intangible assets with an indefinite useful life:

	2015 $M	2014 $M
CGU		
Electricity distribution (distribution licence)	117.2	117.2
Gas distribution (distribution licence)	237.3	237.3
Asset Solutions business (goodwill)	11.8	11.8
Geomatic Technologies (goodwill)	23.7	24.4
	390.0	**390.7**

Recoverable amount is the higher of fair value less costs to sell and value in use.

In terms of the distribution licences, management has based its assessment of fair value less costs to sell on discounted cash flow projections over a period of 20 years together with an appropriate terminal value incorporating growth rates based on the long-term Consumer Price Index assumption of 2.6 per cent. Regulated cash flow forecasts are based on allowable returns on electricity and gas distribution assets as set out in the Victorian Electricity Supply Industry Tariff Order and the Victorian Gas Industries Tariff Order respectively, together with other information included in the Stapled Group's five-year forecast. Cash flows after that period are based on an extrapolation of the forecast, taking into account inflation and expected customer connection growth rates. It is considered appropriate to use cash flows after AusNet Services' five-year forecast period considering the long-term nature of the Stapled Group's activities. Cash flows are discounted using a post-tax discount rate of 5.0 per cent (2014: 6.3 to 6.5 per cent).

AusNet Services has determined that the assets under the AMI program form part of the electricity distribution CGU as the AMI assets are required, together with the rest of the electricity distribution network, in order to provide a network service to customers. As a result, the AMI assets are tested for impairment together with the electricity distribution regulated network assets and cash flows.

Note 20 Critical accounting estimates and judgements (continued)

(a) Determination of CGU's and estimated recoverable amount of intangible assets with an indefinite useful life and associated tangible assets (continued)

While the AMI assets are part of the electricity distribution CGU, certain AMI communication modules have been determined to be no longer of use and as such have been written off. This write-off resulted in a charge of $28.1 million being recognised in the income statement. Refer to note 4 (ii) for further details.

In terms of the Asset Solutions business CGU and the Geomatic Technologies CGU, which are part of the Select Solutions reportable segment, management has based its assessment of fair value less costs to sell on discounted cash flow projections over a period of five years together with an appropriate terminal value. Cash flows are discounted using a post-tax discount rate of 8.6 per cent (2014: 10.4 per cent) for Asset Solutions and post-tax discount rate of 12.5 per cent for Geomatic Technologies.

The rates used for each CGU reflect current market assessments of the time value of money and risks specific to the assets that are not already reflected in the cash flows.

Appropriate terminal values were calculated using a range of both RAB multiples and market earnings before interest, tax, depreciation and amortisation multiples. Fair value less costs to sell is measured using inputs that are not based on significant observable market data. Therefore, they are considered to be level three within the fair value hierarchy as per AASB 13 *Fair Value Measurement*.

(b) Accrued revenue

Revenue accrual estimates are made to account for the unbilled period between the end user's last billing date and the end of the accounting period. The accrual relies on detailed analysis of customers' historical consumption patterns, and takes into account base usage and sensitivity to prevailing weather conditions. The results of this analysis are applied for the number of days and weather conditions over the unbilled period.

The accrual for solar rebates paid to retailers is calculated by applying the average rebate per day (based on the amount billed) to the number of unbilled days at month end.

(c) Useful lives of property, plant and equipment

Depreciation is recognised on property, plant and equipment, including freehold buildings but excluding land and easements. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed annually. Assumptions are made regarding the useful lives and residual values based on the regulatory environment and technological developments. These assumptions are subject to risk and there is the possibility that changes in circumstances will alter expectations.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. For the year ended 31 March 2015, amendments to the useful life assumptions of certain AMI assets have been made following the finalisation of the plan to stabilise the AMI system performance in September 2014. These amendments have not had a material impact on the financial performance or financial position of the Stapled Group for the year.

(d) Income taxes

The tax expense and deferred tax balances assume certain tax outcomes and values of assets in relation to the application of tax legislation as it applies to AusNet Services Distribution and AusNet Services Transmission. These outcomes affect factors such as the quantification and utilisation of tax losses, capital allowance deductions and the taxation treatment of transactions between members of the Stapled Group.

The tax expense assumes that AusNet Services Distribution can carry forward income tax losses under relevant tax legislation and is more likely than not to utilise them in the future. If either of these assumptions is proven to be incorrect, then the deferred tax asset recognised for carry forward tax losses may need to be derecognised.

Judgements have been made regarding the application of income tax legislation, including in regard to the deductibility of the Section 163AA imposts and intellectual property which are currently in dispute with the ATO (refer note 23). The accounting treatment adopted for each of these matters reflects these current judgements and assumptions.

(i) Tax impact of corporate restructure

AusNet Services has received tax rulings in relation to the potential restructure that will result in the cancellation of $510 million of tax losses that are subject to the Same Business Test if the restructure is implemented. The tax losses continue to be recognised at 31 March 2015 and will continue to be recognised until the restructure is implemented.

(e) Derivative financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Derivative financial instruments are recognised at fair value and are measured using market observable data, and where appropriate, are adjusted for credit risk, liquidity risk and currency basis risk. Therefore, they are deemed level two within the fair value hierarchy as per AASB 13 *Fair Value Measurement*.

Derivative financial instruments are used only for risk management strategies and are not actively traded.

The fair value of derivative financial instruments is determined in accordance with generally accepted pricing models based on discounted cash flow analysis. This involves the valuation of derivative financial instruments based on prices sourced from significant observable market data as well as market corroboration based on active quotes. Appropriate transaction costs are included in the determination of net fair value.

(f) Provisions

(i) Defined benefit plans

A number of estimates and assumptions are used in determining defined benefit assets, obligations and expenses. These estimates include salary increases, future earnings and rates of return. Any difference in estimates will be recognised in other comprehensive income and not through the income statement.

The net liability from defined benefit obligations recognised in the combined statement of financial position will be affected by any significant movement in investment returns and/or interest rates.

Each year AusNet Services engages Mercer Investment Nominees Limited to perform actuarial reviews of the AusNet Transmission Group Pty Ltd and AusNet Electricity Services Pty Ltd defined benefit funds.

In addition, prior to the termination of the MSA on 31 March 2014, the management services charges under the MSA included any actuarial gains or losses incurred by the SPIMS defined benefit plan as well as any defined benefit plan expenses. Assumptions were made by SPIMS regarding salary increases, discount rates and rates of return on assets which impacted on the services charge to the Stapled Group. Following the transfer of SPIMS employees to AusNet Services, the defined benefit obligation and plan assets of SPIMS were transferred to the Stapled Group's two funds.

(ii) Environmental provision

A provision for environmental costs is made for the remediation of contamination on gas sites which were previously used as coal gas production facilities. The provision is based on the estimated costs and timing of remediation / refurbishment, taking into account current legal requirements, the estimated extent of the contamination, the nature of the site and surrounding areas, and the technologies and methods available.

(g) Contingent liabilities and contingent assets

Judgements are made in relation to uncertain future events surrounding ATO disputes that may impact the Stapled Group's present obligations. Refer note 23 for further details.

Note 21 Key management personnel

	2015 $	2014 $
Short-term employee benefits	5,564,031	5,543,528
Post-employment benefits	411,091	383,017
Equity-based payments	1,096,875	1,159,339
Other long-term benefits	162,158	142,167
	7,234,155	**7,228,051**

The Remuneration Report contained in the Directors' report contains details of the remuneration paid or payable to each member of AusNet Services Distribution Group's key management personnel for the year ended 31 March 2015.

Note 22 Remuneration of auditors

During the year the following fees were paid or payable for services provided by KPMG and its related practices:

(a) Audit and review services

	2015 $'000	2014 $'000
Audit and review of financial statements	1,527	1,473
Audit of regulatory returns (i)	632	891
Total remuneration for audit and review services	**2,159**	**2,364**

(b) Other services

Other assurance, taxation and advisory services	547	170
Total remuneration for other services	**547**	**170**
Total remuneration of auditors	**2,706**	**2,534**

(i) It is the Stapled Group's policy to employ KPMG to perform the audit of regulatory returns as these returns represent an extension of statutory audit services and need to be performed by the same audit firm to gain efficiencies and effectiveness in performing these audits.

Note 23 Contingent liabilities and contingent assets

Details of contingent liabilities and contingent assets of the Stapled Group are as follows:

(a) Section 163AA impost

During August 2011, the ATO issued amended assessments to AusNet Services in respect of the 2001 to 2006 income years, disallowing deductions claimed in respect of fees imposed under Section 163AA of the *Electricity Industry Act* 1993 (Vic) in the 1999 to 2001 tax years. Under the amended assessments, the amount of primary tax payable is $54 million.

In October 2011, AusNet Services paid $30.6 million under a part-payment arrangement agreed with the ATO. A general interest charge continues to accrue in respect of unpaid tax under the payment arrangement, in addition to the total amount disclosed on the amended assessments.

AusNet Services lodged a notice of appeal and other documents in the Federal Court, appealing the ATO's amended assessments. On 7 April 2014, the Federal Court delivered judgment against AusNet Services' appeal. On the basis of this ruling, AusNet Services recognised the full amount potentially payable in the financial statements net of the amount part-paid. As at 31 March 2015 the net tax potentially payable is $59.1 million.

On 12 December 2014 AusNet Services was granted special leave to appeal to the High Court of Australia in relation to the decision of the Full Federal Court. The High Court heard the appeal on 9 April 2015, and judgment is expected in the first half of 2015. AusNet Services continues to believe that the fees imposed under Section 163AA are deductible.

(b) Intellectual Property

During September 2011 and October 2011, the ATO issued amended assessments to AusNet Services in respect of the 2001 to 2010 income years, disallowing deductions claimed in respect of intellectual property in each of those income years. Under the amended assessments, the amount payable is $44 million (representing $27.4 million of primary tax, plus an interest and administrative penalty component of $16.6 million).

In November 2011, AusNet Services lodged notices of objection in relation to the amended assessments issued, with AusNet Services making a part-payment of $17.1 million. A general interest charge continues to accrue in respect of unpaid tax under the payment arrangement, in addition to the total amount disclosed on the amended assessments. As at 31 March 2015, the total amount in dispute for intellectual property deductions, including additional accrued interest on the unpaid portion of the amended assessments, is $53.4 million.

AusNet Services lodged a notice of appeal and other documents in the Federal Court. The Federal Court delivered judgement in favour of AusNet Services on 25 March 2014. The ATO subsequently lodged a notice of appeal in the Federal Court on 15 April 2014.

The ATO appeal was heard in the Full Court of the Federal Court in November 2014. On 6 May 2015, the Full Court allowed the ATO appeal in respect of the pre tax consolidation years, being 1998 to October 2005. The Federal Court's decision to remit the $2.3 million penalty imposed in respect of this period was not overturned. In relation to the post tax consolidation years (being October 2005 to 2011), the Full Court ordered that the matter be remitted back to the primary judge of the Federal Court for further hearing and determination.

In light of this judgment from the Full Court, and the significant uncertainty that has arisen, AusNet Services has recognised an $84.1 million tax charge for the year ended 31 March 2015. This represents the net exposure of the total dispute, after taking into account the deductibility of the interest component and excluding the $2.3 million of penalties.

(c) Other

AusNet Services is involved in various other legal and administrative proceedings and various claims on foot, including two smaller bushfire class actions relating to fires that occurred in February 2014. In the opinion of AusNet Services, the ultimate resolution of these matters should not have a material effect on the combined financial position, results of operations or cash flows.

Other than listed above, the Directors are not aware of any contingent liabilities as at 31 March 2015.

(d) Prior year contingent liabilities

As at 31 March 2014, the Kilmore East and Murrindindi bushfire litigation proceedings were considered to be contingent liabilities. During the year ended 31 March 2015 both matters were settled and as such are no longer contingent liabilities, with AusNet Services' share of each settlement being fully covered by insurance. Both settlements were reached without admission of liability by AusNet Services or any other party. Refer to note 14 for further details regarding the Murrindindi bushfire.

Note 24 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	2015 $M	2014 $M
Property, plant and equipment	352.2	359.4

(b) Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities are as follows:

	2015 $M	2014 $M
Payable:		
Within one year	18.0	17.0
Later than one year, but no later than five years	56.1	34.7
Later than five years	15.8	16.0
	89.9	**67.7**
Representing:		
Non-cancellable operating leases	**89.9**	**67.7**

Operating leasess

The Stapled Group's leases relate to premises, vehicles, network land and access sites under non-cancellable operating leases expiring within one to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Note 25 Related party transactions

(a) Parent entities

By virtue of the Stapling deed effective 21 October 2005, AusNet Services Distribution is deemed to be the parent entity of the Stapled Group. Parent entity disclosures have been presented in note 27.

Prior to 3 January 2014, the immediate parent of AusNet Services Distribution was Singapore Power International Pte Ltd (SPI) and the ultimate parent was Temasek Holdings (Private) Limited (Temasek). SPI is a wholly-owned subsidiary of Temasek. Temasek's shareholder is the Minister for Finance, a body corporate under the Minister for Finance (Incorporation) Act, Chapter 183 of Singapore. Both SPI and Temasek are incorporated in Singapore.

On 3 January 2014 State Grid Corporation of China (State Grid) acquired a 19.9 per cent securityholding in the Stapled Group from SPI. Whilst SPI continues to be the largest shareholder in AusNet Services with a stake of 31.1 per cent, they ceased to be the parent of AusNet Services from that date. Under applicable accounting standards, both SPI and Temasek and their subsidiaries continue to be a related party of AusNet Services. These entities are not considered related parties under the *Corporations Act 2001*.

On 3 January 2014 SPI also divested 60 per cent of its securityholding in Jemena Asset Management Pty Ltd (referred to as Jemena) to State Grid. Under applicable accounting standards, State Grid and its subsidiaries (including Jemena) are related parties of AusNet Services. These entities are not considered related parties under the *Corporations Act 2001*.

(i) Logo

Up until 31 March 2014, Singapore Power Limited granted AusNet Services a licence for consideration of $1 million per year to use the 'flame logo' and image in connection with its business and the use of the terms 'SP', 'SP Australia Networks' and 'SP AusNet'. The fee payable was on normal commercial terms. This arrangement ceased on 30 September 2014 when AusNet Services discontinued the use of the logo, and other 'SP' related branding.

(b) Other related parties

(i) Management Services Agreements (MSAs)

SPIMS is a wholly-owned subsidiary of related party SPI, and up until 31 March 2014 was a party to two management services agreements (MSAs) with AusNet Services Distribution and AusNet Services Transmission, and the Responsible Entity respectively. Prior to 31 March 2014, AusNet Services' senior management were employees of SPIMS. SPIMS charged AusNet Services various management service and performance fees in relation to these employees. The MSAs were terminated on 31 March 2014 and all SPIMS employees became AusNet Services employees. There were no further management service or performance fee payments under the MSA from 1 April 2014.

(ii) Long-term operational agreement

On 29 September 2008, AusNet Services entered into an agreement with the Singapore Power Group on a number of operational arrangements. AusNet Services through Select Solutions provides end-to-end metering services, technical services and vegetation management services to the electricity and gas networks owned and managed by Jemena. As part of the agreement, Jemena's contestable metering customer contracts were novated to AusNet Services who took over the responsibility for delivering contestable metering services to those customers.

To ensure continued capital investment and deliver network growth, Jemena was appointed to AusNet Services' preferred supplier panel, securing resources for the delivery of AusNet Services' capital portfolio.

Each of the above arrangements was for an initial five-year term and were renewed in August 2013 for an additional three year term. The agreements will then continue for further five year terms unless terminated by either party by giving notice to terminate at the end of the current term. The arrangements may also be terminated early by either party in certain circumstances.

(iii) IT services agreement

On 29 September 2008, AusNet Services entered into an agreement with a wholly owned subsidiary of SPIMS, Enterprise Business Services (Australia) Pty Ltd (EBS), for it to be the exclusive provider to AusNet Services of IT services. The agreement was for an initial term of seven years, however, following the termination of the MSAs, these IT services were internalised into AusNet Services' business on 1 July 2014. EBS employees who had provided these services became AusNet Services employees from that date.

Note 25 Related party transactions (continued)

(c) Key management personnel

Disclosures relating to Directors and other key management personnel are set out in note 21.

(d) Transactions with related parties

Prior to 3 January 2014 the ultimate parent of AusNet Services was Temasek. AusNet Services engages in a wide variety of transactions with entities in the Temasek Group in the normal course of business on terms similar to those available to other customers. Such transactions include but are not limited to telecommunication services and leasing of properties. These related party transactions are carried out on terms negotiated between the parties which reflect an arm's-length basis. As a result, transactions with Temasek interests other than the Singapore Power Group have been excluded from the disclosures below.

AusNet Services also provides electricity distribution and electricity transmission services to the Singapore Power Group and Jemena. AusNet Services earns a regulated return from the provision of these services as these services are regulated by the AER.

The following transactions occurred with related parties within the Singapore Power and State Grid groups for the entire financial year:

	2015 $'000	2014 $'000
Sales of goods and services		
Regulated revenue (i)	9,346	26,141
Service revenue	53,582	62,601
Other revenue	366	155
Purchases of goods and services		
Management services charge	–	19,558
Performance fees	–	22,189
Termination fee	–	50,000
Flame logo fee	500	1,000
Other expenses	14,664	42,224
Property, plant and equipment	38,875	56,949
Distributions paid		
Distributions paid (net of DRP)	91,392	131,065

(i) Represents revenues from the provision of electricity distribution and electricity transmission services which are regulated by the AER.

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties within the Singapore Power and State Grid groups:

	2015 $'000	2014 $'000
Current receivables (sale of goods and services)		
Singapore Power entities	–	128
Other related parties (i)	9,255	11,362
Other current assets (prepayments)		
Singapore Power entities	–	500
Current payables and other liabilities (purchase of goods)		
Singapore Power entities	34	46,906
Other related parties	12,560	12,551

No allowance for impairment loss has been raised in relation to any outstanding balances due from related parties.

(i) Includes outstanding amounts from the provision of electricity distribution and electricity transmission services which are regulated by the AER.

Note 26 Subsidiaries

The Stapled Group's financial statements incorporate the assets, liabilities and results of the following subsidiaries of the stapled entities in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2015 %	Equity holding 2014 %
AusNet Services (Distribution) Ltd	**Australia**	**Ordinary**		
AusNet Services Ltd (i)	Australia	Ordinary	100	–
AusNet Services (RE) Ltd	Australia	Ordinary	100	100
AusNet Distribution Group Pty Ltd	Australia	Ordinary	100	100
AusNet LDP (No.1) Ltd	UK	n/a	100	100
AusNet LDP (No.2) Ltd	UK	n/a	100	100
AusNet Holdings General Partner Pty Ltd	Australia	Ordinary	100	100
AusNet Holdings (Partnership) Limited Partnership	Australia	n/a	100	100
AusNet Services Holdings Pty Ltd	Australia	Ordinary	100	100
AusNet Electricity Services Pty Ltd	Australia	Ordinary	100	100
AusNet Asset Services Pty Ltd	Australia	Ordinary	100	100
AusNet (No. 8) Pty Ltd	Australia	Ordinary	100	100
AusNet (No. 9) Pty Ltd	Australia	Ordinary	100	100
AusNet Gas Services Pty Ltd	Australia	Ordinary	100	100
Select Solutions Group Pty Ltd	Australia	Ordinary	100	100
AusNet Services (Transmission) Ltd *	**Australia**	**Ordinary**		
AusNet Transmission Group Pty Ltd	Australia	Ordinary	100	100
AusNet Finance Pty Ltd	Australia	Ordinary	100	100
Geomatic Holdings Pty Ltd	Australia	Ordinary	100	100
Geomatic Technologies Pty Ltd	Australia	Ordinary	100	100
AusNet Services Insurance Ltd (ii)	Guernsey	Ordinary	100	–
AusNet Services Finance Trust *	**Australia**	**Ordinary**		

(i) AusNet Services Ltd was incorporated on 11 December 2014 for the purposes of effecting the corporate restructure which is proposed to be implemented in June 2015. Under the restructure, AusNet Services Ltd will be the listed entity owned by the securityholders, with AusNet Services Distribution, AusNet Services Transmission and AusNet Services Finance Trust being subsidiaries of AusNet Services Ltd.

(ii) AusNet Services Insurance Ltd was incorporated as a subsidiary of AusNet Transmission Group Pty Ltd on 8 May 2014 for the purposes of providing insurance services to the Stapled Group.

* In accordance with AASB 3 *Business Combinations*, AusNet Services Distribution is deemed to have acquired AusNet Services Transmission and AusNet Services Finance Trust at the date of stapling. This acquisition is by contract alone and AusNet Services therefore does not have an equity holding in either entity.

Note 27 Parent entity information

(a) Statement of financial position

	2015 $M	2014 $M
Current assets	–	0.3
Non-current assets	2,331.3	2,665.0
Total assets	**2,331.3**	**2,665.3**
Current liabilities	1,236.3	1,204.5
Non-current liabilities	233.1	368.7
Total liabilities	**1,469.4**	**1,573.2**
Contributed equity	0.5	0.5
Retained profits	861.4	1,091.6
Total equity	**861.9**	**1,092.1**

The parent entity has a net current asset deficiency of $1,236.3 million as at 31 March 2015. The parent entity is considered to be a going concern as the deficiency arises from related party loans with AusNet Services Finance Trust. The Directors expect that following implementation of the restructuring of the Stapled Group in June 2015, the parent entity will be able to settle these obligations in a manner which will not require it to obtain further financing. In the event that the restructure is not implemented, the parent entity will need to refinance these loans.

The parent entity has access to funds through AusNet Services Holdings Pty Ltd, which is the common or central funding vehicle for AusNet Services.

(b) Statement of comprehensive income

	2015 $M	2014 $M
Loss for the year	(230.2)	(77.0)
Total comprehensive income for the year	(230.2)	(77.0)

(c) Contingent liabilities

Other than the contingent liabilities disclosed in note 23, the Directors are not aware of any other contingent liabilities of the parent entity as at 31 March 2015.

Note 28 Reconciliation of profit after income tax to net cash flows from operating activities

	2015 $M	2014 $M
Profit for the year	22.6	178.3
Depreciation and amortisation of non-current assets	379.2	369.7
Net loss on sale of non-current assets	7.0	8.1
Write-off of assets	28.1	-
Contributed assets	(20.1)	(30.1)
Loss on accounting for hedge relationships	4.5	3.7
ATO settlement – cancellation of losses	118.0	-
Intellectual property tax dispute – write-off of deferred tax asset	40.1	–
Other non-cash items	37.1	14.0
Net cash from operations before changes in operating assets and liabilities	**616.5**	**543.7**
(Increase)/decrease in receivables	(204.7)	15.0
(Increase)/decrease in inventories	(4.5)	5.0
(Increase)/decrease in other assets	(0.8)	(4.9)
Increase/(decrease) in payables and other liabilities	244.5	64.2
Increase/(decrease) in net other financial assets and liabilities	(2.2)	(8.8)
Increase/(decrease) in provisions	20.2	21.3
Movement in tax balances	98.6	94.7
Net cash inflow from operating activities	**767.6**	**730.2**

Note 29 Events occurring after the balance sheet date

(a) Corporate restructure

On 14 November 2014, AusNet Services announced a restructure and simplification proposal whereby existing stapled entities would become wholly-owned by a new listed entity (to be called AusNet Services Ltd). The restructure is to be implemented by way of company and trust schemes of arrangement and is subject to due diligence, applicable regulatory approvals and the approval of securityholders and the court.

The restructure and simplification proposal, if implemented, is expected to have a number of financial impacts on AusNet Services' financial statements. Most notably:

> $510 million of tax losses will be cancelled which will result in an increase to deferred tax liabilities and a one-off increase to tax expense of $153 million; and

> there will be an increase in the tax base of AusNet Services' assets due to the application of the tax consolidation provisions which will result in a decrease to deferred tax liabilities and a one-off decrease to tax expense. The actual quantum of this tax base adjustment will be determined at the time that the proposal is implemented.

(b) Distribution

Since the end of the financial year, the Directors have approved a final distribution for 2015 of $144.9 million (4.18 cents per stapled security) to be paid on 26 June 2015. If the restructure is implemented prior to the distribution payment date, as is currently anticipated (subject to Court and securityholder approval), the final distribution will be comprised as follows:

	Cents per security	Total distribution $M
Franked dividend payable by AusNet Services Ltd	2.508	86.9
Unfranked dividend payable by AusNet Services Ltd	1.672	58.0
	4.180	**144.9**

If the restructure is not implemented prior to the distribution payment date, the final distribution will be comprised as follows:

	Cents per security	Total distribution $M
Fully franked dividend payable by AusNet Services Transmission	2.217	76.8
Interest income payable by AusNet Services Finance Trust	1.963	68.1
	4.180	**144.9**

(c) Bushfire litigation

On 6 February 2015, AusNet Services and the other parties to the Murrindindi Class Action agreed to settle the action. The settlement is without admission of liability by AusNet Services or any other party. As at 31 March 2015, AusNet Services recognised this settlement in the financial statements as both a liability and a corresponding asset to be received from insurers. The settlement agreement is subject to the approval of the Supreme Court of Victoria.

(d) Intellectual property tax dispute

On 6 May 2015, the Full Court of the Federal Court allowed the ATO appeal in relation to the intellectual property tax dispute for the pre tax consolidation years, being 1998 to October 2005. The Federal Court's decision to remit the $2.3 million penalty imposed in respect of this period was not overturned. In relation to the post tax consolidation years (being October 2005 to 2011), the Full Court ordered that the matter be remitted back to the primary judge of the Federal Court for further hearing and determination.

(e) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 31 March 2015 up to the date of issue of this financial report that has significantly affected or may significantly affect:

(a) the operations in financial years subsequent to 31 March 2015 of the Stapled Group;

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 31 March 2015, of the Stapled Group.

Directors' declaration

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

(a) the financial statements and notes set out on pages 57 to 108, and the remuneration disclosures that are contained in the *Remuneration report* set out on pages 42 to 53 in the *Directors' report*, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the combined entity's financial position as at 31 March 2015 and of its performance for the financial year ended on that date.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

Ng Kee Choe
Chairman

Nino Ficca
Managing Director

Melbourne
13 May 2015

Independent auditor's report to the members of AusNet Services (Distribution) Ltd

Independent auditor's report to the members of AusNet Services (Distribution) Ltd, AusNet Services (Transmission) Ltd and AusNet Services Finance Trust

Report on the financial report

We have audited the accompanying financial report of AusNet Services (Distribution) (the Company), which comprises the combined statement of financial position as at 31 March 2015, and combined income statement and combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows for the year ended on that date, notes 1 to 29 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration. The financial report includes the financial statements of the combined entity, being AusNet Services (Distribution) Ltd and the entities it controlled at the year's end or from time to time during the financial year, AusNet Services (Transmission) Ltd and the entities it controlled at the year's end or from time to time during the financial year, and AusNet Services Finance Trust ("the Combined Entity").

Directors' responsibility for the financial report

The directors of the Company, AusNet Services (Transmission) Ltd and the directors of the responsible entity of AusNet Services Finance Trust, AusNet Services (RE) Ltd, are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Combined Entity comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Combined Entity's financial position and of its performance.

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Combined Entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Combined Entity's financial position as at 31 March 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 42 to 53 of the directors' report for the year ended 31 March 2015. The directors of the Company and of AusNet Services (Transmission) Ltd, and the directors of the responsible entity of AusNet Services Finance Trust, AusNet Services (RE) Ltd, are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of AusNet Services (Distribution) Ltd for the year ended 31 March 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Michael Bray
Partner

Melbourne

13 May 2015

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AusNet Services (Transmission) Ltd

(formerly SP Australia Networks (Transmission) Ltd)
ACN 116 124 362

FINANCIAL REPORT

For the financial year ended 31 March 2015

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

AusNet Services (Transmission) 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

A description of the nature of AusNet Services (Transmission) Ltd's operations and its principal activities is included in the Directors' report.

The financial report was authorised for issue by the Directors on 13 May 2015.

Directors' report

Introduction to the Directors' report

The Directors of AusNet Services (Transmission) Ltd (AusNet Services Transmission) present their report on the general purpose financial report of the company and consolidated entity for the financial year ended 31 March 2015.

This general purpose financial report has been prepared as a consolidation of the financial statements of AusNet Services Transmission and its subsidiaries. The consolidated entity is referred to as AusNet Services Transmission Group.

On 21 October 2005 pursuant to the Stapling Deed, each of AusNet Services Transmission's shares were stapled to a share in AusNet Services (Distribution) Ltd (AusNet Services Distribution) and a Unit in AusNet Services Finance Trust. On 14 December 2005, the Stapled Group was listed on the Australian Securities Exchange (ASX) and the Singapore Exchange Securities Trading Limited (SGX-ST). The Stapled Group is also referred to as AusNet Services.

So long as the three entities remain jointly quoted, the number of shares in each of AusNet Services Transmission and AusNet Services Distribution and the number of units in AusNet Services Finance Trust shall be equal and shareholders and unitholders shall be identical.

AusNet Services Transmission was incorporated on 7 September 2005. On 19 October 2005, AusNet Services Transmission executed a reverse acquisition. AusNet Transmission Group Pty Ltd was deemed the parent entity for the AusNet Services Transmission Group for accounting purposes and acquired the following entities through the reverse acquisition:

> AusNet Services Transmission; and

> AusNet Finance Pty Ltd.

AusNet Services Transmission, AusNet Services Distribution, AusNet Services Finance Trust, and AusNet Services were formerly known as SP Australia Networks (Transmission) Ltd, SP Australia Networks (Distribution) Ltd, SP Australia Networks (Finance) Trust, and SP AusNet respectively up until 4 August 2014.

Restructure and simplification of the Stapled Group

AusNet Services has released a securityholder booklet for the restructure and simplification proposal (Proposal) under which the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd). The Proposal is subject to applicable regulatory approvals and requires the approval of securityholders and the Court. It would be implemented by way of company and trust schemes of arrangement. The securityholder meeting date has been scheduled for 29 May 2015 and, pending approval, AusNet Services is targeting an implementation date of 18 June 2015.

If the Proposal is approved and implemented:

> eligible securityholders will simply hold shares in AusNet Services Ltd (instead of their current triple-stapled security) in the same proportion as the stapled securities they currently hold*;

> there will be no capital raising or return of capital as part of the Proposal and securityholders will not be required to pay any cash consideration;

> there will be no change to the composition of the AusNet Services Board, management or the operations of AusNet Services as a result of any restructure; and

> future periodic distributions are expected to be paid entirely as dividends and AusNet Services expects that there will be a higher franked component of future distributions but those distributions will not include any AusNet Services Finance Trust distribution components as they have historically.

Directors

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

Non-executive Directors

Ng Kee Choe (Chairman)

Ralph **Craven**

Jeremy Guy Ashcroft **Davis** AM (retired effective 17 July 2014)

Sally Marie **Farrier**

Eric **Gwee** Teck Hai (retired effective 17 July 2014)

Ho Tian Yee

Antonino (Tony) Mario **Iannello**

Tina Renna **McMeckan**

Ian Andrew **Renard** AM

Sun Jianxing

Executive Director

Nino **Ficca** (Managing Director)

Principal activities

The principal activity of the AusNet Services Transmission Group is the transmission of electricity within the state of Victoria.

The principal activity of the AusNet Services Transmission Group is conducted through AusNet Transmission Group Pty Ltd.

*Certain foreign securityholders who AusNet Services determines it would be illegal or unduly onerous to allow to receive shares in AusNet Services Ltd under the Proposal will not receive those shares, and will instead have their investment in AusNet Services sold on market by a nominee and the proceeds of that sale remitted to them in cash. AusNet Services expects that only a small proportion of its securityholders will be ineligible.

Strategy

As a diversified energy delivery networks business, AusNet Services plays a vital role in underpinning the economic strength of Victorian communities, while contributing to the wider Australian energy market. The sustainability of its networks is key to AusNet Services' commitment to the safe, reliable and efficient supply of energy.

The energy industry and network businesses will face significant changes in the coming years. These include but are not limited to:

> an evolving regulatory framework which increases the focus on network performance and cost and capital efficiency;

> technology changes in the generation, distribution, storage and usage of energy, coupled with customer acceptance of these new technologies; and

> increasing customer influence in light of recent electricity price rises and their impact on household budgets, ensuring that both community and government focus remain on energy policy.

In response to these significant challenges, in March 2013 the AusNet Services Board approved a five year corporate strategy to deliver more value from the core networks business and to explore growth opportunities in a challenging and evolving environment. At the centre of this strategy is AusNet Services' purpose which is '*To provide our customers with superior network and energy solutions*'. This purpose is underpinned by eight strategic objectives as set out below.

Safety	***Industry leadership in safety performance***	AusNet Services' leaders are responsible for and understand how to lead safety, encouraging its people to work safely and to create safer work environments.
People	***High performing leadership, capability and culture***	AusNet Services continues to develop the right culture, skills, talent and labour productivity to support a sustainable and high performing business.
Customer	***A highly developed customer service capability***	AusNet Services continues to focus on customers through meaningful, useful and actionable engagement. The business leverages customer knowledge, experience, and service levels to deliver outcomes that align with the needs and expectations of customers, supported through regulatory advocacy.
Financial	***Diversified and accretive growth***	Approximately 86 per cent of AusNet Services' revenue comes from regulated sources, and while AusNet Services remains focused on the continued growth in the regulated networks, diversified growth is also targeted through: > Unregulated Infrastructure – The development of unregulated transmission connections and other infrastructure. > Select Solutions – The continued expansion of specialist utility-related and telecommunications solutions to existing and new customers. > Energy Solutions – Seeking to develop products and services related to energy use, energy storage, energy efficiency and other niche services in response to changing customer behaviours.
	Sustainable earnings and securityholder value growth	AusNet Services aims to improve its year-on-year financial performance.
Business & Asset	***An efficient business model***	AusNet Services' operations aim to achieve excellence in both energy delivery and managing customer services, through the implementation of processes and systems which produce high quality data, efficiency, effectiveness, controllability and management capability. This objective is being delivered through a company-wide program of Business Operational Excellence, of which the most significant component is an enterprise-wide change program enabled by the replacement of multiple asset management and resource planning platforms with a single, fully integrated system.
	Safe, resilient and reliable networks	In addition to network safety and reliability across three regulated networks, AusNet Services continues to enhance and optimise its inspection, maintenance and replacement plans through advanced modelling techniques and fully integrated systems.
	Industry leadership and advocacy role in regulatory development	AusNet Services aims to be a leader in regulatory development for the energy industry, thereby enhancing business value through constructive engagement with key policy makers.

Review of operations for the year ended 31 March 2015

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

$M	31 March 2015	31 March 2014	Movement	%
Revenue	651.3	649.1	2.2	0.3%
NPAT	15.3	13.5	1.8	13.3%
Adjusted NPAT[1,2]	124.0	117.5	6.5	5.5%

Notes:

1. Adjusted NPAT for the year ended 31 March 2015 excludes the recognition of $24.6 million for the settlement with the Australian Taxation Office (ATO) in relation to the intra-group financing audit. On 22 October 2014, the AusNet Services Transmission Group and the ATO reached an in-principle, non-binding agreement to settle all matters concerning intra-group financing arrangements and rights to future income issues. Following the execution of a binding settlement deed on 4 March 2015, the AusNet Services Transmission Group has made a primary tax payment of $23.5 million and an interest payment (deductible) of $1.5 million. Also excluded from adjusted NPAT for the year ended 31 March 2015 is the recognition of $84.1 million of income tax expense in relation to the intellectual property tax dispute.

   For the year ended 31 March 2014, it excludes a net charge of $86.7 million for the amount potentially payable in respect of the Section 163AA dispute and excludes recognition of $15.9 million payable for termination of the Management Services Agreement and $1.9 million in restructuring costs associated with the Termination Deed ($12.5 million NPAT impact). In addition, it also excludes $4.8 million NPAT impact of performance fees under the MSA for the year ended 31 March 2014.

2. Adjusted NPAT is a non-IFRS measure that has not been subject to audit or review.

The AusNet Services Transmission Group achieved a net profit after tax of $15.3 million for the year ended 31 March 2015, an increase of $1.8 million or 13.3 per cent over the previous year.

Total revenue for the year ended 31 March 2015 was $651.3 million, an increase of $2.2 million or 0.3 per cent over the previous year. The revenues recognised by the AusNet Services Transmission Group include revenues provided by the Select Solutions segment of the Stapled Group. The growth in revenue was attributed to growth in Select Solutions as a result of the acquisition of Geomatic Technologies in February 2014.

Regulatory business revenues decreased as a result of the reduction in the regulatory Weighted Average Cost of Capital (WACC) arising from the Transmission Revenue Reset (TRR) Final Determination for the 2014-17 period which commenced on 1 April 2014. This reduction in revenues is also reflected in the reduced net finance costs of the AusNet Services Transmission Group.

Total capital expenditure was $212.3 million for the year, of which $49.7 million was customer-initiated. The decline in capital expenditure compared to the previous year (2014: $232.7 million) is a result of several major terminal station upgrades. The TRR provides funding for key transmission projects, particularly the replacement and refurbishment of several major CBD terminal stations, which underpin electricity supply to the Melbourne central business district. In addition, the Group is undertaking an upgrade of the Brunswick terminal station.

Financial position as at 31 March 2015

The AusNet Services Transmission Group's total assets as at 31 March 2015 were $4,178.2 million comprising principally property, plant and equipment of $3,756.8 million. Current receivables were $70 million.

Current liabilities as at 31 March 2015 were $1,884.3 million primarily due to loans from a related party, AusNet Services Finance Trust, of $1,637.8 million.

Non-current liabilities as at 31 March 2015 were $2,468.8 million comprising principally borrowings of $2,119 million and deferred tax liabilities of 324.2 million.

The AusNet Services Transmission Group has net asset liabilities of $174.9 million as at 31 March 2015. In addition, its current liabilities exceed its current assets by $1,714.5 million due primarily to the loans with AusNet Services Finance Trust.

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations. The AusNet Services Transmission Group is, and is expected to continue, trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 31 March 2015, the Stapled Group has available a total of $300 million of undrawn but committed non-current bank debt facilities, $64 million of undrawn but committed current bank debt facilities and $883.1 of cash. The Directors expect that following implementation of the restructuring of the Stapled Group in June 2015, AusNet Services Transmission will be able to settle its obligations in a manner which will not require it to obtain further financing. In the event that the restructure is not implemented, AusNet Services Transmission will need to refinance its loans.

Capital management

AusNet Services manages its capital structure to ensure that it continues as a going concern while maximising the return to securityholders as well as providing the flexibility to fund organic growth and other investment opportunities. An appropriate capital structure is also maintained to ensure an efficient cost of capital is available to AusNet Services. Through its cash flows from operations and by maintaining an appropriate and prudent mix of debt and equity, AusNet Services ensures that it achieves its targeted credit metrics that support an 'A' range credit rating.

Debt raising

AusNet Services' common or Central Funding Vehicle (CFV) operates through AusNet Services Holdings Pty Ltd (formerly SPI Electricity & Gas Australia Holdings Pty Ltd), a subsidiary of AusNet Services Distribution. AusNet Services Transmission has access to funds through the CFV.

Capital management (continued)

In line with AusNet Services' Treasury Risk Policy, AusNet Services maintains a diversified debt portfolio by maturity and source. AusNet Services' A- credit rating from Standard and Poor's and A3 from Moody's contributed to the successful completion of bond issues during the current financial year, being:

> a NOK 900 million fifteen-year Norwegian kroner bond issue to raise $160 million in June 2014;

> a $125 million ten-year Australian bond issue in June 2014; and

> a EUR 560 million twelve-year bond issue to raise approximately $825 million in February 2015.

Dividends

Dividends paid to securityholders during the financial year were as follows:

	Final 2014 dividend		Interim 2015 dividend	
	Cents per security	Total dividend $M	Cents per security	Total dividend $M
Fully franked dividend	1.393	47.2	2.200	75.3

Since the end of the financial year, the Directors have approved a final dividend for 2015 of $76.8 million (2.217 cents per share) to be paid on 26 June 2015.

	Final 2015 dividend	
	Cents per security	Total dividend $M
Fully franked dividend	2.217	76.8
	2.217	76.8

If the restructure is implemented prior to the dividend payment date, which is currently anticipated (subject to Court and securityholder approval) this dividend will be made to AusNet Services Ltd rather than securityholders. AusNet Services Ltd will then pay a dividend to shareholders as indicated in the financial statements of AusNet Services Distribution.

Distribution Reinvestment Plan (DRP)

In relation to the final 2014 distribution paid on 27 June 2014, $51.4 million was utilised in the allotment of new securities issued under the DRP, representing a take up rate of approximately 36 per cent. In relation to the interim 2015 distribution paid on 24 December 2014, $54.2 million was utilised in the allotment of new securities issued under the DRP, representing a take up rate of approximately 38 per cent.

The DRP will be in operation for the final 2015 distribution at a two per cent discount to the average of the volume weighted average price.

Material risks and uncertainties

AusNet Services is committed to understanding and effectively managing risk to provide greater certainty and confidence for its securityholders, employees, customers, suppliers and communities in which it operates. AusNet Services maintains oversight of its material business risks (financial and non-financial) at an enterprise-wide level and reports regularly to the Audit and Risk Management Committee and the Board of Directors on the effectiveness of the management of these risks. AusNet Services is cognisant of the following principal risks which may materially impact the execution and achievement of its business strategy and financial prospects.

While the risk below have been described in relation to the Stapled Group, and are managed at the Stapled Group level, they are applicable to the AusNet Services Transmission Group.

(a) Taxation risks

As a large taxpayer with a stapled structure and two tax consolidated groups, the ATO regularly reviews the various tax positions adopted by AusNet Services. There is the risk that changes in tax law, or changes in the way tax laws are interpreted, may materially impact the tax liabilities of the Stapled Group or the tax losses currently available to offset future taxable profits. AusNet Services manages this risk via a Board-approved Tax Risk Management policy which outlines a number of review and sign-off procedures, including the utilisation of external tax and legal advisors, for each tax position based on the assessed level of judgement of that position.

In March 2015, the Stapled Group and the ATO executed a Settlement Deed to settle all matters concerning intra-group financing arrangements and rights to future income issues. This has impacted the Stapled Group as follows:

> a $25 million payment to the ATO comprising a primary tax payment of $23.5 million and an interest payment (deductible) of $1.5 million, which was paid on 9 April 2015;

> cancellation of $506.5 million of carried-forward tax losses. Of this, $393.2 million were previously recognised in the statement of financial position and as such have been written off; and

> ceasing taking interest deductions in respect of AusNet Services Finance Trust loans from 1 April 2014.

While this settlement provides tax certainty, with the ATO concluding all audit activity for years up to and including 31 March 2014, AusNet Services presently has two significant unresolved issues with the ATO that, if they were to conclude unfavourably to AusNet Services, would result in a significant outflow of resources. The status of each of these matters is summarised below.

Section 163AA impost

On 7 April 2014 the Full Court of the Federal Court of Australia delivered judgment against AusNet Services in an appeal against disputed tax amended assessments relating to deductions claimed for amounts imposed under Section 163AA of the *Electricity Industry Act (1993)* (Vic).

The total after tax disputed amount is $89.7 million as at 31 March 2015 (representing $54 million of primary tax, plus a tax-effected interest component of $35.7 million). This amount (less the $3 million of interest accrued during the 2015 financial year) was recognised as a tax charge in the income statement for the year ended 31 March 2014. Of this total disputed amount, AusNet Services paid $30.6 million to the ATO in October 2011.

On 9 April 2015 an appeal was heard by the High Court of Australia and a decision is expected before 30 June 2015.

Intellectual property

On 25 March 2014 the Federal Court of Australia delivered judgment in favour of AusNet Services in relation to intellectual property deductions claimed in the 1998 to 2011 years, inclusive. The disputed taxes amount to $93.5 million as at 31 March 2015, as detailed below:

	Pre-consolidation years $M	Post-consolidation years $M	Total $M
Primary tax	18.7	8.7	27.4
Interest	21.4	2.3	23.7
Future deductions	–	40.1	40.1
Penalties	2.3	–	2.3
Gross exposure	**42.4**	**51.1**	**93.5**

Of this total gross exposure, AusNet Services paid $17.1 million to the ATO in October 2011.

The ATO appeal was heard in the Full Court of the Federal Court in November 2014. On 6 May 2015, the Full Court allowed the ATO appeal in respect of the pre tax consolidation years, being 1998 to October 2005. The Federal Court's decision to remit the $2.3 million penalty imposed in respect of this period was not overturned. In relation to the post tax consolidation years (being October 2005 to 2011), the Full Court ordered that the matter be remitted back to the primary judge of the Federal Court for further hearing and determination.

In light of this judgment from the Full Court, and the significant uncertainty that has arisen, AusNet Services has recognised an $84.1 million tax charge for the year ended 31 March 2015. This represents the net exposure of the total dispute, after taking into account the deductibility of the interest component and excluding the $2.3 million of penalties.

(b) Regulatory risks

The energy industry in Australia is highly regulated. Approximately 89 per cent of AusNet Services Transmission's revenues are subject to periodic reviews by the the Australian Energy Regulator (AER), where revenue or prices are determined for the network for the specified regulatory period. Regulated revenues are determined based on a building block approach that is designed to cover a regulated networks' operating and maintenance costs, depreciation, tax, and a return on assets. The AER also applies an incentive framework which provides for higher (or lower) regulated returns if the network responds (or fails to respond). The key incentive framework schemes incentivise capex efficiency, opex efficiency and service standard performance.

There is a risk that costs approved by the AER may be insufficient to recover AusNet Services' actual costs. In addition, there is a risk that costs may unexpectedly increase during a regulatory period, or that additional costs may need to be incurred, and that AusNet Services will spend more than the regulatory allowance upon which revenues are derived which may adversely affect the financial performance and position of AusNet Services.

Maximum demand is a key driver of investment in electricity transmission. Maximum demand is subject to seasonal fluctuations and to a range of variables, including economic conditions, population growth, government policy, weather, alternative energy sources and availability of adequate supplies of electricity and gas.

AusNet Services carefully manages these risks in a number of ways. Prior to the commencement of a regulatory period, AusNet Services will develop a detailed plan of works to be undertaken and costs to be incurred. Particular emphasis is placed on ensuring that AusNet Services continues to maintain safe, resilient and reliable networks and that the costs to be incurred are efficient and prudent. This information is submitted to the AER as part of the determination process, and where appropriate the views of industry and other external experts is sought to include in the submission. During the regulatory period AusNet Services continuously monitors and manages its costs through processes and systems which produce high quality data, efficiency, effectiveness and controllability.

(c) Funding and market risks

AusNet Services relies on access to financial markets as a significant source of liquidity for capital requirements not satisfied by operating cash flows. AusNet Services' access to financial markets could be adversely impacted by various factors, such as a material adverse change in AusNet Services' business or a reduction in its credit rating. The inability to raise capital on favourable terms, particularly during times of uncertainty in the financial markets, could impact AusNet Services' ability to sustain and grow its businesses, which are capital intensive, and would likely increase its capital costs.

Furthermore, AusNet Services has a large amount of debt, with a net debt to Asset Base ratio at 31 March 2015 of 67.5 per cent. The degree to which AusNet Services may be leveraged in the future could affect AusNet Services' ability to service its obligations, pay distributions, make capital investments, and respond to competitive pressures or to obtain additional financing. In addition, AusNet Services is exposed to a number of market risks associated with this debt, including interest rate risk.

AusNet Services effectively manages these risks in accordance with its Treasury Risk Policy which is approved by the Board and reviewed at least annually. Under this policy, AusNet Services aims to have a diverse funding mix in terms of source and tenure and proactively monitors and manages its credit metrics, in order to maintain its 'A' range credit rating and ensure continued access to various markets and to limit the funding requirement for any given year. In addition, through the use of derivative financial instruments AusNet Services aims to hedge 90 to 100 per cent of its interest rate risk.

Material risks and uncertainties (continued)

(d) Information and communication technology risks

Information and Communication Technology (ICT) is playing an increasing role in the management and operation of the networks as AusNet Services strives to achieve its strategic objectives of an efficient business model, safe, resilient and reliable networks, and a highly developed customer service capability. AusNet Services is currently making a number of significant ICT investments and operational changes which include an enterprise-wide program to improve processes, including the replacement of multiple asset management and resource planning platforms with a single fully integrated system.

There are both operational and financial risks associated with the successful implementation of such programs and the broader role of ICT on AusNet Services. These risks may negatively impact AusNet Services' ability to have these costs recovered under the regulatory process and ultimately the future financial performance of AusNet Services. Through rigorous planning and program management processes, as well as an appropriate risk management framework of governance and controls, AusNet Services carefully manages these risks.

Environmental regulation and climate change

The AusNet Services Transmission Group was subject to both Federal and State Government environmental legislation during the year. The most significant areas of environmental legislation affecting the Stapled Group 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 year which are material in nature.

Under the *National Greenhouse and Energy Reporting (NGER) Act 2007*, corporations that meet or exceed thresholds are required to report greenhouse gas emissions and energy usage by 31 October each year. AusNet Services meets these thresholds and has lodged its current year's NGER reporting with the Clean Energy Regulator for the period from 1 July 2013 to 30 June 2014.

On 17 July 2014, the Federal Government approved the repeal of the carbon pricing mechanism, applicable from 1 July 2014.

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 AusNet Services Transmission Group that occurred during the year under review.

Matters subsequent to the end of the financial year

Restructure and simplification of the Stapled Group

AusNet Services has released a securityholder booklet for a restructure and simplification proposal (Proposal) under which the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd). The Proposal is subject to applicable regulatory approvals and requires the approval of securityholders at the securityholder meeting on 29 May 2015. The Proposal would be implemented by way of company and trust schemes of arrangement. AusNet Services is targeting an implementation date of 18 June 2015.

Dividend

Since the end of the financial year, the Directors have approved a final dividend for 2015 of $76.8 million (2.217 cents per share) to be paid on 26 June 2015. If the proposed restructure is implemented prior to the dividend date, this dividend will be made to AusNet Services Ltd.

Intellectual property tax dispute

On 6 May 2015, the Full Court of the Federal Court allowed the ATO appeal in relation to the intellectual property tax dispute for the pre tax consolidation years, being 1998 to October 2005. The Federal Court's decision to remit the $2.3 million penalty imposed in respect of this period was not overturned. In relation to the post tax consolidation years (being October 2005 to 2011), the Full Court ordered that the matter be remitted back to the primary judge of the Federal Court for further hearing and determination.

With the exception of the matters outlined above, the Directors are not aware of any circumstances that have arisen since 31 March 2015 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the AusNet Services Transmission Group in financial years subsequent to 31 March 2015.

Information on Directors

Ng Kee Choe – *Chairman – Non-executive*

Bachelor of Science (Honours), University of Singapore

Experience and expertise

Mr Ng serves as Chairman of CapitaLand Ltd. He is also President-Commissioner of PT Bank Danamon Indonesia, Tbk. He is a Director of Fullerton Financial Holdings Pte Ltd. He is a member of the International Advisory Council of China Development Bank and Chairman of Tanah Merah Country Club. Mr Ng was formerly the Chairman and Director of Singapore Power Limited, CapitaMalls Asia Limited and NTUC Income Insurance Co-Operative Limited. He served as a Director of Singapore Airport Terminal Services Limited and Singapore Exchange Limited. He was also Vice-Chairman and Director of DBS Group Holdings, retiring from his executive position in 2003 after 33 years' service.

Other current listed company directorships

PT Bank Danamon Indonesia, Tbk (2004 to date) (Jakarta Stock Exchange listed entity)

CapitaLand Limited (2010 to date) (SGX-ST listed entity)

Former listed company directorships in last 3 years

Singapore Airport Terminal Services Ltd (2000 to 2012) (SGX-ST listed entity)

Singapore Exchange Ltd (2003 to 2014) (SGX-ST listed entity)

CapitaMalls Asia Limited (2013 to 2014) (SGX-ST and Hong Kong Stock Exchange Listed entity)

Date of initial appointment

AusNet Services Transmission – 26 October 2005

AusNet Services Distribution – 31 May 2005

Responsible Entity – 9 September 2005

AusNet Services Ltd – 14 April 2015

Special responsibilities

Chairman of the AusNet Services Board, Chairman of the Nomination Committee and Chairman of the Issuing Committee.

Nino Ficca – *Managing Director*

Bachelor of Engineering (Electrical) (Honours), Deakin University
Graduate Diploma Management, Deakin University
Advanced Management Programme, Harvard Business School, USA

Experience and expertise
Mr Ficca has over 30 years' experience in the energy industry, including numerous senior management roles with AusNet Transmission Group Pty Ltd (formerly SPI PowerNet Pty Ltd) including as Managing Director since 2003. Mr Ficca is a Director of Energy Networks Association Limited and a member of the National Energy Market Operations Committee. He is Chair of the Deakin University Engineering Advisory Board. Mr Ficca recently resigned as a Director of SPI Management Services Pty Ltd. He was also formerly Deputy Chairman and Director of the Energy Supply Association of Australia.

Other current listed company directorships
None

Former listed company directorships in last 3 years
None

Date of initial appointment
AusNet Services Transmission – 7 September 2005
AusNet Services Distribution – 31 May 2005
Responsible Entity – 31 May 2005
AusNet Services Ltd – 11 December 2014

Special responsibilities
Managing Director and member of the Bushfire Litigation Committee and the Issuing Committee.

Ralph Craven – *Non-executive Director*

Bachelor of Engineering (Electrical - Honours), University of Queensland
Doctor of Philosophy, University of New South Wales
Postgraduate Diploma in Management, Deakin University
Postgraduate Diploma in Information Processing, University of Queensland

Experience and expertise
Ralph Craven has broad experience in energy, resources and infrastructure having worked in these sectors for over 35 years. His professional background encompasses electricity and gas businesses, mining, commodities trading, and the management of large scale system operations at the national level and the delivery of major infrastructure projects. Dr Craven is currently a Director of Senex Energy Limited and Windlab Limited. He is a Director of the International Electrotechnology Commission (IEC) and Chair of the IEC National Committee of Australia. Other recent directorships include being Chair of Invion Limited, Chair of the Audit Committee of Mitchell Services Limited and Chair of Genex Power Limited. He was formerly Chair of Ergon Energy Corporation Limited, Tully Sugar Limited and Deputy Chair of Arrow Energy Ltd. Dr Craven was CEO of Transpower New Zealand Limited and also held senior executive positions in Shell Coal Pty Ltd and NRG Asia Pacific Limited.

Other current listed company directorships
Senex Energy Limited (2011 to date)

Former listed company directorships in last 3 years
Invion Limited (2011 to April 2015)
Mitchell Services Limited (2011 to November 2014)

Date of initial appointment
AusNet Services Transmission – 24 January 2014
AusNet Services Distribution – 24 January 2014
Responsible Entity – 24 January 2014
AusNet Services Limited – 14 April 2015

Special responsibilities
Member of the Audit and Risk Management Committee, the Compliance Committee and the Bushfire Litigation Committee.

Sally Marie Farrier – *Independent Non-executive Director*

Bachelor of Chemical and Process Engineering (First Class Honours), University of Canterbury, New Zealand
Masters of Business Administration, Victoria University of Wellington
Post Graduate Diploma in Finance and Investment Analysis, Securities Institute of Australia

Experience and expertise
Ms Farrier is currently a Director of Meridian Energy Limited and a founding Director of Farrier Swier Consulting Pty Limited. Past directorships include Manidis Roberts Pty Limited, Hydro Tasmania and Western Power. In addition, Ms Farrier has served as a National Water Commissioner, and in Victoria, she was a Member of the Victorian Water Trust Advisory Council. She is a Member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australasia.

Other current listed company directorships

Meridian Energy Limited (2012 to date) (New Zealand Stock Exchange Listed Company)

Former listed company directorships in last 3 years

None

Date of initial appointment
AusNet Services Transmission – 24 January 2014
AusNet Services Distribution – 24 January 2014
Responsible Entity – 24 January 2014
AusNet Services Ltd – 14 April 2015

Special responsibilities
Member of the Audit and Risk Management Committee and the Compliance Committee.

Ho Tian Yee – *Non-executive Director*

Bachelor of Arts (Economics), Portsmouth University, UK

Experience and expertise
Mr Ho is currently the Managing Director and principal shareholder of Pacific Asset Management (S) Pte Ltd, and an investment advisor to Blue Edge Advisors Pte Ltd. Mr Ho was previously the General Manager and Managing Director of Bankers Trust Company, Singapore. He currently serves as a non-executive director of DBS Group Holdings Ltd, DBS Bank Ltd and Fullerton Funds Management Company Limited. He is also a Board member of Singapore Power Limited.

Other current listed company directorships
DBS Group Holdings Ltd (2011 to date) (SGX-ST listed company)
DBS Bank Ltd (2011 to date) (SGX-ST listed company)

Former listed company directorships in last 3 years
Singapore Exchange Ltd (1999 to 2013) (SGX-ST listed company)

Date of initial appointment
AusNet Services Transmission – 1 September 2008
AusNet Services Distribution – 1 September 2008
Responsible Entity – 1 September 2008
AusNet Services Ltd – 14 April 2015

Special responsibilities

Member of the Nomination Committee, the Remuneration Committee and the Issuing Committee.

Information on Directors (continued)

Antonino (Tony) Mario Iannello – *Independent Non-executive Director*

Bachelor of Commerce, University of Western Australia
Advanced Management Programme, Harvard Business School, USA

Experience and expertise
Mr Iannello is Chairman of Empire Oil and Gas NL, HBF Health Ltd and D'Orsogna Ltd. He is also a director of ERM Power Ltd and Water Corporation of WA. Mr Iannello was formerly Chairman of MG Kailis Group of Companies, Aviva Corporation Ltd and Energia Minerals Ltd. Mr Iannello was Managing Director of Western Power Corporation and previously he held a number of senior executive roles at the Bank of Western Australia.

Other current listed company directorships
ERM Power Ltd (2010 to date)
Empire Oil and Gas NL (2013 to date)

Former listed company directorships in last 3 years
Energia Minerals Ltd (2010 to 2014)

Date of initial appointment
AusNet Services Transmission – 6 June 2006
AusNet Services Distribution – 6 June 2006
Responsible Entity – 6 June 2006
AusNet Services Limited – 14 April 2015

Special responsibilities
Chairman of the Audit and Risk Management Committee and member of the Nomination Committee, the Bushfire Litigation Committee and the Issuing Committee.

Tina Renna McMeckan – *Independent Non-executive Director*

Bachelor of Liberal Arts &.Science, San Diego State University, California, USA
Master of Business Administration, University of Melbourne

Experience and expertise
Ms McMeckan is a Director of the Global Carbon Capture and Storage Institute, Circadian Technologies Ltd and the Cooperative Research Centre for Spatial Information. She is a former Chair of the Centre for Eye Research Australia and a former Director of Metlink Victoria Pty Ltd, Viscorp Limited and the National Board of Norton Rose law firm. Ms McMeckan was previously an executive manager with GPU PowerNet and the SECV Energy Traders, and a project manager with the Victorian Department of Treasury and Finance on gas industry reform.

Other current listed company directorships
Circadian Technologies Limited (2008 to date)

Former listed company directorships in last 3 years
None

Date of initial appointment
AusNet Services Transmission – 9 August 2010
AusNet Services Distribution – 9 August 2010
Responsible Entity – 9 August 2010
AusNet Services Ltd – 14 April 2015

Special responsibilities
Chairman of the Compliance Committee and a member of the Remuneration Committee and the Audit and Risk Management Committee.

Ian Andrew Renard AM – *Independent Non-executive Director*

Bachelor of Arts, University of Melbourne
Master of Laws, University of Melbourne
Doctor of Laws (Hon), University of Melbourne

Experience and expertise
Mr Renard is a Director of Hillview Quarries Pty Ltd and a trustee of the R E Ross Trust. Mr Renard was formerly a Director of a number of public listed companies. He served as Chancellor of the University of Melbourne from 2005 to 2009, and was formerly a partner of the law firm Arthur Robinson & Hedderwicks, including a term as the firm's full-time Managing Partner.

Other current listed company directorships
None

Former listed company directorships in last 3 years
CSL Ltd (1998 to 2013)

Date of initial appointment
AusNet Services Transmission – 26 October 2005
AusNet Services Distribution – 31 May 2005
Responsible Entity – 9 September 2005
AusNet Services Ltd – 14 April 2015

Special responsibilities
Chairman of the Remuneration Committee and the Bushfire Litigation Committee and member of the Nomination Committee.

Sun Jianxing – *Non-executive Director*

Bachelor of Engineering, Northeast Dianli University, China

Experience and expertise
Mr Sun is a Non-executive Director of ElectraNet and currently holds the role of Head of State Grid Corporation of China Australia Representative Office. His previous roles include Deputy CEO of State Grid Energy Development Company Ltd, Deputy Director General of Materials & Equipment Supplying Department, State Grid Corporation of China, Chief Engineer of State Grid Shenzhen Energy Developments Ltd and Division Chief of Department of International Affairs, State Grid Corporation of China. In his early years, Mr Sun also worked as a Senior Engineer at the China General Institute for Electric Power Planning and Designing.

Other current listed company directorships
None

Former listed company directorships in last 3 years
None

Date of initial appointment
AusNet Services Transmission – 24 January 2014
AusNet Services Distribution – 24 January 2014
Responsible Entity – 24 January 2014
AusNet Services Ltd – 14 April 2015

Special responsibilities
Member of the Nomination Committee and the Remuneration Committee.

Company Secretary

Susan Elizabeth Taylor

Bachelor of Laws, University of Melbourne
Bachelor of Commerce, University of Melbourne
Graduate Diploma in Corporations and Securities Law, University of Melbourne

Ms Taylor has been Company Secretary of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity since 6 October 2008 and Company Secretary of AusNet Services Ltd from 11 December 2014. She has over 25 years' experience in energy transactional and regulatory law. She was formerly a partner at the Australian law firm Freehills and Senior Attorney with the U.S. Federal Energy Regulatory Commission, with a mergers and acquisitions, corporations and competition law background.

Meetings of Directors

The number of meetings of the Board of Directors of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity held during the year ended 31 March 2015, and the number of meetings attended by each Director, are set out in the following table. All meetings were held jointly.

	Board of AusNet Services Distribution		Board of AusNet Services Transmission		Board of Responsible Entity	
	A	B	A	B	A	B
Ng Kee Choe	13	14	13	14	13	14
Nino **Ficca**	13	14	13	14	13	14
Jeremy **Davis**[1]	5	5	5	5	5	5
Eric **Gwee**[1]	3	5	3	5	3	5
Ho Tian Yee	11	14	11	14	11	14
Tony **Iannello**	13	14	13	14	13	14
Tina **McMeckan**	14	14	14	14	14	14
Ian **Renard**	14	14	14	14	14	14
Sun Jianxing	10	14	10	14	10	14
Ralph **Craven**	14	14	14	14	14	14
Sally **Farrier**	13	14	13	14	13	14

1 Mr Davis and Mr Gwee retired as Non-Executive Directors effective 17 July 2014.

A = Number of meetings attended
B = Number of meetings held during the time the Director held office

Meetings of Directors (continued)

The number of meetings of each standing Board committee of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity held during the year ended 31 March 2015, and the number of meetings attended by each Director, are set out in the following table.

	Audit and Risk Management Committee		Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Ng Kee Choe	**	**	**	**	3	3	**	**
Nino **Ficca**	**	**	**	**	**	**	**	**
Jeremy **Davis**[1]	1	1	**	**	**	**	**	**
Eric **Gwee**[1]	0	1	**	**	**	**	0	1
Ho Tian Yee	**	**	**	**	3	3	3	5
Tony **Iannello**	6	6	**	**	3	3	**	**
Tina **McMeckan**	6	6	4	4	**	**	5	5
Ian **Renard**	**	**	**	**	3	3	5	5
Sun Jianxing	**	**	**	**	2	3	5	5
Ralph **Craven**	6	6	4	4	**	**	**	**
Sally **Farrier**	6	6	4	4	**	**	**	**

1 Mr Davis and Mr Gwee retired as Non-Executive Directors effective 17 July 2014.

A = Number of meetings attended
B = Number of meetings held during the time the Director held office
**** = Not a member of the relevant committee**

The number of meetings of the Bushfire Litigation Committee and the Issuing Committee held during the year ended 31 March 2015, and the number of meetings attended by each Director, are set out in the following table.

	Bushfire Litigation Committee		Issuing Committee	
	A	B	A	B
Ng Kee Choe	**	**	1	1
Nino **Ficca**	7	8	1	1
Jeremy **Davis**[1]	2	2	**	**
Ralph **Craven**	7	8	**	**
Ho Tian Yee	**	**	1	1
Tony **Iannello**	8	8	0	1
Ian **Renard**	8	8	**	**

1 Mr Davis retired as a Non-Executive Director effective 17 July 2014.

A = Number of meetings attended
B = Number of meetings held during the time the Director held office
**** = Not a member of the relevant committee**

Directors' report – Remuneration report (audited)

Introduction to remuneration report

The remuneration report for the year ended 31 March 2015 outlines the remuneration arrangements of the company and the AusNet Services Group in accordance with the requirements of the *Corporations Act 2001* (Cth) and its regulations. This information has been audited as required by section 308 (3C) of the Corporations Act.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP). KMP are those persons who have authority and responsibility for planning, directing and controlling the major activities of the company and the AusNet Services Group directly or indirectly, including any Director of the parent company.

In performing its role, the Board and Remuneration Committee may directly commission and receive information and advice from independent external advisers to ensure remuneration recommendations in relation to KMP are free from undue influence by management.

In March 2010, the Remuneration Committee appointed PwC as its remuneration adviser. This appointment was formalised in August 2011 following changes to the Corporations Act in relation to the appointment of remuneration advisers. In August 2014, the Remuneration Committee re-appointed PwC as its remuneration advisor for a further 12 months.

No remuneration recommendations were provided by PwC to the Remuneration Committee or Board during the reporting period. Advice was provided to the Remuneration Committee by PwC during the reporting period which outlined the current overall market conditions and external pay practices amongst a selected peer comparator group. This advice included an analysis of existing levels of fixed and performance remuneration of AusNet Services' KMP and executives and assisted the Board in reviewing and determining overall remuneration outcomes for the KMP and executives for the reporting period.

Details of key management personnel

The Directors and other KMP of AusNet Services are engaged to provide services to the AusNet Services Group and are not exclusive to any particular entity within AusNet Services. Accordingly, this report includes information that is common to AusNet Services Distribution, AusNet Services Transmission (together 'the Companies') and the Responsible Entity. The remuneration amounts reported represent the total remuneration received by KMP during the year for services to the AusNet Services Group, and have not been apportioned between particular entities within the AusNet Services Group.

The persons listed below were Directors of AusNet Services for the whole of the financial year and up to the date of this report unless otherwise noted. There have been no additional appointments or resignations of Directors throughout the reporting period.

Name	Position
Ng Kee Choe	Non-executive Chairman
Nino **Ficca**	Managing Director
Ralph **Craven**	Non-executive Director
Jeremy **Davis**	Non-executive Director (retired 17 July 2014)
Sally **Farrier**	Non-executive Director
Eric **Gwee**	Non-executive Director (retired 17 July 2014)
Ho Tian Yee	Non-executive Director
Tony **Iannello**	Non-executive Director
Sun Jianxing	Non-executive Director
Tina **McMeckan**	Non-executive Director
Ian **Renard**	Non-executive Director

The persons listed below were KMP of AusNet Services during the financial year ended 31 March 2015.

Name	Position
Nino **Ficca**	Managing Director
John **Azaris**	General Manager Service Delivery
Chad **Hymas**	General Manager Strategy & Business Development
John **Kelso**	General Manager Select Solutions
Adam **Newman**	Chief Financial Officer
Alistair **Parker**	General Manager Asset Management
Mario **Tieppo**	Chief Information Officer

On 31 March 2014, AusNet Services, Singapore Power and SPI Management Services entered into a Termination Deed, pursuant to which they agreed to terminate the Management Services Agreement with effect from 31 March 2014. As a result of this termination, KMP and other employees who were previously employed by SPI Management Services were offered, and accepted, employment with AusNet Services, under either SPI Electricity Pty Ltd or SPI PowerNet Pty Ltd, on the same terms as their existing remuneration arrangements, including the preservation of all existing entitlements and participation in incentive arrangements effective 1 April 2014.

Stapled Group performance

AusNet Services' executive remuneration is directly linked to the performance of the Stapled Group across a range of measures. The Short-Term Incentive (STI) is focussed on achieving operational targets and short-term profitability and the Long-Term Incentive (LTI) is focussed on achieving long-term growth and retaining talented executives.

The table below shows AusNet Services' consolidated operating revenue and net profit after tax for the current reporting period and previous years and the effect of AusNet Services' performance on securityholder value.

	2011	2012	2013	2014	2015
Revenue	$1,468.0m	$1,535.4m	$1,639.5m	$1,799.4m	**$1,833.9m**
NPAT from continuing operations	$252.9m	$255.0m	$273.5m	$178.3m[1]	**$22.6m**[2]
Closing security price as at 31 March	$0.87	$1.075	$1.195	$1.31	**$1.46**
Distributions in respect of financial year (cents per stapled security)	8.00	8.00	8.20	8.36	**8.36**

1 NPAT includes a net charge of $86.7 million for the amount potentially payable in respect of the Section 163AA dispute, $50.0 million payable for the termination of the Management Services Agreement (MSA) and $7.7 million in restructuring costs associated with the Termination Deed.

2 NPAT includes the recognition of $183.3 million in income tax expense for the settlement with the Australian Taxation Office (ATO) in relation to the intra-group financing audit, the recognition of $84.1 million net exposure in relation to the intellectual property tax dispute with the ATO and the recognition of a provision for Advanced Metering Infrastructure (AMI) customer rebates of $22.8 million (after tax).

Principles used to determine the nature and amount of remuneration

Non-executive Directors (NEDs)

NED fee element	Commentary
Fees	The remuneration of Non-executive Directors consists of Directors' fees and committee fees. The Board's policy has been that fee levels are set having regard to independent performance advice and fees paid by comparable companies, and that fees paid are not linked to the performance of AusNet Services in order to maintain objectivity and independence. The level of fees paid has not been altered since April 2013. The Board has deferred any decision to review the fees paid to Non-executive Directors pending resolution of material litigation (concerning bushfire liability) and the restructure of AusNet Services to be voted upon by securityholders on 29 May 2015. In accordance with the constitutions of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity, Non-executive Directors may also be paid additional fees for special duties or exertions.
Total fee pool	The constitutions of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity provide that Non-executive Directors are entitled to such remuneration for their services as the Board decides, but the total amount provided to all Non-executive Directors (including any additional fees for special duties or exertions) must not exceed in aggregate in any financial year the amount approved by securityholders in a general meeting. The securityholders of AusNet Services Distribution and AusNet Services Transmission approved a total remuneration pool for Non-executive Directors of $2,000,000 per year at the Annual General Meeting of AusNet Services held on 19 July 2012.
Equity based compensation	Non-executive Directors are not provided with any form of equity based compensation.
Business related expenses	Non-executive Directors are entitled to be reimbursed for all business related expenses, including travel on company business, as may be incurred in the discharge of their duties.
Retirement benefits	Non-executive Directors are not provided with any form of retirement benefit. Fees paid to Non-executive Directors are inclusive of superannuation contributions made on behalf of the Non-executive Directors in accordance with AusNet Services' statutory superannuation obligations.
Review of fee levels and approach to Non-executive Director fees	Each year, the Remuneration Committee reviews the fees payable to Non-executive Directors taking into account market rates and the time commitment and responsibilities involved in carrying out their duties. The Board will continue to review its approach to Non-executive Director remuneration to ensure it remains in line with general industry practice and principles of good corporate governance.

The annual fees payable to Non-executive Directors of AusNet Services and approved by the Board (inclusive of statutory superannuation) for the financial year ended 31 March 2015 are set out in the table below. It is not possible to allocate fees to individual entities within the AusNet Services Group.

Role	Fee
Board Chairman [1]	$330,000
Board Directors	$121,000
Audit and Risk Management Committee Chairman	$30,000
Audit and Risk Management Committee Members	$18,000
Compliance Committee Chairman	$21,600
Compliance Committee Members	$12,000
Remuneration Committee Chairman	$24,000
Remuneration Committee Members	$12,000
Nomination Committee Chairman	$15,000
Nomination Committee Members	$12,000
Issuing Committee Members	$12,000

1 The Board Chairman is currently Chairman of the Nomination and Issuing Committees. As his Board fee is all-inclusive, no additional Nomination or Issuing Committee Chairman's fee is currently paid.

2 In addition to the fees noted above, Non-executive Directors may also be paid fees for special duties or exertions.

Principles used to determine the nature and amount of remuneration (continued)

Managing Director and Senior Executives

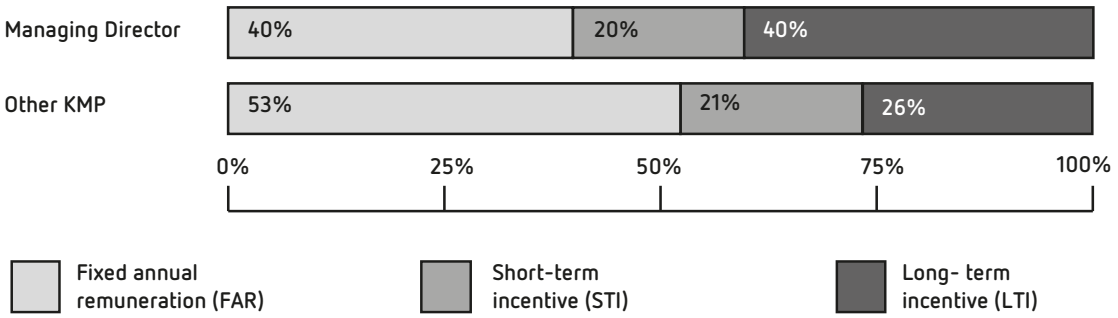
The key objective of AusNet Services' policy for Managing Director and senior executive remuneration is to manage a total reward framework designed to:

- focus on creating value for securityholders by rewarding executives based on enhancement of sustainable securityholder value;
- create an environment that will attract appropriate talent and where people can be motivated with energy and passion to deliver superior performance;
- recognise capabilities and promote opportunities for career and professional development;
- provide rewards, benefits and conditions that are competitive in the market in which AusNet Services operates; and
- provide fair and consistent rewards across AusNet Services that support corporate values and principles.

Structure of total reward

The reward principles set out the relevant elements of remuneration to make up 'total reward'. For the majority of senior executives and AusNet Services employees, total reward consists of fixed remuneration and 'at risk' remuneration through a Short-Term Incentive (STI) plan. A Long-Term Incentive (LTI) plan is included in the remuneration structure for the Managing Director, senior executives and other employees who can influence long-term securityholder value. An appropriate mix of these components is determined for each level of management and employees.

The potential reward mix for the Managing Director and Other KMP for the reporting period, expressed as a percentage of total on-target reward, is shown in the following table:



Fixed annual remuneration

Fixed annual remuneration (FAR) represents the fixed component of executive remuneration and consists of a mix of cash, superannuation, prescribed benefits and salary-sacrificed items such as motor vehicles and fringe benefits tax. Market data is sourced from external remuneration advisers who provide detailed analysis of market practice for the Remuneration Committee to consider in the Committee's decision making process. FAR is reviewed annually against market rates for comparable roles. There are no guaranteed FAR increases in any senior executive's contract of employment.

Short-term incentive

The key design aspects of the STI plan are outlined below:

Key design aspect	Commentary
Eligibility	Managing Director, other senior executives and permanent employees on individual contracts of employment. Generally, senior executives must complete the business year to qualify for any STI payments. In some circumstances the Board, in its discretion, may determine that a pro-rata STI payment be awarded to an executive.
Target STI amount	A target STI amount, expressed as a percentage of the senior executive's FAR, is specified for each senior executive. However, the amount of STI payable is dependent on the: > extent to which AusNet Services has achieved or outperformed the corporate Key Performance Indicators (KPIs); and > extent to which the senior executive has achieved or outperformed his or her individual KPIs. The target STI for the Managing Director is 50% of FAR. The target STI for other senior executives is 40% of FAR.
Performance criteria	Based on corporate financial and non-financial measures as well as stretch individual performance hurdles. The key corporate KPIs set for the year ended 31 March 2015 included targets relating to: > employee, contractor and network safety; > earnings before interest, taxation, depreciation and amortisation; > return on equity; > capital efficiency; > business efficiency initiatives, network performance and reliability; and > employee retention. By linking individual rewards to the achievement of overall corporate targets, these KPIs align the interests of employees and managers with those of AusNet Services. The Managing Director's stretch individual performance scorecard contained a range of measures designed to contribute value to the business and included: > safety leadership and strategy implementation; > financial KPI's including credit rating KPI's > Business Excellence and performance efficiency KPI's; > people management and leadership; and > customer and community. The performance assessment of the Managing Director's stretch individual performance scorecard is conducted by the Chairman and the Remuneration Committee Chairman, and reviewed by the Board prior to finalisation and any award being granted.
Performance period	12 months to 31 March 2015.
Delivery mechanism	100% cash payment. The Board retains the right to vary any STI payment at its discretion.

Structure of total reward (continued)

Long-term incentive

The key design aspects of the LTI plan are outlined below:

Key design aspect	Commentary
Eligibility	Managing Director and other senior executives. The Board may in its discretion invite additional employees who are in a position to influence long-term securityholder value to participate in the LTI plan.
Purpose of the LTI plan	The LTI plan rewards participants for increasing long-term securityholder value.
Target LTI amount	The LTI Award is calculated as a percentage of the participant's FAR as at the test date. The quantum available to participants expressed as a percentage of FAR as at the performance test date, are: > Managing Director – 75% based on the general senior executive performance measures of Total Securityholder Return (TSR) and Earnings Per Security (EPS), with a further 25% for the achievement of stretch targets related to Return on Invested Capital (ROIC) and Interest Cover Ratio (ICR). > Other senior executives – 50% > Other participants – between 15% and 25%
Performance period	Performance is assessed over a three-year period and the LTI plan does not allow for retesting of performance measures in subsequent years.
Performance measures	Relative TSR (for 50% of the Award) and growth in EPS (for the other 50% of the Award). The Board and Remuneration Committee believe that it is important to assess executive performance against both relative and absolute hurdles linked to securityholder value. With the exception of the Managing Director, where an additional 25% LTI opportunity was introduced from 1 April 2011, accompanied by new performance indicators of ROIC and ICR, the same performance measures have been used for senior executive LTI since 1 April 2006. **TSR**: The comparator group used for the TSR performance measure consists of the companies included in the S&P/ASX 200 index. In assessing whether the performance hurdles have been met, AusNet Services receives independent data which provides both AusNet Services' TSR growth from the commencement of each grant and that of the companies in the comparator group. The level of TSR growth achieved by AusNet Services is given a percentile ranking having regard to its performance compared with the performance of other companies in the comparator group. The vesting scale for the TSR performance measure is shown below:

<table>
<tr><th>Key design aspect</th><th>Commentary</th></tr>
<tr><td>Performance measures (continued)</td><td>
EPS: The EPS growth measure is based on AusNet Services achieving a nominal compound annual growth (CAGR) of 5% per annum over the three-year period. A sliding scale applies as follows:
<table>
<tr><th>Compound annual growth rate</th><th>Percentage of EPS Award that vests</th></tr>
<tr><td>< 2.5% per annum</td><td>0%</td></tr>
<tr><td>Between 2.5% and 7.5% per annum</td><td>Linear scale from 50% to 150%</td></tr>
<tr><td>> 7.5% per annum</td><td>150%</td></tr>
</table>
ROIC: The ROIC measure applies to the Managing Director only and is designed to measure how effective AusNet Services uses funds (borrowed and owned) invested in its operations.

ROIC equals (NPAT + Finance Cost adjusted for Tax) / (Average Equity + Average Debt)

The target for this measure has been set as the average over the 3 year performance period, with the award calculated as follows:
<table>
<tr><th>AusNet Services' ROIC</th><th>Percentage of ROIC Award that vests</th></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
<tr><td>Between threshold and target</td><td>Linear scale from 50% to 100%</td></tr>
<tr><td>Above target to stretch target</td><td>Linear scale from 100% to 125%</td></tr>
<tr><td>Above stretch target</td><td>125%</td></tr>
</table>
ICR: The ICR applies to the Managing Director only and is a key financial metric which provides an indication of AusNet Services' ability to meet ongoing interest bills and therefore service debt.

ICR equals (Funds Flow from Operations + Finance Expenses) / Finance Expenses

The target for this measure has been set as the average over the 3 year performance period, with the award calculated as follows:
<table>
<tr><th>AusNet Services' ICR</th><th>Percentage of ICR Award that vests</th></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
<tr><td>Between threshold and target</td><td>Linear scale from 50% to 100%</td></tr>
<tr><td>Above target to stretch target</td><td>Linear scales from 100% to 125%</td></tr>
<tr><td>Above stretch target</td><td>125%</td></tr>
</table>
In order for the Managing Director to qualify for an award under both the ROIC and ICR measures, a safety performance hurdle of zero fatalities for AusNet Services employees in the 12 month period prior to vesting must be achieved.
</td></tr>
<tr><td>Delivery mechanism</td><td>
Once the performance criteria have been satisfied, participants receive a cash award. The Board retains the right to vary any LTI payment at its discretion.

Participants are then required (under the Plan Rules) to use the after tax cash proceeds of this Award to purchase AusNet Services stapled securities on-market. These purchases must be conducted during an approved trading window and the stapled securities must be held for at least 12 months. Reasonable brokerage costs incurred by the participants are reimbursed.

Participants are incentivised to achieve performance targets over a three-year timeframe, and are also required to hold the AusNet Services securities acquired with their Award payment for at least 12 months, thereby extending the long-term nature of the LTI plan.
</td></tr>
<tr><td>Clawback arrangements</td><td>
Where, in the opinion of the Board, the performance measures applicable to an award have been satisfied as a result of the fraud, dishonesty or breach of obligations of the participant and, in the opinion of the Board, the performance measures would not otherwise have been satisfied, the Board may determine that the performance measures are not satisfied and may, subject to applicable laws, determine that any award paid in such circumstances be repaid by the participant to AusNet Services.
</td></tr>
</table>

Structure of total reward (continued)

Long-term incentive plan from 1 April 2015

AusNet Services has recently adopted a new equity based long-term incentive plan, to operate for offers made to employees from 1 April 2015. The equity based long-term incentive plan has been designed with an aim to align the interests of participating employees with the interests of AusNet Services Securityholders. No equity based performance rights have been granted under this plan as at the date of this Remuneration Report. No Director (except for the Managing Director) will be entitled to participate in this new long-term incentive plan.

Loans to Directors and senior executives

No loans have been made by AusNet Services to any Directors or senior executives.

Details of remuneration

Remuneration details of each Director and KMP of AusNet Services are set out in the following tables.

Total remuneration for Non-executive Directors for the year ended 31 March 2014 and 31 March 2015

		Short-term		Post-employment	Total
Non-executive Directors	Year	Cash salary and fees	Other short term benefits[1]	Superannuation[2]	
Ng Kee Choe (Chairman)	**2015**	**301,542**	**–**	**28,458**	**330,000**
	2014	302,233	–	27,767	330,000
Ralph **Craven** [3]	**2015**	**157,704**	**–**	**14,896**	**172,600**
	2014	25,375	–	2,347	27,722
Jeremy **Davis**	**2015**	**38,059**	**–**	**3,536**	**41,595**
	2014	136,278	–	12,519	148,797
Sally **Farrier**	**2015**	**137,978**	**–**	**13,022**	**151,000**
	2014	25,375	–	2,347	27,722
Eric **Gwee**	**2015**	**45,186**	**–**	**–**	**45,186**
	2014	160,797	–	–	160,797
Ho Tian Yee	**2015**	**143,461**	**–**	**13,539**	**157,000**
	2014	143,783	–	13,217	157,000
Tony **Iannello** [3]	**2015**	**179,635**	**–**	**16,965**	**196,600**
	2014	176,745	–	16,255	193,000
George **Lefroy**	2014	51,335	–	4,665	56,000
Tina **McMeckan**	**2015**	**157,716**	**–**	**14,884**	**172,600**
	2014	151,010	–	13,882	164,892
Sun Jianxing	**2015**	**132,496**	**–**	**12,504**	**145,000**
	2014	24,430	–	2,260	26,690
Ian **Renard** [3]	**2015**	**176,338**	**–**	**16,662**	**193,000**
	2014	184,218	–	16,941	201,159
Total for Non-executive Directors	**2015**	**1,470,115**	**–**	**134,466**	**1,604,581**
	2014	1,381,579	–	112,200	1,493,779

1 The allocation of the premium for Directors' and Officers' insurance is not included as under the terms of the current policy this information cannot be disclosed.

2 Superannuation contributions made on behalf of Non-executive Directors to satisfy AusNet Services' obligations under applicable Superannuation Guarantee legislation. This does not include any salary sacrifice or employee contributions which are included under cash salary and fees.

3 Received exertion payments for the year ended 31 March 2015 in relation to services provided on the Bushfire Litigation Committee up to 31 December 2014.

Total remuneration for key management personnel for the year ended 31 March 2014 and 31 March 2015

		Short-term			Post-employment	Equity based payments [3]	Other long-term benefits [4,5]	Total
	Year	Cash salary and fees [5]	Cash bonus [1]	Other short-term benefits [2,5]	Super-annuation			
Nino **Ficca**	**2015**	**819,097**	**234,916**	**85,219**	**99,845**	**393,534**	**62,108**	**1,694,719**
	2014	805,587	320,000	87,922	92,250	619,027	66,775	1,991,561
John **Azaris**	**2015**	**317,182**	**74,634**	**33,650**	**43,378**	**98,514**	**19,830**	**587,188**
	2014	329,076	102,400	37,648	42,214	126,660	10,016	648,014
Chad **Hymas**	**2015**	**277,283**	**60,763**	**35,163**	**25,000**	**83,275**	**13,538**	**495,022**
	2014	258,669	86,400	30,384	25,000	66,397	7,512	474,362
John **Kelso**	**2015**	**315,488**	**84,470**	**35,247**	**33,402**	**95,168**	**27,805**	**591,580**
	2014	299,795	90,144	37,003	31,233	126,524	52,711	637,410
Adam **Newman**	**2015**	**586,686**	**144,659**	**57,887**	**25,000**	**183,324**	**16,847**	**1,014,403**
	2014	579,310	180,000	54,747	25,000	199,797	15,642	1,054,496
Alistair **Parker**	**2015**	**323,343**	**76,393**	**34,868**	**25,000**	**102,407**	**12,074**	**574,085**
	2014	325,862	90,000	35,923	25,000	82,996	9,385	569,166
Ash **Peck** [6]	2014	225,974	–	27,757	22,361	(100,948)	(22,929)	152,215
Mario **Tieppo**	**2015**	**369,253**	**89,021**	**38,694**	**25,000**	**140,653**	**9,956**	**672,577**
	2014	106,322	39,605	11,421	7,759	38,886	3,055	207,048
Total KMP	**2015**	**3,008,332**	**764,856**	**320,728**	**276,625**	**1,096,875**	**162,158**	**5,629,574**
	2014	2,930,595	908,549	322,805	270,817	1,159,339	142,167	5,734,272

1 2015 cash bonuses include bonuses in respect of performance for the year ended 31 March 2015. These amounts have been approved and will be payable in June 2015.

2 Other short-term benefits include car parking benefits and the accrual of annual leave entitlements. The allocation of the premium for Directors' and Officers' insurance is not included as under the terms of the current policy this information cannot be disclosed.

3 As the performance period over which the LTI Awards vest is three years, the amount included in equity based payments is one-third of the amount estimated to be payable at the end of the performance period for each outstanding Award. This estimated amount is based on certain assumptions regarding the achievement of performance targets which are reviewed and adjusted annually. Any adjustments to previously recognised amounts, both positive and negative, are included in the current year. The actual amounts paid under these Awards will not be known until the end of the performance period. Refer to the table below under the heading of key management personnel – long-term incentive for the maximum amounts payable at the end of three years.

4 Other long-term benefits include the accrual of long service leave entitlements.

5 The above table represents the accounting value of KMP remuneration, calculated in accordance with accounting standards. As a result, annual leave and long service leave entitlements are recognised as remuneration when they accrue rather than when they are taken. This has the impact of reducing the cash salary and fees remuneration disclosed in the table above when these leave entitlements are ultimately taken by the KMP. In addition, any changes to the value of leave entitlements (for example, because of changes in FAR or long service leave entitlements not vesting) are recognised as remuneration, either positive or negative, in the year that the change occurs. These accounting adjustments to remuneration values are reflected in the *Cash Salary and Fees*, *Other Short-term Benefits* and *Other Long-term Benefits* disclosed in the table above.

6 Mr Peck ceased to be KMP on 6 December 2013. His remuneration up to this date has been included in the table above.

Remuneration and Other Terms of Employment

Remuneration and other terms of employment for the Managing Director and other KMP are set out below.

Managing Director	
Term of agreement	Permanent, subject to one month's notice of termination by either party.
Fixed remuneration	Fixed remuneration includes base salary and superannuation. As at 31 March 2015, fixed annual remuneration was $1,045,000. Fixed remuneration is reviewed annually by the Remuneration Committee and the Board.
Short-term incentive	Annual short-term incentive of 50% of FAR for on-target performance.
Long-term incentive	Long-term incentive of 75% of FAR for on-target performance, based on the general senior executive performance measures of TSR and EPS, and a further 25% for the achievement of stretch targets related to ROIC and ICR. Annual invitation to participate with three-year performance period and no retesting of performance measures in subsequent years.
Termination benefits	Termination benefits calculated at three weeks' pay for every year of service paid at the Managing Director's FAR rate and capped at six months.

In addition, the Managing Director participates in the AusNet Services Retention Plan. Under this plan, the Managing Director is entitled to receive up to 100% of FAR, contingent upon a change of control event occurring (as defined under the Corporations Act and ASX Listing Rules) and subject to continued employment up to 12 months following the change of control event. The Retention Plan is in place until 16 September 2015. The Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the Retention Plan and in the exercise of any power or discretion under the Plan.

Other KMP

The major provisions contained in the services agreements of the other KMP listed are substantially the same as those that apply to the Managing Director although participation levels for STI, LTI and Retention Plan vary.

Key management personnel cash bonuses – short-term incentive

The percentage of the available bonus that was paid, or that vested, in the financial years ended 31 March 2014 and 31 March 2015, and the percentage that was forfeited because the senior executive did not meet the service or performance criteria, are set out below.

	Cash Bonus (2015) [1]			Cash Bonus (2014)		
	Payable ($)	Percentage of available bonus		Paid ($)	Percentage of available bonus	
		Payable (%)	Not Payable (%)		Paid (%)	Not Paid (%)
Nino **Ficca**	234,916	45.0	55.0	320,000	64.0	36.0
John **Azaris**	74,634	45.0	55.0	102,400	64.0	36.0
Chad **Hymas**	60,763	47.8	52.2	86,400	72.0	28.0
John **Kelso**	84,470	54.9	45.1	90,144	62.6	37.4
Adam **Newman**	144,659	55.6	44.4	180,000	72.0	28.0
Alistair **Parker**	76,393	48.5	51.5	90,000	60.0	40.0
Mario **Tieppo**	89,021	55.6	44.4	39,605	80.0	20.0

1 Bonuses for performance for the year ended 31 March 2015 have been approved and will be payable in June 2015.

Key management personnel – long-term incentive (equity based payments)

The AusNet Services Board approved a LTI plan for the Managing Director and senior executives that came into effect from 1 April 2006. The following table shows the value of cash grants subject to future performance testing, percentage payable or forfeited and future financial years that grants may vest and be paid. The grants made in 2013 and 2014 are still in progress and, as such, no percentage of these grants have been paid or forfeited as at the date of this report.

	Date of grant	Percentage of maximum grant payable (%) [1]	Percentage of maximum grant forfeited (%)	Vesting date	Maximum total value of grant ($) [2]
Nino **Ficca**	1 April 2012	32.6%	67.4%	31 March 2015	1,306,250
John **Azaris** [4]	1 April 2012	26.8%	73.2%	31 March 2015	259,375
Chad **Hymas** [4]	1 April 2012	26.8%	73.2%	31 March 2015	99,375
John **Kelso**	1 April 2012	26.8%	73.2%	31 March 2015	240,625
Adam **Newman**	4 March 2013	26.8%	73.2%	31 March 2015	281,206
Alistair **Parker** [4]	1 April 2012	26.8%	73.2%	31 March 2015	123,125
Mario **Tieppo** [3]	9 December 2013	26.8%	73.2%	31 March 2015	109,150
Total granted 1 April 2012					**2,419,106**
Nino **Ficca**	1 April 2013	–	–	31 March 2016	1,355,234
John **Azaris**	1 April 2013	–	–	31 March 2016	269,102
Chad **Hymas**	1 April 2013	–	–	31 March 2016	206,203
John **Kelso**	1 April 2013	–	–	31 March 2016	249,648
Adam **Newman**	1 April 2013	–	–	31 March 2016	421,484
Alistair **Parker**	1 April 2013	–	–	31 March 2016	255,484
Mario **Tieppo** [3]	9 December 2013	–	–	31 March 2016	199,719
Total granted 1 April 2013					**2,956,874**
Nino **Ficca**	1 April 2014	–	–	31 March 2017	1,406,056
John **Azaris** [4]	1 April 2014	–	–	31 March 2017	279,193
Chad **Hymas** [4]	1 April 2014	–	–	31 March 2017	213,936
John **Kelso**	1 April 2014	–	–	31 March 2017	259,010
Adam **Newman**	1 April 2014	–	–	31 March 2017	437,290
Alistair **Parker** [4]	1 April 2014	–	–	31 March 2017	265,065
Mario **Tieppo** [3]	1 April 2014	–	–	31 March 2017	269,102
Total granted 1 April 2014					**3,129,652**

1 These grants have been approved and will be payable in June 2015. In determining LTI's for the 1 April 2012 grant, the Board has not exercised any discretion in relation to the performance measures and outcomes payable under the LTI Plan.

2 For the grant of 1 April 2012, the amounts payable equated to 26.8% of the maximum LTI, except for Mr Ficca for whom the amount payable equated to 32.6% of the maximum LTI. For the grants of 1 April 2013 and 1 April 2014, the amounts are based on maximum performance in relation to TSR, EPS, ROIC and ICR at the end of the three-year performance period described above and assumes prevailing FARs increase by 3.75% per annum.

3 Mr Tieppo commenced as KMP from 9 December 2013. As part of his contract of employment, Mr Tieppo has been granted pro-rata participation in the 1 April 2012 and 1 April 2013 tranches of the Company's LTI plan, which are due to be tested on 31 March 2015 and 31 March 2016 respectively. The maximum total value of grant disclosed above is based on this pro-rata entitlement.

4 Mr Azaris, Mr Hymas and Mr Parker commenced as KMP from 1 April 2013. The LTI participation and maximum grant payable disclosed above also include those LTI's that were granted prior to their commencement as KMP.

Securityholdings of KMP

The KMP of AusNet Services have disclosed relevant interests in stapled securities as at 31 March 2015 as follows:

Name	Number of stapled securities at 1 April 2014	Granted during the year as compensation (i)	Acquisitions / (disposal)	Number of stapled securities at 31 March 2015
Non-executive Directors				
Ng Kee Choe [1]	195,883	–	–	195,883
Ralph **Craven**	–	–	–	–
Jeremy **Davis** [4]	120,750	–	–	120,750
Sally **Farrier**	–	–	–	–
Eric **Gwee** [1,4]	153,591	–	–	153,591
Ho Tian Yee	–	–	–	–
Tony **Iannello** [3]	190,976	–	–	190,976
Sun Jianxing	–	–	–	–
Tina **McMeckan** [5]	90,000	–	–	90,000
Ian **Renard**	84,898	–	–	84,898
Executives				
Nino **Ficca** [2]	1,268,183	195,000	–	1,463,183
John **Azaris**	132,600	39,000	(110,000)	61,600
Chad **Hymas**	80,192	15,050	5,664	100,906
John **Kelso**	72,937	35,500	527	108,964
Adam **Newman**	20,000	30,000	–	50,000
Alistair **Parker**	31,000	19,250	2,621	52,871
Mario **Tieppo**	–	4,000	–	4,000

1 Securities held by The Central Depository (Pte) Limited. Mr Gwee retired as a Director of AusNet Services on 17 July 2014.

2 319,850 securities held by immediate family members of Mr Ficca and 1,143,333 securities held by Mr and Mrs Ficca as Trustees for the Ficca Investment Trust.

3 87,500 securities held jointly by Mr Iannello and immediate family members of Mr Iannello through a Superannuation Plan and 103,476 securities held by immediate family members of Mr Iannello as trustee for the ADI Investment Trust.

4 Mr Davis and Mr Gwee retired as Directors of AusNet Services on 17 July 2014. The number of stapled securities disclosed at 31 March 2015 represents the number held at the date that Mr Davis and Mr Gwee ceased to be KMP.

5 Securities held by McMeckan Superannuation Pty Ltd as Trustee for the McMeckan Family Super Fund.

(i) Includes securities purchased under AusNet Services' Long-term Incentive Plan

Indemnification and insurance of officers and auditors

The constitutions of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity each provide for the company to indemnify each current and former Director, executive officer (as defined in the constitutions), and such other current and former officers of the company or of a related body corporate as the Directors determine (each an 'Officer'), on a full indemnity basis and to the full extent permitted by law against all liabilities (as defined in the constitutions) incurred by the Officer as an officer of the company or of a related body corporate.

The constitutions also provide for AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity, to the extent permitted by law, to purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability (as defined in the constitutions) incurred by the Officer as an officer of the company or of a related body corporate.

AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity may enter into a deed with any Officer to give effect to the rights conferred by the constitutions as described above.

The companies have executed protection deeds in favour of each of the Directors, the Company Secretary and certain general managers on substantially the same terms as provided in the constitutions. The deeds also give a right of access to the books of the companies and to Board documents (to the Directors only).

During the financial year, the Stapled Group paid a premium to insure the Directors and Company Secretaries of the Australian-based combined entities and the general managers of each of the divisions of AusNet Services. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance policy, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the policy.

No insurance premiums are paid by the Stapled Group in regard to insurance cover provided to the auditor of the Stapled Group, KPMG. The auditor is not indemnified and no insurance cover is provided to the auditor.

Non-audit services

AusNet Services may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the relevant company and/or combined entity are important.

Details of the amounts paid or payable to the auditor, KPMG, for audit and non-audit services provided during the year are set out in note 21 of the financial report.

In accordance with the advice provided by the Audit and Risk Management Committee, the Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act. The Directors are satisfied for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the non-audit services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act is set out on page 138.

Rounding of amounts

AusNet Services Transmission is a company of a kind referred to in Class Order 98/100, 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 Class Order to the nearest hundred thousand dollars unless otherwise noted.

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

Ng Kee Choe
Chairman

Nino Ficca
Managing Director

Melbourne
13 May 2015

Lead auditor's independence declaration

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

To: the directors of AusNet Services (Transmission) Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Michael Bray
Partner

Melbourne

13 May 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated income statement

For the year ended 31 March 2015

	Notes	2015 $M	2014 $M
Revenue	2	651.3	649.1
Expenses, excluding finance costs and termination expenses	3	(308.1)	(302.4)
Termination expenses	3	–	(17.8)
Profit from operating activities		**343.2**	**328.9**
Finance income	4	15.1	16.1
Finance costs	4	(148.3)	(201.3)
Net finance costs		**(133.2)**	**(185.2)**
Profit before income tax		210.0	143.7
Income tax expense	5	(194.7)	(130.2)
Profit for the year		**15.3**	**13.5**
Earnings per share attributable to the ordinary equityholders of AusNet Services Transmission			
Basic and diluted earnings per share (cents per share)	7	0.45	0.40

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

Consolidated statement of comprehensive income

For the year ended 31 March 2015

	Notes	2015 $M	2014 $M
Profit for the year		15.3	13.5
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Movement in defined benefit fund	17	(13.0)	13.4
Income tax on movement in defined benefit fund		3.9	(4.0)
		(9.1)	**9.4**
Items that may be reclassified to profit or loss in subsequent periods			
Movement in hedge reserve		0.2	–
Income tax on movement in hedge reserve		(0.1)	–
		0.1	**–**
Other comprehensive income for the year, net of income tax		(9.0)	9.4
Total comprehensive income for the year		**6.3**	**22.9**

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

Consolidated statement of financial position

As at 31 March 2015

	Notes	2015 $M	2014 $M
ASSETS			
Current assets			
Cash and cash equivalents		92.0	49.3
Receivables	8	70.0	80.9
Inventories	9	1.8	3.5
Derivative financial instruments		0.3	0.1
Other assets	10	5.7	5.7
Total current assets		**169.8**	**139.5**
Non-current assets			
Receivables	8	207.2	215.3
Inventories	9	19.4	17.6
Property, plant and equipment	11	3,756.8	3,648.2
Intangible assets	12	25.0	24.4
Tax receivable	22(b)	–	17.1
Other assets	10	–	1.6
Total non-current assets		**4,008.4**	**3,924.2**
Total assets		**4,178.2**	**4,063.7**
LIABILITIES			
Current liabilities			
Payables and other liabilities	13	76.5	63.8
Current tax payable	5(c)	138.6	69.7
Borrowings	14	1,637.8	1,590.8
Provisions	15	31.3	33.7
Derivative financial instruments		0.1	0.1
Total current liabilities		**1,884.3**	**1,758.1**
Non-current liabilities			
Payables and other liabilities	13	2.7	2.6
Non-current tax payable	5(c)	5.4	–
Borrowings	14	2,119.0	2,077.6
Provisions	15	17.5	3.1
Deferred tax liabilities	5(e)	324.2	281.0
Total non-current liabilities		**2,468.8**	**2,364.3**
Total liabilities		**4,353.1**	**4,122.4**
Net liabilities		**(174.9)**	**(58.7)**
EQUITY			
Equityholders of AusNet Services Transmission			
Contributed equity	16	650.1	650.1
Reserves		0.1	–
Retained profits		270.0	386.3
		920.2	1,036.4
Other equity component arising from reverse acquisition		(1,095.1)	(1,095.1)
Total equity		**(174.9)**	**(58.7)**

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

Consolidated statement of changes in equity

For the year ended 31 March 2015

	Notes	Contributed equity $M	Hedge reserve (i) $M	Retained profits $M	Other equity component (ii) $M	Total equity $M
31 March 2015						
Balance as at 1 April 2014		650.1	–	386.3	(1,095.1)	(58.7)
Total comprehensive income for the year						
Profit for the year		–	–	15.3	–	15.3
Other comprehensive income		–	0.1	(9.1)	–	(9.0)
Total comprehensive income for the year		**–**	**0.1**	**6.2**	**–**	**6.3**
Transactions with owners, recorded directly in equity						
Dividends paid	6	–	–	(122.5)	–	(122.5)
Total transactions with owners		**–**	**–**	**(122.5)**	**–**	**(122.5)**
Balance as at 31 March 2015		**650.1**	**0.1**	**270.0**	**(1,095.1)**	**(174.9)**
31 March 2014						
Balance as at 1 April 2013		650.1	–	456.4	(1,095.1)	11.4
Total comprehensive income for the year						
Profit for the year		–	–	13.5	–	13.5
Other comprehensive income		–	–	9.4	–	9.4
Total comprehensive income for the year		**–**	**–**	**22.9**	**–**	**22.9**
Transactions with owners, recorded directly in equity						
Dividends paid	6	–	–	(93.0)	–	(93.0)
Total transactions with owners		**–**	**–**	**(93.0)**	**–**	**(93.0)**
Balance as at 31 March 2014		**650.1**	**–**	**386.3**	**(1,095.1)**	**(58.7)**

(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 when the gains or losses are included in the initial measurement of that asset (refer note 1(I)).

(iii) Other equity component results from the application of reverse acquisition accounting and represents the difference between the net assets of AusNet Services Transmission and AusNet Finance Pty Ltd and the purchase price paid by the legal acquirer, AusNet Services Transmission.

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

Consolidated statement of cash flows

For the year ended 31 March 2015

	Notes	2015 $M	2014 $M
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		734.6	721.1
Payments to suppliers and employees (inclusive of goods and services tax)		(273.8)	(270.6)
Payment of MSA termination fee (inclusive of goods and services tax) (i)		(4.3)	–
Income tax paid		(54.5)	(35.4)
Finance income received		12.9	14.0
Finance costs paid		(149.9)	(201.2)
Net cash inflow from operating activities	27	**265.0**	**227.9**
Cash flows from investing activities			
Payments for property, plant and equipment		(204.0)	(246.0)
Proceeds from sale of property, plant and equipment		7.4	0.3
Payments for acquisition of a subsidiary (net of cash acquired)		(0.4)	(24.2)
Receipts from desalination licence receivable	8	8.8	8.8
Net cash outflow from investing activities		**(188.2)**	**(261.1)**
Cash flows from financing activities			
Proceeds from loans with related parties		1,176.5	1,154.7
Repayment of loans with related parties		(1,088.1)	(1,079.2)
Dividends paid	6	(122.5)	(93.0)
Net cash outflow from financing activities		**(34.1)**	**(17.5)**
Net increase/(decrease) in cash held		42.7	(50.7)
Cash and cash equivalents at the beginning of the year		49.3	100.0
Cash and cash equivalents at the end of the year		**92.0**	**49.3**

(i) Settlement of fees for the termination of the Management Services Agreements (MSAs) with SPI Management Services Pty Ltd (SPIMS) and Enterprise Business Services (Australia) Pty Ltd (EBS) (a subsidiary of SPIMS) which were recognised in the financial year ended 31 March 2014. The net payment represents the termination fee of $15.9 million plus recoverable GST, offset by SPIMS employee provisions transferred to the Group of $13.2 million.

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

Notes to the consolidated financial statements

31 March 2015

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Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

(a) Basis of preparation

The general purpose consolidated financial report, prepared by a for-profit entity for the year ended 31 March 2015, represents the consolidated financial statements of AusNet Services (Transmission) Ltd (AusNet Services Transmission) and its subsidiaries. The consolidated entity is referred to as the AusNet Services Transmission Group.

The immediate parent of AusNet Services Transmission is AusNet Services (Distribution) Ltd (AusNet Services Distribution). AusNet Services Distribution, AusNet Services Transmission and AusNet Services Finance Trust together form the AusNet Services Stapled Group. AusNet Services Distribution is the accounting parent of the Stapled Group.

AusNet Services Transmission, AusNet Services Distribution, AusNet Services Finance Trust and AusNet Services were formerly known as SP Australia Networks (Transmission) Ltd, SP Australia Networks (Distribution) Ltd, SP Australia Networks (Finance) Trust and SP AusNet up until 4 August 2014.

The consolidated general purpose financial report has been prepared in accordance with Australian Accounting Standards and interpretations adopted by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth). The consolidated financial statements and notes also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

This general purpose financial report is presented in Australian dollars.

The financial statements were approved by the Board of Directors on 13 May 2015.

The AusNet Services Transmission Group's current liabilities exceed its current assets by $1,714.5 million at 31 March 2015 (2014: $1,618.6 million) due primarily to $1,637.8 million (2014: $1,590.8 million) of short-term debt which is payable to AusNet Services Finance Trust.

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations. The AusNet Services Transmission Group is, and is expected to continue trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, the AusNet Services Transmission Group has access to funds through AusNet Services Holdings Pty Ltd, a subsidiary of AusNet Services Distribution, which is the common or central funding vehicle (CFV) for the Stapled Group. The Directors expect that following implementation of the restructuring of the Stapled Group in June 2015, AusNet Services Transmission will be able to settle its obligations in a manner which will not require it to obtain further financing. In the event that the restructure is not implemented, AusNet Services Transmission will need to refinance its loans.

Through the CFV, AusNet Services successfully completed the following bond issues during the current financial year:

> a NOK 900 million fifteen-year Norwegian Kroner bond issue to raise $160 million in June 2014;

> a $125 million ten-year Australian bond issue in in June 2014; and

> a EUR 560 million twelve-year Euro bond issue to raise $825 million in February 2015.

The proceeds from these issues have been or will be used to repay existing debt, fund capital expenditure and for other working capital requirements.

In addition, as at 31 March 2015, the Stapled Group has available a total of $300 million of undrawn but committed non-current bank debt facilities, $64 million of undrawn but committed current bank debt facilities, and $883.1 million of cash.

(i) Historical cost convention

The financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) measured at fair value.

(ii) Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the AusNet Services Transmission Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 19.

(b) Principles of consolidation

(i) Reverse acquisition

On 19 October 2005, AusNet Services Transmission acquired 100 per cent of the issued shares of the former parent entity of the AusNet Services Transmission Group. Subsequent to this acquisition, AusNet Services Transmission acquired 100 per cent of the issued shares in the underlying operating subsidiaries (AusNet Transmission Group Pty Ltd and AusNet Finance Pty Ltd).

Although for legal purposes AusNet Services Transmission is the acquirer in the transaction, the transaction was deemed to be a reverse acquisition for accounting purposes, whereby AusNet Transmission Group Pty Ltd was the acquirer. As such, AusNet Transmission Group Pty Ltd is deemed to be the parent company in the AusNet Services Transmission Group and has prepared the consolidated accounts. In accordance with the requirements of reverse acquisition accounting under AASB 3 Business Combinations, an other equity amount was recognised to represent the difference between the purchase price paid by the legal acquirer, and the fair value of assets acquired by the accounting acquirer.

(ii) Subsidiaries

Subsidiaries are entities controlled by the AusNet Services Transmission Group. Control exists when the AusNet Services Transmission Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account.

Subsidiaries are fully consolidated from the date on which control is transferred to the AusNet Services Transmission Group and are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities within the AusNet Services Transmission Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

(c) Segment reporting

An operating segment is a component of the AusNet Services Transmission 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 AusNet Services Transmission Group owns and manages the majority of the electricity transmission network in Victoria. The AusNet Services Transmission Group's network consists of the transmission lines and towers which carry electricity at high voltages from power stations to electricity distributors around Victoria, forming the backbone of the Victorian electricity network. The network is centrally located amongst the five eastern states of Australia that form the National Electricity Market, and provides key links between the electricity transmission networks of Victoria, South Australia, New South Wales and Tasmania. As a result the AusNet Services Transmission Group only operates in one segment. Geomatic Holdings Pty Ltd and Geomatic Technologies Pty Ltd were acquired by the AusNet Services Transmission Group on 28 February 2014, and provide integrated mobile and spatial asset management technologies. AusNet Services Insurance Limited was incorporated on 8 May 2014 for the purpose of providing insurance services to the Stapled Group. However, as at 31 March 2015 the AusNet Services Transmission Group does not consider that these companies form standalone segments as they do not have a material impact on the financial statements.

(d) Foreign currency translation

All foreign currency transactions are accounted for using the exchange rate at the date of the transaction. At balance date, monetary items denominated in foreign currencies are translated at the exchange rate existing at that date. Resultant exchange differences are recognised in the income statement for the year, except for exchange differences for qualifying cash flow hedges which are recognised in other comprehensive income.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received net of the amount of Goods and Services Tax (GST) payable to the taxation authority. Revenue is recognised for the major business activities as follows:

(i) Transmission regulated revenue

Transmission regulated revenue is revenue earned from the transmission of electricity and related services and is recognised as the services are rendered.

(ii) Service revenue

Service revenue is recognised as the services are rendered. This includes revenue earned from specialist utility related solutions, in particular metering, monitoring and technical services as well as the operation and maintenance services provided in connection with the desalination electricity transmission assets.

(f) Income tax

(i) Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(ii) Deferred tax

Deferred tax is accounted for using the balance sheet liability method in respect of differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets and liabilities are, however, not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination), which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the AusNet Services Transmission Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the AusNet Services Transmission Group intends to settle its tax assets and liabilities on a net basis.

(iii) Tax expense

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

(iv) Tax consolidation

AusNet Services Transmission is the head entity of a tax consolidated group comprising AusNet Services Transmission and its Australian wholly-owned subsidiaries.

The current and deferred tax amounts for the tax consolidated group are allocated among the entities in the AusNet Services Transmission group using the stand-alone taxpayer method.

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangement requires payments to/(from) the head entity equal to the current tax liability/(asset) calculated under the stand-alone taxpayer approach and any deferred tax asset relating to tax losses assumed by the head entity. The members of the tax consolidated group have also entered into a valid tax sharing agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated group.

The head entity recognises deferred tax assets arising from unused tax losses of the tax consolidated group to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the assets can be utilised. Any subsequent period adjustments to deferred tax assets arising from unused tax losses assumed from subsidiaries are recognised by the head entity only.

Note 1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

(iv) Tax consolidation (continued)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses assumed by the head entity from the subsidiaries in its tax consolidated group are recognised in conjunction with any tax funding arrangement amounts.

(g) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The AusNet Services Transmission Group does not have any finance lease arrangements.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis over the term of the lease, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(h) Business combinations

The acquisition method of accounting is used for all business combinations, regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange as well as the fair value of any contingent consideration. Any subsequent changes in contingent consideration are recognised in the income statement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair value at the acquisition date, irrespective of the extent of any non-controlling interest. All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably. Transaction costs in relation to business combinations are expensed as incurred.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and investments in money market instruments. Bank overdrafts are repayable on demand and form an integral part of the AusNet Services Transmission Group's cash management, therefore these are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(j) Receivables

Current and non-current receivables are initially recognised at the fair value of the amounts to be received and are subsequently measured at amortised cost, less any allowance for impairment.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance for impairment is established when there is objective evidence that the AusNet Services Transmission Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The change in the amount of the allowance is recognised in the income statement.

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on a weighted average and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(l) Derivative financial instruments

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which case the timing of the recognition in the income statement depends on the nature of the hedge relationship (refer below). The Group designates certain derivative financial instruments as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions (cash flow hedges), or as derivatives not in a hedging relationship.

Credit risk is included in the fair value of derivative financial instruments based on a bilateral credit risk adjustment obtained using credit default swap curves. The difference between the fair value of derivatives and their transaction price at inception due to credit valuation adjustments is recognised progressively over the period to maturity.

To ensure derivative financial instruments qualify for hedge accounting the Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The AusNet Services Transmission Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The Group classifies its derivative financial instruments between current and non-current based on the maturity date of the instrument. As a result, derivative financial instruments are classified as non-current, except for those instruments that mature in less than 12 months, which are classified as current.

(i) Fair value hedge

Changes in the fair value of derivative financial instruments that are designated and qualify as fair value hedges are recognised immediately in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivative financial instruments that are designated and qualify as cash flow hedges are recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve are recycled in the income statement in the periods when the hedged item will affect the income statement (generally when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in the hedge reserve are transferred from the hedge reserve and included in the measurement of the initial cost or carrying amount of the asset.

Hedge accounting is discontinued when the hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting. At that time, any cumulative gain or loss existing in the hedge reserve remains in the hedge reserve and is recognised when the forecast transaction is ultimately recognised in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the hedge reserve is immediately recognised in the income statement.

(m) Property, plant and equipment

Items of property, plant and equipment are stated at historical cost less depreciation. The cost of contributed assets is their fair value at the date the AusNet Services Transmission Group gains control of the asset.

Historical cost includes all expenditure that is directly attributable to the acquisition of the asset, including an appropriate allocation of overheads and capitalised borrowing costs. Cost may also include transfers from the hedge reserve of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the AusNet Services Transmission Group and the cost of the item can be measured reliably.

Items of plant and equipment under construction are recognised as capital work in progress. Once the asset construction is complete and the asset is capable of operating in the manner intended by management, the item of plant and equipment is transferred from capital work in progress to the relevant asset class and depreciation of the asset commences.

Maintenance and repair costs and minor renewals are charged as expenses as incurred, except where they relate to the replacement of an asset, in which case the costs are capitalised and depreciated, and the replaced item is derecognised.

Depreciation is recognised on property, plant and equipment, including freehold buildings but excluding land and easements. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed annually, and where changes are made, their effects are accounted for on a prospective basis.

The expected average useful lives of major asset classes for the current and comparative periods are as follows:

	Years
Buildings	40-99
Transmission network	15-70
Other general assets	3-10
Motor vehicles and heavy machinery	3-12
Computer equipment and software	3-5
Land and easements	Indefinite

(n) Intangible assets

(i) Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the AusNet Services Transmission Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in the income statement as a gain.

Goodwill is not amortised but is reviewed for impairment at least annually (refer note 1(o)).

(ii) Other intangible assets

Other intangible assets that are acquired by the AusNet Services Transmission Group and that have a finite useful life are measured at cost less accumulated amortisation and accumulated impairment losses.

(o) Impairment of non-financial assets

At each reporting date, the AusNet Services Transmission Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. An impairment loss occurs when an asset's carrying amount exceeds its recoverable amount. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the AusNet Services Transmission Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest group of assets that largely generate independent cash inflows.

Intangible assets with indefinite useful lives, including goodwill, are tested for impairment annually regardless of whether there is an indication that the asset or related CGU may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing fair value less costs to sell, the estimated future post-tax cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Note 1 Summary of significant accounting policies (continued)

(o) Impairment of non-financial assets (contined)

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss is recognised in the income statement immediately.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the AusNet Services Transmission Group prior to the end of financial year which are unpaid. Trade and other payables are stated at cost, are unsecured and are usually payable within 30 days of end of month.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and redemption amount is recognised in the income statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current liabilities unless the AusNet Services Transmission Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date or has the sole discretion to refinance or roll over the liability for at least 12 months after the reporting date under an existing loan facility.

(r) Net financing costs

Finance income comprises interest income on funds invested and the return on the desalination licence receivable (refer note 8). Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Finance costs comprise interest expense on borrowings, foreign exchange gains/losses, gains/losses on hedging instruments that are recognised in the income statement and the net interest cost in respect of defined benefit obligations. All borrowing costs are recognised in the income statement using the effective interest rate method, other than borrowing costs directly attributable to a qualifying asset which are capitalised into the cost of that asset.

The capitalisation rate used to determine the amount of borrowing costs to be included in the cost of qualifying assets is the average interest rate of 5.2 per cent (2014: 8.0 per cent) applicable to the AusNet Services Transmission Group's outstanding borrowings during the period.

(s) Provisions

Provisions are recognised when the AusNet Services Transmission Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount of the provision can be measured reliably. Provisions are not recognised for future operating losses.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligations. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

(t) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date, including on-costs. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Defined contribution superannuation funds

Contributions made to defined contribution superannuation funds are expensed when the liability is incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The AusNet Services Transmission Group's obligation in respect of these funds is limited to the contributions to the fund.

(iv) Defined benefit superannuation fund

The AusNet Services Transmission Group's net obligation in respect of the defined benefit superannuation funds is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and recognised after deducting the fair value of any plan assets.

The discount rate is the yield at the balance date on government bonds that have maturity dates approximating the terms of the AusNet Services Transmission Group's obligations. A qualified actuary performs the calculation using the projected unit credit method.

Remeasurements comprise actuarial gains and losses and the return on plan assets (excluding interest). They are recognised in full directly in retained profits in the period in which they occur, and are presented in other comprehensive income.

When the calculation of the net obligation results in a benefit to the AusNet Services Transmission Group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

(v) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated recognising the substance of the reverse acquisition, which means that the calculation is based on the earnings of the consolidated group and the share capital of the legal parent (AusNet Services Transmission).

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest or other financing costs associated with dilutive potential shares and includes these dilutive potential shares in the weighted average number of shares outstanding used in the calculation.

(w) New accounting standards not yet adopted

The following accounting standards, amendments to accounting standards and interpretations have been identified as those which may impact the AusNet Services Transmission Group in the period of initial adoption. They were available for early adoption for the AusNet Services Transmission Group's annual reporting period beginning 1 April 2014, but have not been applied in preparing this financial report:

> AASB 9 *Financial Instruments* replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment of financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139. AASB 9 is effective for annual reporting periods beginning on or after 1 April 2018, with early adoption permitted. While the impact of this standard has yet to be quantified by the AusNet Services Transmission Group, it is expected to reduce the circumstances under which AusNet Services recognises hedge ineffectiveness, or discontinues hedge accounting and recognises a de-designation gain or loss. This arises because this standard allows synthetic debt positions to be treated as hedged items, and it also amends the basis by which hedge effectiveness is measured.

> AASB 15 *Revenue from Contracts with Customers* establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and associated Interpretations. AASB 15 is effective for annual reporting periods beginning on or after 1 April 2017, with early adoption permitted. The impact of this standard has yet to be quantified by the Group.

There are also other amendments and revisions to accounting standards that have not been early adopted. These changes are not expected to result in any material changes to the AusNet Services Transmission Group's financial performance or position.

(x) Rounding of amounts

The AusNet Services Transmission Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars unless otherwise noted.

Note 2 Revenue

	2015 $M	2014 $M
Revenue		
Regulated revenue	583.9	593.7
Service revenue	44.1	32.5
Other revenue	23.3	22.9
Total revenue	**651.3**	**649.1**

Regulated revenue includes revenue earned from the transmission of electricity in accordance with the relevant regulatory determinations, as well as revenue earned from negotiated and prescribed projects.

Note 3 Expenses

	Notes	2015 $M	2014 $M
Expenses, excluding finance costs, included in the income statement			
Easement tax		103.4	103.4
Employee benefits			
Labour expenses (i)		35.8	29.3
Defined benefit superannuation expenses	17	2.4	1.9
Defined contribution superannuation expenses		5.7	3.4
Maintenance		17.4	18.0
Information technology and communication costs		2.8	4.8
Operating lease rental expenses		4.7	3.6
Administration expenses		13.9	12.7
Materials		1.4	1.1
Flame logo fee	24(d)	0.2	0.4
Management services charge (i)	24(d)	–	6.5
Performance fees	24(d)	–	6.8
Other operating expenses		23.1	12.1
Depreciation		98.4	97.0
Net (gain)/loss on disposal of property, plant and equipment		(1.1)	1.4
Total expenses, excluding finance costs and termination expenses		**308.1**	**302.4**
Termination fee		–	15.9
Restructuring expenses		–	1.9
Total expenses, excluding finance costs		**308.1**	**320.2**

(i) Following termination of the MSA in March 2014, management personnel previously included in the management services charge are now directly employed by AusNet Services and included within labour expenses.

Note 4 Net finance costs

	Notes	2015 $M	2014 $M
Finance income			
Interest income		1.2	1.7
Return on desalination license receivable		13.9	14.4
Total finance income		**15.1**	**16.1**
Finance costs			
Interest expense		–	2.3
Interest expense – related parties	24	161.7	216.1
Defined benefit net interest expense	17	–	0.3
Capitalised finance charges		(13.4)	(17.4)
Total finance costs		**148.3**	**201.3**
Net finance costs		**133.2**	**185.2**

Note 5 Income tax and deferred tax

(a) Income tax expense

	2015 $M	2014 $M
Current tax	146.6	124.7
Prior year (over)/under provision – current tax	1.1	1.0
Deferred tax	47.7	4.9
Prior year (over)/under provision – deferred tax	(0.7)	(0.4)
	194.7	**130.2**

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2015 $M	2014 $M
Profit before income tax expense	210.0	143.7
Tax at the Australian tax rate of 30% (2014: 30%)	63.0	43.1
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible interest expense (i)	19.7	–
ATO settlement primary tax cash payment (i)	24.6	–
Prior year (over)/under provision	0.4	0.6
Net tax and interest on section 163AA impost dispute (ii)	3.0	86.7
Net tax and interest on intellectual property dispute (iii)	84.1	–
Sundry items	(0.1)	(0.2)
Income tax expense	**194.7**	**130.2**

Note 5 Income tax and deferred tax (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable (continued)

The AusNet Services Transmission Group's effective tax rate for the year ended 31 March 2015 is approximately 92.7 per cent (2014: 90.6 per cent). The divergence in the effective tax rate, from the prima facie tax rate of 30 per cent, is mainly caused by the following:

(i) On 22 October 2014, the AusNet Services Transmission Group and the Australian Taxation Office (ATO) reached an in-principle, non-binding agreement to settle all matters concerning intra-group financing arrangements and rights to future income issues. Following the execution of a binding settlement deed on 4 March 2015, the AusNet Services Transmission Group has:

> made a primary tax payment of $23.5 million and an interest payment (deductible) of $1.5 million on 9 April 2015; and

> ceased taking interest deductions in respect of AusNet Services Finance Trust loans from 1 April 2014.

This settlement provides tax certainty, with the ATO concluding all audit activity for the years up to and including 31 March 2014.

(ii) Recognition during the previous year of $100.8 million for the amount potentially payable under the Section 163AA impost dispute. This is offset by the deductibility of the general interest component which results in a $14.1 million tax credit. In the current year, a general interest charge of $3 million was recognised. Refer note 22(a).

(iii) In light of the judgment received from the Full Court of the Federal Court on 6 May 2015 (refer to note 22(b)), and the significant uncertainty that has arisen, AusNet Services Transmission recognised an $84.1 million tax charge, consisting of the following components:

> a write-off of the $40.1 million deferred tax asset for intellectual property – copyright;

> a write-off of the $17.1 million non-current tax receivable initially recognised on the part-payment of the dispute; and

> recognition of a $26.9 million tax liability, being the net cash exposure after taking into account the deductibility of the interest payment. Of this amount, $21.5 million has been classified as current (relating to the pre tax consolidation years), and $5.4 million has been classified as non-current (relating to the post tax consolidation years).

(c) Reconciliation of tax payable

	2015 $M	2014 $M
Current tax payable		
Net amount potentially payable under Section 163AA impost dispute	59.1	56.1
ATO settlement primary tax payment for intra group financing arrangements	24.6	–
Net amount potentially payable under intellectual property tax dispute – current	21.5	–
Other current tax payable	33.4	13.6
Total current tax payable	**138.6**	**69.7**
Non-current tax payable		
Net amount potentially payable under intellectual property tax dispute – non-current	5.4	–
Total non-current tax payable	**5.4**	**–**
Total tax payable	**144.0**	**69.7**

(d) Amounts recognised directly in other comprehensive income

	2015 $M	2014 $M
Aggregate deferred tax arising in the reporting period recognised in other comprehensive income:		
Remeasurement of defined benefit obligation	(3.9)	4.0
Hedge Reserve – cash flow hedges	0.1	–
Net deferred tax recognised in other comprehensive income	**(3.8)**	**4.0**

(e) Recognised deferred tax assets and liabilities

	Notes	Deferred tax assets		Deferred tax liabilities	
		2015 $M	2014 $M	2015 $M	2014 $M
Employee benefits		10.2	5.2	–	–
Other accruals and provisions		2.0	6.3	–	–
Intellectual property – copyright	22(b)	–	40.1	–	–
Defined benefit fund		3.8	–	–	(0.5)
Desalination licence receivable		–	–	(10.1)	(5.7)
Property, plant and equipment		–	–	(327.4)	(323.6)
Other		–	–	(2.7)	(2.8)
Deferred tax assets/(liabilities)		**16.0**	**51.6**	**(340.2)**	**(332.6)**
Set off of tax		(16.0)	(51.6)	16.0	51.6
Net deferred tax assets/(liabilities)		**–**	**–**	**(324.2)**	**(281.0)**

(f) Movement in temporary differences during the year

	2015 $M	2014 $M
Net deferred tax assets/(liabilities)		
Opening balance at 1 April	(281.0)	(272.5)
(Charged)/credited to the income statement (i)	(47.7)	(4.9)
Credited/(debited) to other comprehensive income	3.8	(4.0)
Net prior year over/(under) provision	0.7	0.4
Closing balance at 31 March	**(324.2)**	**(281.0)**

(i) Deferred tax expense recognised in the income statement in respect of each type of temporary difference is as follows:

	Charged/(credited) to the income statement	
	2015 $M	2014 $M
Employee benefits	(5.0)	0.2
Other accruals and provisions	4.3	(5.0)
Intellectual property – copyright	40.1	1.0
Defined benefit fund	(0.4)	(0.2)
Desalination licence receivable	4.4	4.4
Property, plant and equipment	4.5	4.4
Other	(0.2)	0.1
Total charged/(credited) to the income statement	**47.7**	**4.9**

Note 6 Dividends

The following dividends were approved and paid by AusNet Services Transmission to shareholders during the current financial year:

	Date paid	Cents per share	Total dividend $M
Fully franked dividend	27 June 2014	1.393	47.2
Fully franked dividend	24 December 2014	2.200	75.3
Total dividends		**3.593**	**122.5**

The following dividends were approved and paid by AusNet Services Transmission to shareholders during the previous financial year:

Fully franked dividend	28 June 2013	1.367	46.0
Fully franked dividend	23 December 2013	1.393	47.0
Total dividends		**2.760**	**93.0**

Franking account

	2015 $M	2014 $M
30 per cent franking credits available to shareholders for subsequent financial years	107.7	59.8

The above available amounts are based on the balance of the dividend franking account at year end adjusted for franking credits that will arise from the payment of current tax liabilities, excluding the $59.1 million tax potentially payable under the Section 163AA impost dispute and the $26.9 million potentially payable under the intellectual property dispute. Included within the franking account is $47.7 million (2014: $45.7 million) arising from the tax payments made to the ATO in relation to the Section 163AA impost and intellectual property matters (refer to note 22). If the AusNet Services Transmission Group is successful in the legal proceedings against the ATO, this amount will be reversed, resulting in lower franking credits being available.

The ability to utilise the franking credits is dependent upon there being sufficient net assets for the payment of dividends, the dividend payment being fair and reasonable to shareholders, and the dividend payment not materially prejudicing AusNet Services Transmission's ability to pay its creditors. In accordance with the tax consolidation legislation, AusNet Services Transmission as the head entity in the tax consolidated group has assumed the benefit of $107.7 million (2014: $59.8 million) franking credits. For the 2015 final dividend, the additional franking credits from the tax payments under the ATO disputes will not be utilised.

Note 7 Earnings per share

On 19 October 2005, AusNet Services Transmission executed a reverse acquisition deeming AusNet Transmission Group Pty Ltd to be the parent entity of the AusNet Services Transmission Group. The following earnings per share have been calculated recognising the legal form of the reverse acquisition, which means that the calculation is based on the earnings of the consolidated group and the share capital of the legal parent (AusNet Services Transmission).

(a) Basic earnings per share

	2015	2014
Profit attributable to the ordinary equityholders of AusNet Services Transmission ($M)	15.3	13.5
Weighted average number of shares (million)	3,427	3,377
Earnings per share (cents)	0.45	0.40

(b) Diluted earnings per share

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

Note 8 Receivables

	Notes	2015 $M	2014 $M
Current receivables			
Accounts receivable		7.3	58.5
Related party receivables	24(e)	4.0	4.2
Desalination licence receivable (i)		10.2	10.2
		21.5	**72.9**
Accrued revenue		46.0	7.8
Interest receivable		2.5	0.2
Total current receivables		**70.0**	**80.9**
Non-current receivables			
Desalination licence receivable (i)		207.2	215.3
Total non-current receivables		**207.2**	**215.3**
Total receivables (ii)		**277.2**	**296.2**

(i) In December 2012, AusNet Services entered into a 27 year licence agreement with the Victorian State Government for the right to operate and maintain the 87 kilometre high voltage underground transmission line supplying electricity to the Victorian Desalination Plant in Wonthaggi. At the same time, AusNet Services also entered into a 27 year agreement with the desalination plant operator to operate and maintain the transmission line in return for a monthly revenue payment.

The upfront payment of $235 million plus transaction costs of $1.2 million for the licence has been classified as a receivable. This receivable is interest-bearing and $8.8 million (2014: $8.8 million) of the total cashflows received from the operator during the year has been allocated against this receivable balance. The monthly revenue payment received from the operator is fixed, with an annual adjustment for inflation. Any amounts not received from the operator, but which are past due, can be recovered by AusNet Services from the Victorian State Government.

At the end of the agreements, AusNet Services is required to hand back the transmission line and all associated assets. In the event of early termination of the agreements, the unamortised portion of the upfront licence payment is refunded to AusNet Services, along with the reimbursement of necessary costs incurred in order to effect the termination.

(ii) The fair value of total receivables as at 31 March 2015 was $277.2 million (2014: $296.2 million).

(a) Terms and conditions

Accounts receivable are non-interest bearing and the average credit period on sales of transmission services is ten business days. An allowance has been made for estimated unrecoverable amounts, determined by reference to past default experience of individual debtors.

Note 8 Receivables (continued)

(a) Terms and conditions (continued)

All debts greater than 90 days are provided for in full, except where past experience of individual debtors provides evidence that another amount, if any, is more appropriate.

Collateral in the form of bank guarantees, letters of credit and deposits are obtained from certain counterparties where appropriate. The amounts called upon during the current and previous financial years were insignificant.

(b) Ageing of accounts receivable

The ageing of accounts receivable as at reporting date was:

	2015 Gross $M	2015 Allowance $M	2014 Gross $M	2014 Allowance $M
Not past due	5.6	–	56.5	–
0 – 30 days	1.2	–	1.0	–
31 – 60 days	0.2	–	0.5	–
61 – 90 days	0.2	–	0.1	–
Greater than 90 days	0.1	–	0.4	–
Total	**7.3**	**-**	**58.5**	**-**

Of those debts that are past due, the majority are receivable from high credit quality counterparties. Receivables relating to regulated revenue streams (which account for approximately 89.6 per cent of revenues) are owed by other participants in the industry, the largest being the Australian Energy Market Operator (AEMO). There are strict regulatory requirements regarding who can participate in the industry and the Essential Services Commission has minimum prudential requirements which must be met before a participant can be registered as a distributor. Refer note 18(c) for details regarding credit risk.

Note 9 Inventories

	2015 $M	2014 $M
Current inventories		
Construction, maintenance stock and general purpose materials – at cost	1.8	3.5
Total current inventories	**1.8**	**3.5**
Non-current inventories		
Construction, maintenance stocks and general purpose materials – at cost	19.4	17.6
Total non-current inventories	**19.4**	**17.6**
Total inventories	**21.2**	**21.1**

Note 10 Other assets

	Notes	2015 $M	2014 $M
Current other assets			
Prepayments		5.7	5.7
Total current other assets		**5.7**	**5.7**
Non-current other assets			
Defined benefit fund surplus	17	–	1.6
Total non-current other assets		**–**	**1.6**
Total other assets		**5.7**	**7.3**

Note 11 Property, plant and equipment

	Freehold land $M	Buildings $M	Easements $M	Transmission network $M	Other plant and equipment $M	Capital work in progress $M	Total $M
2015							
Carrying amount at 1 April 2014	229.4	191.2	1,144.3	1,771.9	74.3	237.1	3,648.2
Additions	–	–	–	–	0.7	212.3	213.0
Transfers	–	35.6	0.3	144.6	13.1	(193.6)	–
Disposals	(2.5)	(0.4)	–	(2.5)	(0.9)	–	(6.3)
Depreciation expense	–	(7.9)	–	(74.3)	(15.9)	–	(98.1)
Carrying amount at 31 March 2015	**226.9**	**218.5**	**1,144.6**	**1,839.7**	**71.3**	**255.8**	**3,756.8**
Cost	226.9	280.1	1,144.6	2,506.5	199.6	255.8	4,613.5
Accumulated depreciation	–	(61.6)	–	(666.8)	(128.3)	–	(856.7)
Carrying amount at 31 March 2015	**226.9**	**218.5**	**1,144.6**	**1,839.7**	**71.3**	**255.8**	**3,756.8**
2014							
Carrying amount at 1 April 2013	229.4	169.7	1,144.3	1,687.8	63.6	217.9	3,512.7
Additions	–	–	–	–	–	232.7	232.7
Acquisition through business combination	–	–	–	–	1.5	–	1.5
Transfers	–	28.9	–	158.8	25.8	(213.5)	–
Disposals	–	–	–	(1.5)	(0.2)	–	(1.7)
Depreciation expense	–	(7.4)	–	(73.2)	(16.4)	–	(97.0)
Carrying amount at 31 March 2014	**229.4**	**191.2**	**1,144.3**	**1,771.9**	**74.3**	**237.1**	**3,648.2**
Cost	229.4	245.4	1,144.3	2,369.9	193.8	237.1	4,419.9
Accumulated depreciation	–	(54.2)	–	(598.0)	(119.5)	–	(771.7)
Carrying amount at 31 March 2014	**229.4**	**191.2**	**1,144.3**	**1,771.9**	**74.3**	**237.1**	**3,648.2**

Note 12 Intangible Assets

	2015 $M	2014 $M
Goodwill		
Opening net book amount – goodwill	24.4	–
Acquisition of business (i)	(0.6)	24.4
Closing net book amount – goodwill	**23.8**	**24.4**
Other intangible assets		
Opening net book amount – other intangible assets	–	–
Acquisition of business (i)	1.5	–
Amortisation	(0.3)	–
Closing net book amount – other intangible assets	**1.2**	**–**
Total intangible assets	**25.0**	**24.4**

(i) Goodwill on the acquisition of Geomatic Technologies was recognised based on the provisional values of the net assets acquired at the time of acquisition. Following the completion of purchase price accounting, the balance of other intangible assets was increased by $1.5 million. The goodwill balance has been adjusted to reflect the final opening balances (net of tax).

Note 13 Payables and other liabilities

	Notes	2015 $M	2014 $M
Current payables and other liabilities			
Trade payables and accruals		64.6	49.4
Customer deposits		0.4	0.3
Deferred revenue		4.9	1.8
Related party payables	24(e)	6.6	12.3
Total current payables and other liabilities		**76.5**	**63.8**
Non-current payables and other liabilities			
Deferred revenue		2.7	2.6
Total non-current payables and other liabilities		**2.7**	**2.6**
Total payables and other liabilities		**79.2**	**66.4**

Note 14 Borrowings

	Notes	2015 $M	2014 $M
Current borrowings			
Amounts owed to related parties			
Amounts owed to AusNet Services Finance Trust	24(e)	1,637.8	1,590.8
Total current borrowings		**1,637.8**	**1,590.8**
Non-current borrowings			
Amounts owed to related parties			
Amounts owed to other related parties	24(e)	2,119.0	2,077.6
Total non-current borrowings		**2,119.0**	**2,077.6**
Total borrowings (i)		**3,756.8**	**3,668.4**

(i) The fair value of total borrowings as at 31 March 2015 was $3,756.8 million (2014: $3,668.4 million).

(a) Other bank guarantees

Certain entities are required to provide bank guarantees in the form of tender bid bonds or performance bonds for contractual obligations. The subsidiaries have guarantee facilities with a number of institutions amounting to $15 million, of which $1.8 million was provided to third parties at 31 March 2015 (2014: $0.2 million).

Note 15 Provisions

	Notes	2015 $M	2014 $M
Current provisions			
Employee benefits (i)		30.7	17.2
Restructuring provision (ii)		0.3	1.9
SPIMS employee provisions (iii)		–	11.9
Sundry provisions (iv)		0.3	2.7
Total current provisions		**31.3**	**33.7**
Non-current provisions			
Employee benefits (i)		3.4	1.8
SPIMS employee benefits (iii)		–	1.3
Sundry provisions (iv)		1.0	–
Defined benefit fund	17	13.1	–
Total non-current provisions		**17.5**	**3.1**
Total provisions		**48.8**	**36.8**

Movements in each class of provision during the year, other than employee benefits, are set out below:

	Restructuring provision (ii) $M	Sundry provisions (iv) $M
Balance at 1 April 2014	1.9	2.7
Additional provisions recognised	–	1.0
Provisions written back	(0.6)	(0.7)
Amounts utilised	(1.0)	(1.7)
Balance at 31 March 2015	**0.3**	**1.3**
Current	0.3	0.3
Non-current	–	1.0
Total	**0.3**	**1.3**

(i) Employee benefits provisions represent provisions for annual and long service leave for AusNet Services Transmission employees, and provisions for employee bonuses. This includes former SPIMS and EBS employees who became AusNet Services employees on 1 April 2014 and 1 July 2014 respectively following agreement to terminate the MSA and unwind the shared information technology services on 31 March 2014.

(ii) The restructuring provision represents outstanding amounts in relation to the restructure and internalisation of EBS following the agreement to unwind the shared information technology services on 31 March 2014.

(iii) The SPIMS employee entitlement provision represents the balance of SPIMS employee entitlements transferred to AusNet Services as at 31 March 2014 following the termination of the MSA. The balances are now contained within the employee entitlements provision.

(iv) Sundry provisions represents the provision for the contingent consideration from the acquisition of Geomatic Technologies on 28 February 2014 and make-good provisions for premises.

Note 16 Equity

	Notes	2015 Shares	2014 Shares
Share capital			
Ordinary shares – fully paid (million)	(a), (b)	**3,466.9**	3,386.6

In accordance with the requirements of reverse acquisition accounting under AASB 3 *Business Combinations* the number of shares disclosed is that of the legal parent, AusNet Services Transmission.

(a) Ordinary shares

Ordinary shares authorised and issued have no par value. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of AusNet Services Transmission in proportion to the number of and amounts paid on the shares issued. Holders of ordinary shares are entitled to one vote on a show of hands or one vote for each ordinary share held on a poll at shareholders' meetings.

(b) Movements in ordinary share capital

Date	Details	Notes	Number of shares	$M (i)
1 April 2014	Opening balance		3,386,607,080	650.1
27 June 2014	Distribution Reinvestment Plan	(ii)	38,637,082	–
24 December 2014	Distribution Reinvestment Plan	(ii)	41,668,847	–
31 March 2015	Closing balance		3,466,913,009	650.1
1 April 2013	Opening balance		3,367,543,113	650.1
28 June 2013	Distribution Reinvestment Plan	(iii)	8,782,410	–
23 December 2013	Distribution Reinvestment Plan	(iii)	10,281,557	–
31 March 2014	Closing balance		3,386,607,080	650.1

(i) With respect to the allocation of the proceeds in the form of shares in AusNet Services Transmission and AusNet Services Distribution and units in AusNet Services Finance Trust, all amounts were allocated to the units in AusNet Services Finance Trust with the shares in AusNet Services Transmission and AusNet Services Distribution being issued at nominal consideration.

(ii) On 27 June 2014 and on 24 December 2014, 38.6 million and 41.7 million new stapled securities were issued under the DRP respectively. The new securities were issued at a price of $1.33 per security and $1.30 per security respectively, providing approximately $51.4 million and $54.2 million respectively.

(iii) On 28 June 2013 and on 23 December 2013, 8.8 million and 10.3 million new stapled securities were issued under the DRP respectively. The new securities were issued at a price of $1.18 per security and $1.15 per security respectively, providing approximately $10.4 million and $11.8 million respectively.

(c) Capital management

The Board's policy is to target an 'A' range credit rating and a capital structure appropriate to generate desired securityholder returns, and to ensure a low cost of capital available to the entity.

An important credit metric which assists management to monitor AusNet Services' capital structure is the net debt to Asset Base ratio, determined as indebtedness as a percentage of the Asset Base. Indebtedness is debt at face value (net of cash), excluding any derivative financial instruments. The Asset Base consists of the following items:

> Regulated Asset Base (RAB), which is subject to some estimation as the Australian Energy Regulator (AER) ultimately determines the RAB of each network. RAB includes the value of regulated network assets as well as network assets that will become regulated at the next regulatory period; and

> The value of unregulated network assets whose revenues and return are set through a negotiated or competitive process rather than through regulation, including the carrying value of the desalination licence receivable.

The movement of this metric over time demonstrates how the business is funding its capital expenditure in terms of debt versus income generating assets. AusNet Services targets a net debt to Asset Base ratio of less than 75 per cent.

Note 16 Equity (continued)

(c) Capital management (continued)

The net debt to Asset Base ratio as at reporting date was as follows:

	2015 %	2014 %
Net debt to Asset Base	67.5	68.6

The terms of certain financing arrangements contain financial covenants that require maintenance of specified interest coverage ratios and gearing ratios. In addition, certain arrangements contain provisions that are specifically affected by changes in credit ratings, change of control and/or ownership and cross default provisions.

AusNet Services monitors and reports compliance with its financial covenants on a monthly basis. There have been no breaches during the year.

Note 17 Defined benefit obligations

	2015 $M	2014 $M
Total amounts recognised in the statement of financial position in respect of the defined benefit fund are as follows:		
Present value of defined benefit obligations	(128.9)	(84.8)
Fair value of plan assets	115.8	86.4
Net (liability)/asset arising from defined benefit obligations	**(13.1)**	**1.6**
Amounts recognised in the income statement in respect of the defined benefit plan are as follows:		
Current service cost	2.4	1.9
Net interest cost on defined benefit obligation	–	0.3
Total	**2.4**	**2.2**
Remeasurement (losses)/gains recognised during the year in other comprehensive income	**(13.0)**	**13.4**

The AusNet Services Transmission Group makes contributions to an Equipsuper defined benefit superannuation plan that provides defined benefit amounts to employees or their dependants upon retirement, death, disablement or withdrawal. Benefits are mostly in the form of a lump sum based on the employee's final average salary, although, in some cases, defined benefit members are also eligible for pension benefits.

The defined benefit section of the Equipsuper plan is closed to new members. All new members receive defined contribution, accumulation style benefits.

The defined benefit superannuation plan is administered by a trust that is legally separated from the AusNet Services Transmission Group. The trustees consist of both employee and employer representatives and an independent chair, all of whom are governed by the scheme rules. The trustees are responsible for the administration of plan assets and for the definition of plan strategy.

The AusNet Services Transmission Group expects to make contributions of $1.3 million to the defined benefit plan during the next financial year. The Target Funding method is used to determine the contribution rates. Under the Target Funding method, the employer contribution rate is set at a level which is expected to result in the plan's assets equalling 105 per cent of the plans' liabilities within five years.

The defined benefit superannuation plan exposes the AusNet Services Transmission Group to additional actuarial, interest rate and market risk.

Mercer Investment Nominees Limited performed actuarial valuations of the fund as at 31 March 2015 and 31 March 2014.

(a) Movement in defined benefit obligation

	2015 $M	2014 $M
Movement in the present value of the defined benefit obligation was as follows:		
Opening defined benefit obligation	84.8	89.8
Current service cost	2.4	1.9
Interest cost	4.5	3.1
Contributions by plan participants	0.9	0.6
Actuarial losses/(gains)	22.7	(5.6)
Benefits, taxes and premiums paid	(10.4)	(5.0)
Transfers in (i)	24.0	–
Closing defined benefit obligation	**128.9**	**84.8**
Movement in the fair value of plan assets was as follows:		
Opening fair value of plan assets	86.4	78.8
Interest income	4.5	2.8
Actual return on fund assets less interest income	9.7	7.8
Contributions from the employer	1.5	1.4
Contributions by plan participants	0.9	0.6
Benefits, taxes and premiums paid	(10.4)	(5.0)
Transfers in (i)	23.2	–
Closing fair value of plan assets	**115.8**	**86.4**

The actual return on plan assets was a gain of $14.2 million (2014: gain of $10.6 million).

(i) Transfers in represent the transfer of employees formerly under the SPIMS defined benefit plan into the AusNet Services Transmission Group's plans.

(b) Analysis of Plan Assets

Plan assets can be broken down into the following major categories of investments:

	2015 %	2014 %
Investments quoted in active markets:		
Australian equities	31	31
International equities	24	25
Fixed interest securities	11	11
Unquoted investments:		
Property	9	9
Growth alternative	7	8
Defensive alternative	10	7
Cash	8	9
	100	**100**

Plan assets do not comprise any of the AusNet Services Transmission Group's own financial instruments or any assets used by AusNet Services Transmission Group companies.

Note 17 Defined benefit obligations (continued)

(c) Actuarial assumptions

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	Defined benefit expense		Defined benefit obligation	
Key assumptions	2015 %	2014 %	2015 %	2014 %
Discount rate	4.30	3.70	2.70	4.30
Expected salary increase rate	4.50	4.50	4.50	4.50

As at 31 March 2015, the weighted average duration of the defined benefit obligation was 9 years (2014: 10 years).

(d) Sensitivity analysis

Changes in the relevant actuarial assumptions as at reporting date, with all other variables held constant, would result in an increase/(decrease) in the value of the defined benefit obligation as shown below:

	Defined benefit obligation	
	Increase $M	Decrease $M
Discount rate (0.5 per cent movement)	(6.8)	7.4
Expected salary increase rate (0.5 per cent movement)	4.6	(4.4)

When calculating the above sensitivity analysis the same method has been applied as when calculating the defined benefit liability recognised in the consolidated statement of financial position.

Note 18 Financial risk management

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

The AusNet Services Group's activities (including the AusNet Services Transmission Group's activities) expose it to a number of financial risks, including changes in interest rates and foreign currency exchange rates, liquidity risk and credit risk. The AusNet Services Group manages its exposure to these risks in accordance with its Treasury Risk Policy which is approved by the Board. The policy is reviewed annually or more regularly if required by a significant change in the AusNet Services Group's operations. Any material changes are submitted to the Board for approval.

The objective of the Treasury Risk Policy is to document the AusNet Services Group's approach to treasury risk management and to provide a framework for ongoing evaluation and review of risk management techniques. The policy provides an analysis of each type of risk to which the AusNet Services Group (including the AusNet Services Transmission Group) is exposed and the objective of and techniques for managing the risk, including identifying and reporting risks to management and the Board.

Treasury evaluates and hedges financial risks in close co-operation with the AusNet Services Group's operating units. The Treasury Risk Policy provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating risks, use of derivative financial instruments and investing excess liquidity.

The Treasury Risk Policy operates in conjunction with several other AusNet Services Group policies, including:

> The AusNet Services Authority Manual which sets out the approvals required for such things as investment of surplus funds, execution of hedging transactions, borrowings and issue of guarantees and indemnities;

> The AusNet Services Treasury Operations Manual which sets out the day to day Treasury front office processes such as cash management and the operations of the Treasury back office, such as settlement processes and bank account operations;

> The AusNet Services Refinancing and Hedging Strategy which sets out the refinancing and hedging strategies over the relevant financial period; and

> The AusNet Services Credit Metrics Policy which sets out target ranges for the key credit metrics that determine the AusNet Services Group's credit strength, such as the percentage of debt to the value of the RAB at balance date.

Together these policies provide a financial risk management framework which supports the AusNet Services Group's objectives of finding the right balance between risk and reward to enhance profitability and business performance while minimising current and future exposures.

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

The material financial risks associated with AusNet Services Transmission Group's activities are each described below, together with details of AusNet Services Transmission Group's policies for managing the risk.

(a) Interest rate risk

Interest rate risk is the risk of suffering a financial loss due to an adverse movement in interest rates. The AusNet Services Transmission Group is exposed to the risk of movements in interest rates on its borrowings.

In addition, the AusNet Services Transmission Group's electricity transmission business revenues are directly impacted by changes in interest rates at each of its price review periods. This is a result of the 'building block' approach where interest rates are considered in the determination of the regulatory weighted average cost of capital and consequently regulated revenues. The current price review period is three years, starting from 1 April 2014.

The AusNet Services Transmission Group has access to funds through the CFV. As such, all of its borrowings are with other entities in the Stapled Group. In addition, the interest rate risk associated with the AusNet Services Transmission Group's regulated revenue is managed by the CFV in accordance with the Stapled Group's Treasury Risk Policy, using interest rate swaps that are held by the CFV.

As at reporting date, the AusNet Services Transmission Group had the following financial liabilities exposed to interest rate risk. These liabilities represent loans with other entities in the Stapled Group. As such, the interest rate risk is not hedged because it does not represent an exposure to the Stapled Group.

	2015 $M	2014 $M
Financial liabilities		
Floating rate instruments – related party borrowings	3,117.7	3,077.0

As at reporting date, if Australian interest rates had increased by 1.50 per cent and decreased by 1.50 per cent as at 31 March 2015 (2014: increased by 2.77 per cent and decreased by 2.63 per cent), with all other variables held constant, post-tax profit and post-tax equity would have increased/(decreased) as follows:

	Net profit after tax $M	Equity after tax (hedge reserve) $M
2015		
Increase in Australian interest rates with all other variables held constant	(32.7)	–
Decrease in Australian interest rates with all other variables held constant	32.7	–
2014		
Increase in Australian interest rates with all other variables held constant	(59.7)	–
Decrease in Australian interest rates with all other variables held constant	56.6	–

Note 18 Financial risk management (contined)

(a) Interest rate risk (continued)

The judgements of reasonably possible movements were determined using statistical analysis of the 95th percentile best and worst expected outcomes having regard to actual historical interest rate data over the previous five years based on the three-month bank bill swap rate. Management considers that past movements are a transparent basis for determining reasonably possible movements in interest rates.

(b) Liquidity risk

Liquidity risk is defined as the risk of an unforeseen event which will result in the AusNet Services Transmission Group not being able to meet its payment obligations in an orderly manner.

Liquidity risk is managed centrally for the AusNet Services Group by maintaining adequate cash reserves, committed banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. These practices are governed by the AusNet Services Group's liquidity management policies, which include Board approved guidelines covering the maximum volume of long-term debt maturing in any one year, the minimum number of years over which debt maturities are to be spread and the timing of refinancing.

(i) Contractual cash flows

Liquidity risk is managed by the AusNet Services Transmission Group based on net inflows and outflows from financial assets and financial liabilities. The following table summarises the contractual cash flows of the AusNet Services Transmission Group's non-derivative and derivative financial assets and liabilities based on the remaining earliest contractual maturities. The contractual cash flows are based on undiscounted principal and interest commitments. For related party borrowings, other than borrowings with AusNet Services Finance Trust, the maturity has been deemed to be greater than five years.

2015	Notes	Carrying amount $M	Total contractual cash flows $M	Less than 1 year $M	1 – 2 years $M	2 – 5 years $M	Greater than 5 years $M
Financial assets							
Non-derivative financial assets							
Cash and cash equivalents		92.0	92.0	92.0	–	–	–
Accounts and other receivables	8	277.2	446.5	85.7	21.6	61.4	277.8
Derivative financial assets							
Forward foreign currency contracts		0.3					
– Inflow			2.5	2.5	–	–	–
– Outflow			(2.2)	(2.2)	–	–	–
		369.5	**538.8**	**178.0**	**21.6**	**61.4**	**277.8**
Financial liabilities							
Non-derivative financial liabilities							
Trade and other payables	13	71.2	71.2	71.2	–	–	–
Related party borrowings	14	3,756.8	3,756.8	1,637.8	–	–	2,119.0
Derivative financial liabilities							
Forward foreign currency contracts		0.1					
– Inflow			(1.3)	(1.3)	–	–	–
– Outflow			1.4	1.4	–	–	–
		3,828.1	3,828.1	1,709.1	–	–	2,119.0
Net cash inflow/(outflow)			**(3,289.3)**	**(1,531.1)**	**21.6**	**61.4**	**(1,841.2)**

2014	Notes	Carrying amount $M	Total contractual cash flows $M	Less than 1 year $M	1 – 2 years $M	2 – 5 years $M	Greater than 5 years $M
Financial assets							
Non-derivative financial assets							
Cash and cash equivalents		49.3	49.3	49.3	–	–	–
Accounts and other receivables	8	296.2	475.8	94.2	22.1	62.9	296.6
Derivative financial assets							
Forward foreign currency contracts		0.1					
– Inflow			1.4	1.4	–	–	–
– Outflow			(1.3)	(1.3)	–	–	–
		346.5	**525.2**	**143.6**	**22.1**	**62.9**	**296.6**
Financial liabilities							
Non-derivative financial liabilities							
Trade and other payables	13	66.4	66.4	63.8	2.6	–	–
Related party borrowings	14	3,668.4	3,668.4	1,590.8	–	–	2,077.6
Derivative financial liabilities							
Forward foreign currency contracts		(0.1)					
– Inflow			(1.9)	(1.9)	–	–	–
– Outflow			1.8	1.8	–	–	–
		3,734.7	3,734.7	1,654.5	2.6	–	2,077.6
Net cash inflow/(outflow)			**(3,209.5)**	**(1,510.9)**	**19.5**	**62.9**	**(1,781.0)**

(c) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the AusNet Services Transmission Group and arises from the AusNet Services Transmission Group's financial assets, comprising cash and cash equivalents, trade and other receivables and derivative financial instruments.

The AusNet Services Transmission Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults (refer note 8). The AusNet Services Transmission Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. Revenues from a single customer, AEMO, represent 76 per cent (2014: 76 per cent) of the AusNet Services Transmission Group's total revenues. The AusNet Services Transmission Group is licensed to transmit electricity in Victoria whereas AEMO is the provider of shared network services and the planner, authoriser, contractor and director of augmentation of the declared shared network in Victoria. A network agreement is in place between both parties whereby the AusNet Services Transmission Group receives network charges from AEMO for the use of the AusNet Services Transmission Group's transmission network to transmit electricity to participants in the market. Due to the nature of this network agreement, the AusNet Services Transmission Group does not believe that there is any significant credit risk exposure on this customer. The AusNet Services Transmission Group therefore considers its credit risk exposure to be minimal.

In accordance with the Treasury Risk Policy, treasury counterparties each have an approved limit based on the lower of Standard & Poor's or Moody's credit rating. Counterparty limits are reviewed and approved annually by the Audit and Risk Management Committee and any changes to counterparties or their credit limits must be approved by the Chief Financial Officer and the Managing Director and must be within the parameters set by the Board as outlined in the Treasury Risk Policy.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. At balance date, the AusNet Services Transmission Group had $90 million on term deposit.

The carrying amount of financial assets recorded in the consolidated financial statements, net of any allowances for losses, represents the AusNet Services Transmission Group's maximum exposure to credit risk.

Note 18 Financial risk management (contined)

(d) Fair value of financial assets and liabilities

The fair values of financial assets and liabilities are measured in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value is measured using valuation techniques and significant market observable data as well as market corroboration based on active quotes. These include industry standard interest rate, foreign exchange and currency basis yield curves sourced directly from Bloomberg. As such, fair value measurements are deemed level two within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. The AusNet Services Transmission Group does not have any financial instruments which would be categorised as either level one or three of the fair value hierarchy.

The AusNet Services Transmission Group also has a number of financial assets and liabilities which are not measured at fair value in the combined statement of financial position. With the exception of borrowings (refer to note 14), the carrying amounts of these items are considered to be a reasonable approximation of their fair value at 31 March 2015.

Note 19 Critical accounting estimates and judgements

The AusNet Services Transmission Group makes estimates and judgements concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Accounting estimates and judgements where changes in those estimates and judgements could result in a significant change to the carrying amount of assets and liabilities within the next financial year are detailed below:

(a) Estimated recoverable amount of assets

Recoverable amount is the higher of fair value less costs to sell and value in use. Management has based its assessment of fair value less costs to sell on discounted cash flow projections over a period of 20 years together with an appropriate terminal value incorporating growth rates based on the long-term Consumer Price Index assumption of 2.6 per cent.

Regulated cash flow forecasts are based on allowable returns subject to a cap set by the AER, together with other information included in the AusNet Services Transmission Group's five-year forecast. Cash flows after that period are based on an extrapolation of the forecast taking into account inflation. It is considered appropriate to use cash flows after the AusNet Services Transmission Group's five-year forecast period considering the long-term nature of the AusNet Services Transmission Group's activities.

Cash flows are discounted using post tax discount rates of 5.0 per cent (2014: 6.3 to 6.5 per cent). The rates used reflect current market assessments of the time value of money and risks specific to the assets.

In terms of the Geomatic Technologies CGU, management has based its assessment of fair value less costs to sell on discounted cash flow projections over a period of five years together with an appropriate terminal value. Cash flows are discounted using a post tax discount rate of 12.5 per cent.

Appropriate terminal values were calculated using a range of both RAB multiples and market earnings before interest, tax, depreciation and amortisation multiples. Fair value less costs to sell is measured using inputs that are not based on observable market data. Therefore, they are deemed level three within the fair value hierarchy as per AASB 13 *Fair Value Measurement*.

(b) Income taxes

The tax expense and deferred tax balances assume certain tax outcomes and values of assets in relation to the application of tax legislation as it applies to AusNet Services Transmission. These outcomes affect factors such as the quantification and utilisation of tax losses, capital allowance deductions and the taxation treatment of transactions between members of the AusNet Services Transmission Group.

Judgements have been made regarding the application of income tax legislation, including in regard to the deductibility of the Section 163AA imposts and intellectual property which are currently in dispute with the ATO (refer note 22). The accounting treatment adopted for each of these matters reflects these current judgements and assumptions.

(c) Useful lives of property, plant and equipment

Depreciation is recognised on property, plant and equipment, including freehold buildings but excluding land and easements. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its estimated useful life to its estimated residual value. The estimated useful lives, residual values and depreciation methods are reviewed annually. Assumptions are made regarding the useful lives and residual values based on the regulatory environment and technological developments. These assumptions are subject to risk and there is the possibility that changes in circumstances will alter expectations.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(d) Provisions

(i) Defined benefit plans

A number of estimates and assumptions are used in determining defined benefit assets, obligations and expenses. These estimates include salary increases, future earnings and rates of return. Any difference in estimates will be recognised in other comprehensive income and not through the income statement.

The net (liability)/asset from defined benefit obligations recognised in the consolidated statement of financial position will be affected by any significant movement in investment returns and/or interest rates.

Each year the AusNet Services Transmission Group engages Mercer Investment Nominees Limited to perform an actuarial review of the AusNet Transmission Group Pty Ltd defined benefit fund.

In addition, prior to the termination of the MSA on 31 March 2014, the management services charge under the MSA included any actuarial gains or losses incurred by the SPIMS defined benefit plan as well as any defined benefit plan expenses. Assumptions were made by SPIMS regarding salary increases, discount rates and return on assets which impacted the services charge to the AusNet Services Transmission Group. Following the transfer of SPIMS employees to AusNet Services, the AusNet Services Transmission Group's share of the defined benefit obligation and plan assets of SPIMS were transferred to the AusNet Transmission Group's fund.

(e) Contingent liabilities and contingent assets

Judgements are made in relation to uncertain future events surrounding ATO disputes that may impact the AusNet Services Transmission Group's present obligations. Refer note 22 for further details.

Note 20 Key management personnel

Total remuneration for key management personnel during the year is set out below:

	2015 $	2014 $
Remuneration by category		
Short-term employee benefits	5,564,031	5,543,528
Post-employment benefits	411,091	383,017
Equity based payments	1,096,875	1,159,339
Other long-term benefits	162,158	142,167
	7,234,155	7,228,051

The Remuneration Report contained in the Directors' report contains details of the remuneration paid or payable to each member of AusNet Services Transmission Group's key management personnel for the year ended 31 March 2015.

Note 21 Remuneration of auditors

During the year the following fees were paid or payable for services provided by KPMG and its related practices:

(a) Audit and review services

	2015 $'000	2014 $'000
Audit and review of financial statements	453	401
Audit of regulatory returns (i)	189	308
Total remuneration for audit services	**642**	**709**

(b) Other services

Other assurance, taxation and advisory services	–	30
Total remuneration for other services	**–**	**30**
Total remuneration of auditors	**642**	**739**

(i) It is the AusNet Services Transmission Group's policy to employ KPMG to perform the audit of regulatory returns as these returns represent an extension of statutory audit services and need to be performed by the same audit firm to gain efficiencies and effectiveness in performing these audits.

Note 22 Contingent liabilities and contingent assets

Details of contingent liabilities and contingent assets of the AusNet Services Transmission Group are as follows:

(a) Section 163AA impost

During August 2011, the ATO issued amended assessments to AusNet Services in respect of the 2001 to 2006 income years, disallowing deductions claimed in respect of fees imposed under Section 163AA of the *Electricity Industry Act 1993* (Vic) in the 1999 to 2001 tax years. Under the amended assessments, the amount of primary tax payable is $54 million.

In October 2011, AusNet Services paid $30.6 million under a part-payment arrangement agreed with the ATO. A general interest charge continues to accrue in respect of unpaid tax under the payment arrangement, in addition to the total amount disclosed on the amended assessments.

AusNet Services lodged a notice of appeal and other documents in the Full Federal Court, appealing the ATO's amended assessments. On 7 April 2014, the Full Federal Court delivered judgment against AusNet Services' appeal. On the basis of this ruling, AusNet Services recognised the full amount potentially payable in the financial statements net of the amount part paid. As at 31 March 2015, the net tax potentially payable is $59.1 million.

On 12 December 2014, AusNet Services was granted special leave to appeal to the High Court of Australia in relation to the decision of the Full Federal Court. The High Court heard the appeal on 9 April 2015, and judgment is expected in the first half of 2015. AusNet Services continues to believe that the fees impost under Section 163AA are deductible.

(b) Intellectual Property

During September 2011 and October 2011, the ATO issued amended assessments to AusNet Services in respect of the 2001 to 2010 income years, disallowing deductions claimed in respect of intellectual property in each of those income years. Under the amended assessments, the amount payable is $44 million (representing $27.4 million of primary tax, plus an interest and administrative penalty component of $16.6 million).

In November 2011, AusNet Services lodged notices of objection in relation to the amended assessments issued, with AusNet Services making a part payment of $17.1 million. A general interest charge continues to accrue in respect of unpaid tax under the payment arrangement, in addition to the total amount disclosed on the amended assessments. As at 31 March 2015, the total amount in dispute for intellectual property deductions, including additional accrued interest on the unpaid portion of the amended assessments, is $53.4 million.

AusNet Services lodged a notice of appeal and other documents in the Federal Court. The Federal Court delivered judgment in favour of AusNet Services on 25 March 2014. The ATO subsequently lodged a notice of appeal in the Federal Court on 15 April 2014.

The ATO appeal was heard in the Full Court of the Federal Court in November 2014. On 6 May 2015, the Full Court allowed the ATO appeal in respect of the pre tax consolidation years, being 1998 to October 2005. The Federal Court's decision to remit the $2.3 million penalty imposed in respect of this period was not overturned. In relation to the post tax consolidation years (being October 2005 to 2011), the Full Court ordered that the matter be remitted back to the primary judge of the Federal Court for further hearing and determination.

In light of this judgment from the Full Court, and the significant uncertainty that has arisen, AusNet Services has recognised an $84.1 million tax charge for the year ended 31 March 2015. This represents the net exposure of the total dispute, after taking into account the deductibility of the interest component and excluding the $2.3 million of penalties.

Note 22 Contingent liabilities and contingent assets (continued)

(c) Other

AusNet Services is involved in various other legal and administrative proceedings and various claims on foot, the ultimate resolution of which, in the opinion of AusNet Services, should not have a material effect on the combined financial position, results of operations or cash flows.

Other than listed above, the Directors are not aware of any contingent liabilities as at 31 March 2015.

Note 23 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	2015 $M	2014 $M
Property, plant and equipment	113.0	138.6

(b) Lease commitments

Commitments in relation to leases contracted for at the reporting date but not recognised as a liability are as follows:

	2015 $M	2014 $M
Payable:		
Within one year	5.9	6.7
Later than one year, but no later than five years	26.1	5.7
Later than five years	5.4	2.9
	37.4	**15.3**
Representing:		
Non-cancellable operating leases	37.4	15.3

Operating leases

The AusNet Services Transmission Group's leases relate to premises, vehicles, network land and access sites under non-cancellable operating leases expiring within one to seven years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

Note 24 Related party transactions

(a) Parent entities

By virtue of the Stapling Deed effective 21 October 2005, AusNet Services Distribution is deemed to be the parent entity of the Stapled Group.

Prior to 3 January 2014, the immediate parent of AusNet Services Distribution was Singapore Power International Pte Ltd (SPI) and the ultimate parent was Temasek Holdings (Private) Limited (Temasek). SPI is a wholly owned subsidiary of Temasek. Temasek's shareholder is the Minister for Finance, a body corporate under the Minister for Finance (Incorporation) Act, Chapter 183 of Singapore. Both SPI and Temasek are incorporated in Singapore.

On 3 January 2014 State Grid Corporation of China (State Grid) acquired a 19.9 per cent securityholding in AusNet Services from SPI. Whilst SPI continues to be the largest securityholder in AusNet Services with a stake of 31.1 per cent, they ceased to be the parent of AusNet Services Distribution from that date. Under applicable accounting standards, both SPI and Temasek and their subsidiaries continue to be a related party of AusNet Services. These entities are not considered related parties under the *Corporations Act 2001*.

On 3 January 2014 SPI also divested 60 per cent of its securityholding in Jemena Asset Management Pty Ltd (referred to as Jemena) to State Grid. Under applicable accounting standards, State Grid and its subsidiaries (including Jemena) are related parties of AusNet Services. These entities are not considered related parties under the *Corporations Act 2001*.

(i) Logo

Up until 31 March 2014, Singapore Power Limited granted AusNet Services a licence for consideration of $1 million per year to use the 'flame logo' and image in connection with its business and the use of the terms 'SP', 'SP Australia Networks' and 'SP AusNet'. The fee payable was on normal commercial terms. This arrangement ceased on 30 September 2014 when AusNet Services discontinued the use of the logo, and other 'SP' related branding.

(b) Other related parties

(i) Management Services Agreement (MSA)

SPIMS is a wholly-owned subsidiary of related party SPI, and up until 31 March 2014 was a party to two management services agreements (MSAs) with AusNet Services Distribution and AusNet Services Transmission. Prior to 31 March 2014, AusNet Services' senior management were employees of SPIMS. SPIMS charged AusNet Services various management service and performance fees in relation to these employees. The MSAs were terminated on 31 March 2014 and all SPIMS employees became AusNet Services employees. There were no further management service or performance fee payments under the MSA from 1 April 2014.

(ii) Long-term operational agreement

On 29 September 2008, AusNet Services entered into an agreement with the Singapore Power Group on a number of operational arrangements. AusNet Services through Select Solutions provides end-to-end metering services, technical services and vegetation management services to the electricity and gas networks owned and managed by Jemena. As part of the agreement, Jemena's contestable metering customer contracts were novated to AusNet Services who took over the responsibility for delivering contestable metering services to those customers.

To ensure continued capital investment and deliver network growth, Jemena has been appointed to AusNet Services' preferred supplier panel, securing resources for the delivery of AusNet Services' capital portfolio.

Each of the above arrangements was for an initial five-year term and were renewed in August 2013 for an additional three year term. The agreements will then continue for further five-year terms unless terminated by either party by giving notice to terminate at the end of the current term. The arrangements may also be terminated early by either party in certain circumstances.

(iii) IT services agreement

On 29 September 2008, AusNet Services entered into an agreement with a wholly-owned subsidiary of SPIMS, Enterprise Business Services (Australia) Pty Ltd (EBS), for it to be the provider to AusNet Services of IT services. The agreement was for an initial term of seven years, however, following the termination of the MSA, these IT services were internalised into AusNet Services' business on 1 July 2014. EBS employees who had provided these services became AusNet Services employees from that date.

(c) Key management personnel

Disclosures relating to Directors and other key management personnel are set out in note 20.

(d) Transactions with related parties

Prior to 3 January 2014, the ultimate parent of the AusNet Services Transmission Group was Temasek. The AusNet Services Transmission Group engages in a variety of transactions with entities in the Temasek Group in the normal course of business on terms similar to those available to other customers. Such transactions include but are not limited to telecommunication services and leasing of properties. These related party transactions are carried out on terms negotiated between the parties which reflect an arm's-length basis. As a result, transactions with Temasek interests, other than the Singapore Power Group, have been excluded from the disclosures below.

The AusNet Services Transmission Group also provides electricity transmission services to the Singapore Power Group and Jemena. The AusNet Services Transmission Group earns a regulated return from the provision of these services as these services are regulated by the AER.

The following transactions occurred with related parties within the AusNet Services, Singapore Power and State Grid Groups for the entire financial year:

	2015 $'000	2014 $'000
Sales of goods and services		
Regulated revenue (i)	17,418	32,213
Service revenue	7,399	5,945
Other revenue	221	88
Purchases of goods and services		
Management services charge	–	6,524
Performance fees	–	6,788
Termination fee	–	15,896
Flame logo fee	200	400
Other expenses	356	5,082
Property, plant and equipment	18,679	18,659
Loans from related parties		
Loans received from:		
Other related parties	1,176,496	1,154,716
Loan repayments to:		
Other related parties	1,088,100	1,079,204
Interest expense		
Other related parties	161,724	216,088
Dividend paid		
Fully franked dividend	62,475	47,430

(i) Represents revenues from the provision of electricity transmission services which are regulated by the AER.

Note 24 Related party transactions (continued)

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties within the AusNet Services, Singapore Power and State Grid Groups:

	2015 $'000	2014 $'000
Current receivables (sale of goods and services)		
Singapore Power entities	–	128
Other related parties (i)	4,000	4,041
Other current assets (prepayments)		
Singapore Power entities	–	200
Other related parties (i)	–	–
Current payables and other liabilities (purchase of goods)		
Singapore Power entities	29	6,070
Other related parties	6,534	6,267
Current payables (loans)		
Other related parties	1,637,822	1,590,838
Non-current payables (loans)		
Other related parties	2,118,967	2,077,554

No allowance for impairment loss has been raised in relation to any outstanding balances due from related parties.

(i) Includes outstanding balances from the provision of electricity transmission services which are regulated by the AER.

(f) Terms and conditions

Prior to 16 December 2008, AusNet Services Finance Trust had two loan agreements in place ('existing loan agreements') with AusNet Services Transmission. On 16 December 2008, AusNet Services Finance Trust entered into two additional loan agreements for the proceeds received under the DRP ('DRP loan agreements') with AusNet Services Transmission. At 31 March 2015, the amounts outstanding under these loan agreements (excluding any accrued interest) and the applicable interest rates were:

	Closing balance (excluding accrued interest) $M	Interest rate %
31 March 2015		
Existing loan	591.4	–
Existing loan	394.2	6.71
DRP loan	27.1	–
DRP loan	592.3	6.71
	1,605.0	
31 March 2014		
Existing loan	591.4	–
Existing loan	394.2	8.09
DRP loan	566.6	8.09
	1,552.2	

The amount of accrued interest as at 31 March 2015 was $32.8 million (2014: $38.6 million).

(i) Existing loan agreements

The existing loan agreements are each for a term of ten years. The loan agreements mature in October 2015. All the loan agreements have similar terms and conditions which have been complied with and can be summarised as follows:

> the interest rate to apply to the loans are set annually at the Bank Bill Swap Rate (BBSW) plus a margin;

> interest accrues from day to day and is payable on the last day of the interest period, being every six months;

> interest which is payable may be capitalised by the Lender at intervals which the Lender determines or if no determination is made on the first day of each quarter;

> the Borrower must repay the principal outstanding and any accrued but unpaid interest on or before the end of the term of the agreement;

> the Lender may demand repayment of the outstanding principal and any unpaid accrued interest on demand by giving at least 28 days' notice (or a shorter period agreed between the parties);

> the Borrower can prepay outstanding principal and any unpaid accrued interest by giving at least 28 days' notice (or a shorter period agreed between parties); and

> the Lender may terminate its obligations if an event of default occurs.

(ii) DRP loan agreements

The DRP loan agreements are each for a term of ten years. The loan agreements with AusNet Services Transmission mature in December 2018. All the loan agreements have similar terms and conditions which have been complied with. These terms and conditions are the same as those in the existing loan agreements (refer note 24(f)(i)). The loans from AusNet Services Finance Trust are unsecured and are not guaranteed by any of AusNet Services Transmission's subsidiaries.

Note 25 Subsidiaries

The AusNet Services Transmission Group's financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	Country of incorporation	Class of shares	Equity holding 2015 %	Equity holding 2014 %
AusNet Transmission Group Pty Ltd	Australia	Ordinary	100	100
AusNet Finance Pty Ltd	Australia	Ordinary	100	100
Geomatic Holdings Pty Ltd	Australia	Ordinary	100	100
Geomatic Technologies Pty Ltd	Australia	Ordinary	100	100
AusNet Services Insurance Ltd (i)	Guernsey	Ordinary	100	–

AusNet Services Transmission is the legal parent entity of the AusNet Services Transmission Group, however, AusNet Transmission Group Pty Ltd is the accounting parent entity of the AusNet Services Transmission Group (refer note 1(b)(i)).

(i) AusNet Services Insurance Ltd was incorporated as a subsidiary of AusNet Transmission Group Pty Ltd on 8 May 2014 for the purposes of providing insurance services to the Stapled Group.

Note 26 Parent entity information

(a) Statement of financial position

	2015 $M	2014 $M
Current assets	240.1	214.5
Non-current assets	1,596.9	1,596.9
Total assets	**1,837.0**	**1,811.4**
Current liabilities	1,755.3	1,674.2
Non-current liabilities	133.4	57.6
Total liabilities	**1,888.7**	**1,731.8**
Retained profits	(51.7)	79.6
Total equity	**(51.7)**	**79.6**

The parent entity has a current net asset deficiency of $1,515.2 million as at 31 March 2015. The parent entity is considered to be a going concern as the deficiency arises from related party loans with AusNet Services Finance Trust. Whilst repayable on demand, the loan agreements are for terms of ten years, and mature in October 2015 and December 2018. The Directors expect that following implementation of the restructuring of the stapled group in June 2015, AusNet Services Transmission will be able to settle these obligations in a manner which will not require it to obtain further financing. In the event that the restructure is not implemented, AusNet Services Transmission will need to refinance these loans.

The parent entity has access to funds through AusNet Services Holdings Pty Ltd, which is the common or central funding vehicle for the Stapled Group.

(b) Statement of comprehensive incomes

	2015 $M	2014 $M
Profit for the year	(8.7)	89.3
Total comprehensive income for the year	(8.7)	89.3

(c) Contingent liabilities

Other than the contingent liabilities disclosed in note 22, the Directors are not aware of any other contingent liabilities of the parent entity as at 31 March 2015.

Note 27 Reconciliation of profit after income tax to net cash flows from operating activities

	2015 $M	2014 $M
Profit for the year	15.3	13.5
Depreciation of non-current assets	98.4	97.0
Net (gain)/loss on sale of non-current assets	(1.1)	1.4
Intellectual property tax dispute – write-off of deferred tax asset	40.1	–
Other non-cash items	2.4	2.2
Net cash from operations before changes in operating assets and liabilities	**155.1**	**114.1**
(Increase)/decrease in receivables	13.0	1.2
(Increase)/decrease in inventories	(0.2)	(1.3)
(Increase)/decrease in other assets	1.5	3.4
Increase/(decrease) in payables and other liabilities	2.6	5.2
Increase/(decrease) in net other financial assets and liabilities	(2.3)	(2.3)
Increase/(decrease) in provisions	(3.4)	12.7
Movement in tax balances	98.7	94.9
Net cash inflow from operating activities	**265.0**	**227.9**

Note 28 Events occurring after the balance sheet date

(a) Corporate restructure

On 22 April 2015, AusNet Services released a securityholder booklet for the restructure and simplification proposal (Proposal) under which the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd). The Proposal is subject to applicable regulatory approvals and requires the approval of securityholders at the securityholder meeting on 29 May 2015. The Proposal would be implemented by way of company and trust schemes of arrangement. AusNet Services is targeting an implementation date of 18 June 2015.

(b) Dividend

Since the end of the financial year, the Directors have approved a final dividend for 2015 of $76.8 million (2.217 cents per share), to be paid on 26 June 2015, comprised as follows:

	Cents per share	Total dividend $M
Fully franked dividend	2.217	76.8
	2.217	76.8

If the proposed restructure is implemented prior to the dividend date, this dividend will be made to AusNet Services Ltd.

(c) Intellectual property tax dispute

On 6 May 2015, the Full Court of the Federal Court allowed the ATO appeal in relation to the intellectual property tax dispute for the pre tax consolidation years, being 1998 to October 2005. The Federal Court's decision to remit the $2.3 million penalty imposed in respect of this period was not overturned. In relation to the post tax consolidation years (being October 2005 to 2011), the Full Court ordered that the matter be remitted back to the primary judge of the Federal Court for further hearing and determination.

(d) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 31 March 2015 up to the date of issue of this financial report that has significantly affected or may significantly affect:

> the operations in financial years subsequent to 31 March 2015 of the AusNet Services Transmission Group;

> the results of those operations; or

> the state of affairs, in financial years subsequent to 31 March 2015, of the AusNet Services Transmission Group.

Directors' declaration

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

(a) the financial statements and notes set out on pages 139 to 174, and the remuneration disclosures that are contained in the *Remuneration report* set out on pages 125 to 136 in the *Directors' report*, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards, and the *Corporations Regulations 2001*; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2015 and of its performance for the financial year ended on that date.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a); and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

Ng Kee Choe
Chairman

Nino Ficca
Managing Director

Melbourne
13 May 2015

Independent auditor's report to the members of AusNet Services (Transmission) Ltd

Report on the financial report

We have audited the accompanying financial report of AusNet Services (Transmission) Ltd (the Company), which comprises the consolidated statement of financial position as at 31 March 2015, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 28 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view 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 financial report that is free from material misstatement whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 March 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 125 to 136 of the directors' report for the year ended 31 March 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of AusNet Services (Transmission) Ltd for the year ended 31 March 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Michael Bray
Partner

Melbourne

13 May 2015

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AusNet Services Finance Trust

(formerly SP Australia Networks (Finance) Trust)
ARSN 116 783 914

FINANCIAL REPORT

For the financial year ended 31 March 2015

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The financial report is presented in Australian dollars.

AusNet Services Finance Trust is a trust established under the laws of the State of Victoria and is domiciled in Victoria, Australia. Its registered office and principal place of business is:

Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006
Australia

A description of the nature of AusNet Services Finance Trust's operations and its principal activities is included in the Directors' report.

The financial report was authorised for issue by the Directors of the trustee AusNet Services (RE) Ltd on 13 May 2015.

Directors' report

Introduction to the Directors' report

The Directors of the trustee of AusNet Services Finance Trust, AusNet Services (RE) Ltd (ACN 109 977 371) (the Responsible Entity), present their report on the general purpose financial report of AusNet Services Finance Trust for the financial year ended 31 March 2015.

On 21 October 2005 pursuant to the Stapling Deed, a unit in AusNet Services Finance Trust was stapled to a share in AusNet Services (Transmission) Ltd (AusNet Services Transmission) and to a share in AusNet Services (Distribution) Ltd (AusNet Services Distribution). On 14 December 2005 the Stapled Group was listed on the Australian Securities Exchange (ASX) and the Singapore Exchange Securities Trading Limited (SGX ST). The Stapled Group is also referred to as AusNet Services.

So long as the three entities remain jointly quoted, the number of units in AusNet Services Finance Trust and the number of shares in each of AusNet Services Transmission and AusNet Services Distribution shall be equal and unitholders and shareholders shall be identical.

AusNet Services Finance Trust, AusNet Services (RE) Limited, AusNet Services Transmission, AusNet Services Distribution, and AusNet Services were formerly known as SP Australia Networks (Finance) Trust, SP Australia Networks (RE) Limited, SP Australia Networks (Transmission) Ltd, SP Australia Networks (Distribution) Ltd, and SP AusNet respectively up until 4 August 2014.

Restructure and simplification of the Stapled Group

AusNet Services has released a securityholder booklet for the restructure and simplification proposal (Proposal) under which the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd). The Proposal is subject to applicable regulatory approvals and requires the approval of securityholders and the Court. The Proposal would be implemented by way of company and trust schemes of arrangement. The securityholder meeting date has been scheduled for 29 May 2015 and AusNet Services is targeting an implementation date of 18 June 2015.

If the Proposal is approved and implemented:

- eligible securityholders will simply hold shares in AusNet Services Ltd (instead of their current triple-stapled security) in the same proportion as the stapled securities they currently hold*;
- there will be no capital raising or return of capital as part of the Proposal and securityholders will not be required to pay any cash consideration;
- there will be no change to the composition of the AusNet Services Board, management or the operations of AusNet Services as a result of any restructure; and
- future periodic distributions are expected to be paid entirely as dividends and AusNet Services expects that there will be a higher franked component of future distributions but those distributions will not include any AusNet Services Finance Trust distribution components as they have historically.

Directors

AusNet Services Finance Trust is registered, as a managed investment scheme, under Chapter 5C of the *Corporations Act 2001* (Cth) and, as a result, requires a responsible entity. The Responsible Entity is responsible for performing all functions that are required under the Corporations Act of a responsible entity.

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

Non-executive Directors

Ng Kee Choe (Chairman)

Ralph **Craven**

Jeremy Guy Ashcroft **Davis** AM (retired effective 17 July 2014)

Sally Marie **Farrier**

Eric **Gwee** Teck Hai (retired effective 17 July 2014)

Ho Tian Yee

Antonino (Tony) Mario **Iannello**

Tina Renna **McMeckan**

Ian Andrew **Renard** AM

Sun Jianxing

Executive Director

Nino **Ficca** (Managing Director)

Principal activities

The principal activity of AusNet Services Finance Trust is to provide financing to both AusNet Services Distribution and AusNet Services Transmission as well as to facilitate distributions to unitholders in the nature of interest income and returns of capital as applicable for Australian taxation purposes.

*Certain foreign securityholders who AusNet Services determines it would be illegal or unduly onerous to allow to receive shares in AusNet Services Ltd under the Proposal will not receive those shares, and will instead have their investment in AusNet Services sold on market by a nominee and the proceeds of that sale remitted to them in cash. AusNet Services expects that only a small proportion of its securityholders will be ineligible.

Review of operations

A summary of AusNet Services Finance Trust's revenues and results is set out below:

	2015 $M	2014 $M
Interest income	135.9	161.4
Profit for the year	**135.9**	**161.4**

Discussion and analysis for the period year ended 31 March 2015

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

AusNet Services Finance Trust reported a net profit of $135.9 million for the year ended 31 March 2015, which comprised interest earned from other entities in the Stapled Group. AusNet Services Finance Trust does not have any trading operations and does not incur any expenses. Its purpose is to provide financing to both AusNet Services Distribution and AusNet Services Transmission as well as to facilitate distributions to unitholders.

Financial position

AusNet Services Finance Trust's total assets as at 31 March 2015 were $2,874.5 million comprising amounts due from other entities in the Stapled Group.

AusNet Services Finance Trust had no liabilities as at 31 March 2015.

Unitholders' funds were $2,874.5 million as at 31 March 2015.

Distributions

Distributions paid to unitholders during the financial year were as follows:

	Final 2014 distribution		Interim 2015 distribution	
	Cents per unit	Total distribution $M	Cents per unit	Total distribution $M
Interest income paid by AusNet Services Finance Trust	2.379	80.6	1.980	67.8
Return of capital paid by AusNet Services Finance Trust	0.408	13.8	–	–
Total distributions	**2.787**	**94.4**	**1.980**	**67.8**

In relation to the final distribution paid on 27 June 2014 of $94.4 million, $51.4 million was utilised in the allotment of new securities issued under the Distribution Reinvestment Plan (DRP). In relation to the interim distribution paid on 24 December 2014 of $67.8 million, $54.2 million was utilised in the allotment of new securities issued under the DRP.

Since the end of the financial year, the Directors of the Responsible Entity have approved a final distribution for 31 March 2015 of $68.1 million (1.963 cents per unit) to be paid on 26 June 2015 comprised as follows:

	Cents per unit	Total distribution $M
Interest income	1.963	68.1
	1.963	**68.1**

The DRP will be in operation for the final 2015 distribution at a two per cent discount to the average of the volume weighted average price.

If the restructure is implemented prior to the distribution payment date, which is currently anticipated (subject to Court and Securityholder approval) this distribution will be made to AusNet Services Ltd rather than Securityholders. AusNet Services Ltd will then pay a distribution to shareholders as indicated in the financial statements of AusNet Services (Distribution) Ltd.

Significant changes in the state of affairs

Other than referred to above, in the opinion of the Directors of Responsible Entity, there were no significant changes in the state of affairs of the AusNet Services Finance Trust that occurred during the year under review.

Matters subsequent to the end of the financial year

Distribution

Since the end of the financial year, the Directors of the Responsible Entity have approved a final distribution for 2015 of $68.1 million (1.963 cents per stapled security) to be paid on 26 June 2015.

With the exception of the distribution outlined above, the Directors of the Responsible Entity are not aware of any circumstances that have arisen since 31 March 2015 that have significantly affected or may significantly affect the operations, and results of those operations or the state of affairs, of the AusNet Services Finance Trust in financial years subsequent to 31 March 2015.

Environmental regulation

AusNet Services Finance Trust does not conduct any operations that are subject to any particular and significant environmental regulation.

Fees paid to and interest held in AusNet Services Finance Trust by the Responsible Entity or its Associates

No fees have been paid to the Responsible Entity or to the Directors of the Responsible Entity during the year out of the property of AusNet Services Finance Trust.

Interests in AusNet Services Finance Trust issued during the financial year

	2015	2014
Units on issue at the start of the year	3,386,607,080	3,367,543,113
Units issued under institutional and retail capital raisings	–	-
Units issued under the Distribution Reinvestment Plan	80,305,929	19,063,967
Units on issue at the end of the year	3,466,913,009	3,386,607,080

Information on Directors

Ng Kee Choe – *Chairman – Non-executive*

Bachelor of Science (Honours), University of Singapore

Experience and expertise

Mr Ng serves as Chairman of CapitaLand Ltd. He is also President-Commissioner of PT Bank Danamon Indonesia, Tbk. Mr Ng is a Director of Fullerton Financial Holdings Pte Ltd. He is a member of the International Advisory Council of China Development Bank and Chairman of Tanah Merah Country Club. Mr Ng was formerly the Chairman and Director of Singapore Power Limited, CapitaMalls Asia Limited and NTUC Income Insurance Co-Operative Limited. He served as a Director of Singapore Airport Terminal Services Limited and Singapore Exchange Limited. He was also Vice-Chairman and Director of DBS Group Holdings, retiring from his executive position in 2003 after 33 years' service.

Other current listed company directorships

PT Bank Danamon Indonesia, Tbk (2004 to date) (Jakarta Stock Exchange listed entity)

CapitaLand Limited (2010 to date) (SGX-ST listed entity)

Former listed company directorships in last 3 years

Singapore Airport Terminal Services Ltd (2000 to 2012) (SGX-ST listed entity)

Singapore Exchange Ltd (2003 to 2014) (SGX-ST listed entity)

CapitaMalls Asia Limited (2013 to 2014) (SGX-ST and Hong Kong Stock Exchange Listed entity)

Date of initial appointment

AusNet Services Transmission – 26 October 2005
AusNet Services Distribution – 31 May 2005
Responsible Entity – 9 September 2005
AusNet Services Limited – 14 April 2015

Special responsibilities

Chairman of the AusNet Services Board, Chairman of the Nomination Committee and Chairman of the Issuing Committee.

Nino Ficca – *Managing Director*

Bachelor of Engineering (Electrical) (Honours), Deakin University
Graduate Diploma Management, Deakin University
Advanced Management Programme, Harvard Business School, USA

Experience and expertise

Mr Ficca has over 30 years' experience in the energy industry, including numerous senior management roles with AusNet Transmission Group Pty Ltd (formerly SPI PowerNet Pty Ltd) including as Managing Director since 2003. Mr Ficca is a Director of Energy Networks Association Limited and a member of the National Energy Market Operations Committee. He is Chair of the Deakin University Engineering Advisory Board. Mr Ficca recently resigned as a Director of SPI Management Services Pty Ltd. He was formerly Deputy Chairman and Director of the Energy Supply Association of Australia.

Other current listed company directorships

None

Former listed company directorships in last 3 years

None

Date of initial appointment

AusNet Services Transmission – 7 September 2005
AusNet Services Distribution – 31 May 2005
Responsible Entity – 31 May 2005
AusNet Services Limited – 11 December 2014

Special responsibilities

Managing Director and member of the Bushfire Litigation Committee and the Issuing Committee.

Information on Directors (continued)

Ralph Craven – *Non-executive Director*

Bachelor of Engineering (Electrical - Honours), University of Queensland
Doctor of Philosophy, University of New South Wales
Postgraduate Diploma in Management, Deakin University
Postgraduate Diploma in Information Processing, University of Queensland

Experience and expertise

Ralph Craven has broad experience in energy, resources and infrastructure having worked in these sectors for over 35 years. His professional background encompasses electricity and gas businesses, mining, commodities trading, and the management of large scale system operations at the national level and the delivery of major infrastructure projects. Dr Craven is currently a Director of Senex Energy Limited and Windlab Limited. He is a Director of the International Electrotechnology Commission (IEC) and Chair of the IEC National Committee of Australia. Other recent directorships include being Chair of Invion Limited, Chair of the Audit Committee of Mitchell Services Limited and Chair of Genex Power Limited. He was formerly Chair of Ergon Energy Corporation Limited, Tully Sugar Limited and Deputy Chair of Arrow Energy Ltd. Dr Craven was CEO of Transpower New Zealand Limited and also held senior executive positions in Shell Coal Pty Ltd and NRG Asia Pacific Limited.

Other current listed company directorships

Senex Energy Limited (2011 to date)

Former listed company directorships in last 3 years

Invion Limited (2011 to April 2015)
Mitchell Services Limited (2011 to November 2014)

Date of initial appointment

AusNet Services Transmission – 24 January 2014
AusNet Services Distribution – 24 January 2014
Responsible Entity – 24 January 2014
AusNet Services Limited – 14 April 2015

Special responsibilities

Member of the Audit and Risk Management Committee, the Compliance Committee and the Bushfire Litigation Committee.

Sally Marie Farrier – *Independent Non-executive Director*

Bachelor of Chemical and Process Engineering (First Class Honours), University of Canterbury, New Zealand
Masters of Business Administration, Victoria University of Wellington
Post Graduate Diploma in Finance and Investment Analysis, Securities Institute of Australia

Experience and expertise

Ms Farrier is currently a Director of Meridian Energy Limited and a founding Director of Farrier Swier Consulting Pty Limited. Past directorships include Manidis Roberts Pty Limited, Hydro Tasmania and Western Power. In addition, Ms Farrier has served as a National Water Commissioner, and in Victoria, she was a Member of the Victorian Water Trust Advisory Council. She is a Member of the Australian Institute of Company Directors and a Fellow of the Financial Services Institute of Australasia.

Other current listed company directorships

Meridian Energy Limited (2012 to date) (New Zealand Stock Exchange Listed Company)

Former listed company directorships in last 3 years

None

Date of initial appointment

AusNet Services Transmission – 24 January 2014
AusNet Services Distribution – 24 January 2014
Responsible Entity – 24 January 2014
AusNet Services Limited – 14 April 2015

Special responsibilities

Member of the Audit and Risk Management Committee and the Compliance Committee.

Ho Tian Yee – *Non-executive Director*

Bachelor of Arts (Economics), Portsmouth University, UK

Experience and expertise

Mr Ho is currently the Managing Director and principal shareholder of Pacific Asset Management (S) Pte Ltd, and an investment advisor to Blue Edge Advisors Pte Ltd. Mr Ho was previously the General Manager and Managing Director of Bankers Trust Company, Singapore. He currently serves as a non-executive director of DBS Group Holdings Ltd, DBS Bank Ltd and Fullerton Funds Management Company Limited. He is also a Board member of Singapore Power Limited.

Other current listed company directorships

DBS Group Holdings Ltd (2011 to date) (SGX-ST listed company)
DBS Bank Ltd (2011 to date) (SGX-ST listed company)

Former listed company directorships in last 3 years

Singapore Exchange Ltd (1999 to 2013) (SGX-ST listed company)

Date of initial appointment

AusNet Services Transmission – 1 September 2008
AusNet Services Distribution – 1 September 2008
Responsible Entity – 1 September 2008
AusNet Services Limited – 14 April 2015

Special responsibilities

Member of the Nomination Committee, the Remuneration Committee and the Issuing Committee.

Antonino (Tony) Mario Iannello – *Independent Non-executive Director*

Bachelor of Commerce, University of Western Australia
Advanced Management Programme, Harvard Business School, USA

Experience and expertise

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

Other current listed company directorships

ERM Power Ltd (2010 to date)
Empire Oil and Gas NL (2013 to date)

Former listed company directorships in last 3 years

Energia Minerals Ltd (2010 to 2014)

Date of initial appointment

AusNet Services Transmission – 6 June 2006
AusNet Services Distribution – 6 June 2006
Responsible Entity – 6 June 2006
AusNet Services Limited – 14 April 2015

Special responsibilities

Chairman of the Audit and Risk Management Committee and member of the Nomination Committee, the Bushfire Litigation Committee and the Issuing Committee.

Tina Renna McMeckan – *Independent Non-executive Director*

Bachelor of Liberal Arts &.Science, San Diego State University, California, USA
Master of Business Administration, University of Melbourne

Experience and expertise

Ms McMeckan is a Director of the Global Carbon Capture and Storage Institute, Circadian Technologies Ltd and the Cooperative Research Centre for Spatial Information. She is a former Chair of the Centre for Eye Research Australia and a former Director of Metlink Victoria Pty Ltd, Viscorp Limited and the National Board of Norton Rose law firm. Ms McMeckan was previously an executive manager with GPU PowerNet and the SECV Energy Traders, and a project manager with the Victorian Department of Treasury and Finance on gas industry reform.

Other current listed company directorships

Circadian Technologies Limited (2008 to date)

Former listed company directorships in last 3 years

None

Date of initial appointment

AusNet Services Transmission – 9 August 2010
AusNet Services Distribution – 9 August 2010
Responsible Entity – 9 August 2010
AusNet Services Limited – 14 April 2015

Special responsibilities

Chairman of the Compliance Committee and a member of the Remuneration Committee and the Audit and Risk Management Committee.

Ian Andrew Renard AM – *Independent Non-executive Director*

Bachelor of Arts, University of Melbourne
Master of Laws, University of Melbourne
Doctor of Laws (Hon), University of Melbourne

Experience and expertise

Mr Renard is a Director of Hillview Quarries Pty Ltd and a trustee of the R E Ross Trust. Mr Renard was formerly a Director of a number of public listed companies. He served as Chancellor of the University of Melbourne from 2005 to 2009, and was formerly a partner of the law firm Arthur Robinson & Hedderwicks, including a term as the firm's full-time Managing Partner.

Other current listed company directorships

None

Former listed company directorships in last 3 years

CSL Ltd (1998 to 2013)

Date of initial appointment

AusNet Services Transmission – 26 October 2005
AusNet Services Distribution – 31 May 2005
Responsible Entity – 9 September 2005
AusNet Services Limited – 14 April 2015

Special responsibilities

Chairman of the Remuneration Committee and the Bushfire Litigation Committee and member of the Nomination Committee.

Sun Jianxing – *Non-executive Director*

Bachelor of Engineering, Northeast Dianli University, China

Experience and expertise

Mr Sun is a Non-executive Director of ElectraNet and currently holds the role of Head of State Grid Corporation of China Australia Representative Office. His previous roles include Deputy CEO of State Grid Energy Development Company Ltd, Deputy Director General of Materials & Equipment Supplying Department, State Grid Corporation of China, Chief Engineer of State Grid Shenzhen Energy Developments Ltd and Division Chief of Department of International Affairs, State Grid Corporation of China. In his early years, Mr Sun also worked as a Senior Engineer at the China General Institute for Electric Power Planning and Designing.

Other current listed company directorships

None

Former listed company directorships in last 3 years

None

Date of initial appointment

AusNet Services Transmission – 24 January 2014
AusNet Services Distribution – 24 January 2014
Responsible Entity – 24 January 2014
AusNet Services Limited – 14 April 2015

Special responsibilities

Member of the Nomination Committee and the Remuneration Committee.

Company Secretary

Susan Elizabeth Taylor

Bachelor of Laws, University of Melbourne
Bachelor of Commerce, University of Melbourne
Graduate Diploma in Corporations and Securities Law, University of Melbourne

Ms Taylor has been Company Secretary of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity since 6 October 2008 and Company Secretary of AusNet Services Ltd from 11 December 2014. She has over 25 years' experience in energy transactional and regulatory law. She was formerly a partner at the Australian law firm Freehills and Senior Attorney with the U.S. Federal Energy Regulatory Commission, with a mergers and acquisitions, corporations and competition law background.

Meetings of Directors

The number of meetings of the Board of Directors of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity held during the year ended 31 March 2015, and the number of meetings attended by each Director, are set out in the following table. All meetings were held jointly.

	Board of AusNet Services Distribution		Board of AusNet Services Transmission		Board of Responsible Entity	
	A	B	A	B	A	B
Ng Kee Choe	13	14	13	14	13	14
Nino **Ficca**	13	14	13	14	13	14
Jeremy **Davis**[1]	5	5	5	5	5	5
Eric **Gwee**[1]	3	5	3	5	3	5
Ho Tian Yee	11	14	11	14	11	14
Tony **Iannello**	13	14	13	14	13	14
Tina **McMeckan**	14	14	14	14	14	14
Ian **Renard**	14	14	14	14	14	14
Sun Jianxing	10	14	10	14	10	14
Ralph **Craven**	14	14	14	14	14	14
Sally **Farrier**	13	14	13	14	13	14

1 Mr Davis and Mr Gwee retired as Non-Executive Directors effective 17 July 2014.

A = Number of meetings attended

B = Number of meetings held during the time the Director held office

The number of meetings of each standing Board committee of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity held during the year ended 31 March 2015, and the number of meetings attended by each Director, are set out in the following table.

	Audit and Risk Management Committee		Compliance Committee		Nomination Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B
Ng Kee Choe	**	**	**	**	3	3	**	**
Nino **Ficca**	**	**	**	**	**	**	**	**
Jeremy **Davis**[1]	1	1	**	**	**	**	**	**
Eric **Gwee**[1]	0	1	**	**	**	**	0	1
Ho Tian Yee	**	**	**	**	3	3	3	5
Tony **Iannello**	6	6	**	**	3	3	**	**
Tina **McMeckan**	6	6	4	4	**	**	5	5
Ian **Renard**	**	**	**	**	3	3	5	5
Sun Jianxing	**	**	**	**	2	3	5	5
Ralph **Craven**	6	6	4	4	**	**	**	**
Sally **Farrier**	6	6	4	4	**	**	**	**

1 Mr Davis and Mr Gwee retired as Non-Executive Directors effective 17 July 2014.

A = Number of meetings attended

B = Number of meetings held during the time the Director held office

**** = Not a member of the relevant committee**

The number of meetings of the Bushfire Litigation Committee and the Issuing Committee held during the year ended 31 March 2015, and the number of meetings attended by each Director, are set out in the following table.

	Bushfire Litigation Committee		Issuing Committee	
	A	B	A	B
Ng Kee Choe	**	**	1	1
Nino **Ficca**	7	8	1	1
Jeremy **Davis**[1]	2	2	**	**
Ralph **Craven**	7	8	**	**
Ho Tian Yee	**	**	1	1
Tony **Iannello**	8	8	0	1
Ian **Renard**	8	8	**	**

1 Mr Davis retired as a Non-Executive Director effective 17 July 2014.

A = Number of meetings attended

B = Number of meetings held during the time the Director held office

**** = Not a member of the relevant committee**

Directors' report – Remuneration report (audited)

Introduction to remuneration report

The remuneration report for the year ended 31 March 2015 outlines the remuneration arrangements of the company and the AusNet Services Group in accordance with the requirements of the *Corporations Act 2001*(Cth) and its regulations. This information has been audited as required by section 308 (3C) of the Corporations Act.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP). KMP are those persons who have authority and responsibility for planning, directing and controlling the major activities of the company and the AusNet Services Group directly or indirectly, including any Director of the parent company.

In performing its role, the Board and Remuneration Committee may directly commission and receive information and advice from independent external advisers to ensure remuneration recommendations in relation to KMP are free from undue influence by management.

In March 2010, the Remuneration Committee appointed PwC as its remuneration adviser. This appointment was formalised in August 2011 following changes to the Corporations Act in relation to the appointment of remuneration advisers. In August 2014, the Remuneration Committee re-appointed PwC as its remuneration advisor for a further 12 months.

No remuneration recommendations were provided by PwC to the Remuneration Committee or Board during the reporting period. Advice was provided to the Remuneration Committee by PwC during the reporting period which outlined the current overall market conditions and external pay practices amongst a selected peer comparator group. This advice included an analysis of existing levels of fixed and performance remuneration of AusNet Services' KMP and executives and assisted the Board in reviewing and determining overall remuneration outcomes for the KMP and executives for the reporting period.

Details of key management personnel

The Directors and other KMP of AusNet Services are engaged to provide services to the AusNet Services Group and are not exclusive to any particular entity within AusNet Services. Accordingly, this report includes information that is common to AusNet Services Distribution, AusNet Services Transmission (together 'the Companies') and the Responsible Entity. The remuneration amounts reported represent the total remuneration received by KMP during the year for services to the AusNet Services Group, and have not been apportioned between particular entities within the AusNet Services Group.

The persons listed below were Directors of AusNet Services for the whole of the financial year and up to the date of this report unless otherwise noted. There have been no additional appointments or resignations of Directors throughout the reporting period.

Name	Position
Ng Kee Choe	Non-executive Chairman
Nino **Ficca**	Managing Director
Ralph **Craven**	Non-executive Director
Jeremy **Davis**	Non-executive Director (retired 17 July 2014)
Sally **Farrier**	Non-executive Director
Eric **Gwee**	Non-executive Director (retired 17 July 2014)
Ho Tian Yee	Non-executive Director
Tony **Iannello**	Non-executive Director
Sun Jianxing	Non-executive Director
Tina **McMeckan**	Non-executive Director
Ian **Renard**	Non-executive Director

The persons listed below were KMP of AusNet Services during the financial year ended 31 March 2015.

Name	Position
Nino **Ficca**	Managing Director
John **Azaris**	General Manager Service Delivery
Chad **Hymas**	General Manager Strategy & Business Development
John **Kelso**	General Manager Select Solutions
Adam **Newman**	Chief Financial Officer
Alistair **Parker**	General Manager Asset Management
Mario **Tieppo**	Chief Information Officer

On 31 March 2014, AusNet Services, Singapore Power and SPI Management Services entered into a Termination Deed, pursuant to which they agreed to terminate the Management Services Agreement with effect from 31 March 2014. As a result of this termination, KMP and other employees who were previously employed by SPI Management Services were offered, and accepted, employment with AusNet Services, under either SPI Electricity Pty Ltd or SPI PowerNet Pty Ltd, on the same terms as their existing remuneration arrangements, including the preservation of all existing entitlements and participation in incentive arrangements effective 1 April 2014.

Stapled Group performance

AusNet Services' executive remuneration is directly linked to the performance of the Stapled Group across a range of measures. The Short-Term Incentive (STI) is focussed on achieving operational targets and short-term profitability and the Long-Term Incentive (LTI) is focussed on achieving long-term growth and retaining talented executives.

The table below shows AusNet Services' consolidated operating revenue and net profit after tax for the current reporting period and previous years and the effect of AusNet Services' performance on securityholder value.

	2011	2012	2013	2014	2015
Revenue	$1,468.0m	$1,535.4m	$1,639.5m	$1,799.4m	**$1,833.9m**
NPAT from continuing operations	$252.9m	$255.0m	$273.5m	$178.3m[1]	**$22.6m[2]**
Closing security price as at 31 March	$0.87	$1.075	$1.195	$1.31	**$1.46**
Distributions in respect of financial year (cents per stapled security)	8.00	8.00	8.20	8.36	**8.36**

1 NPAT includes a net charge of $86.7 million for the amount potentially payable in respect of the Section 163AA dispute, $50.0 million payable for the termination of the Management Services Agreement (MSA) and $7.7 million in restructuring costs associated with the Termination Deed.

2 NPAT includes the recognition of $183.3 million in income tax expense for the settlement with the Australian Taxation Office (ATO) in relation to the intra-group financing audit, the recognition of $84.1 million net exposure in relation to the intellectual property tax dispute with the ATO and the recognition of a provision for Advanced Metering Infrastructure (AMI) customer rebates of $22.8 million (after tax).

Principles used to determine the nature and amount of remuneration

Non-executive Directors (NEDs)

NED fee element	Commentary
Fees	The remuneration of Non-executive Directors consists of Directors' fees and committee fees. The Board's policy has been that fee levels are set having regard to independent performance advice and fees paid by comparable companies, and that fees paid are not linked to the performance of AusNet Services in order to maintain objectivity and independence. The level of fees paid has not been altered since April 2013. The Board has deferred any decision to review the fees paid to Non-executive Directors pending resolution of material litigation (concerning bushfire liability) and the restructure of AusNet Services to be voted upon by securityholders on 29 May 2015. In accordance with the constitutions of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity, Non-executive Directors may also be paid additional fees for special duties or exertions.
Total fee pool	The constitutions of AusNet Services Distribution, AusNet Services Transmission and the Responsible Entity provide that Non-executive Directors are entitled to such remuneration for their services as the Board decides, but the total amount provided to all Non-executive Directors (including any additional fees for special duties or exertions) must not exceed in aggregate in any financial year the amount approved by securityholders in a general meeting. The securityholders of AusNet Services Distribution and AusNet Services Transmission approved a total remuneration pool for Non-executive Directors of $2,000,000 per year at the Annual General Meeting of AusNet Services held on 19 July 2012.
Equity based compensation	Non-executive Directors are not provided with any form of equity based compensation.
Business related expenses	Non-executive Directors are entitled to be reimbursed for all business related expenses, including travel on company business, as may be incurred in the discharge of their duties.
Retirement benefits	Non-executive Directors are not provided with any form of retirement benefit. Fees paid to Non-executive Directors are inclusive of superannuation contributions made on behalf of the Non-executive Directors in accordance with AusNet Services' statutory superannuation obligations.
Review of fee levels and approach to Non-executive Director fees	Each year, the Remuneration Committee reviews the fees payable to Non-executive Directors taking into account market rates and the time commitment and responsibilities involved in carrying out their duties. The Board will continue to review its approach to Non-executive Director remuneration to ensure it remains in line with general industry practice and principles of good corporate governance.

The annual fees payable to Non-executive Directors of AusNet Services and approved by the Board (inclusive of statutory superannuation) for the financial year ended 31 March 2015 are set out in the table below. It is not possible to allocate fees to individual entities within the AusNet Services Group.

Role	Fee
Board Chairman [1]	$330,000
Board Directors	$121,000
Audit and Risk Management Committee Chairman	$30,000
Audit and Risk Management Committee Members	$18,000
Compliance Committee Chairman	$21,600
Compliance Committee Members	$12,000
Remuneration Committee Chairman	$24,000
Remuneration Committee Members	$12,000
Nomination Committee Chairman	$15,000
Nomination Committee Members	$12,000
Issuing Committee Members	$12,000

1 The Board Chairman is currently Chairman of the Nomination and Issuing Committees. As his Board fee is all-inclusive, no additional Nomination or Issuing Committee Chairman's fee is currently paid.

2 In addition to the fees noted above, Non-executive Directors may also be paid fees for special duties or exertions.

Managing Director and Senior Executives

The key objective of AusNet Services' policy for Managing Director and senior executive remuneration is to manage a total reward framework designed to:

> focus on creating value for securityholders by rewarding executives based on enhancement of sustainable securityholder value;

> create an environment that will attract appropriate talent and where people can be motivated with energy and passion to deliver superior performance;

> recognise capabilities and promote opportunities for career and professional development;

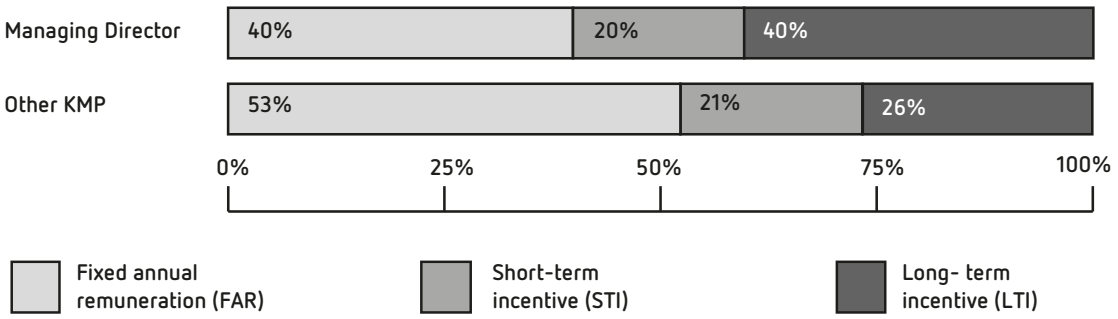
> provide rewards, benefits and conditions that are competitive in the market in which AusNet Services operates; and

> provide fair and consistent rewards across AusNet Services that support corporate values and principles.

Structure of total reward

The reward principles set out the relevant elements of remuneration to make up 'total reward'. For the majority of senior executives and AusNet Services employees, total reward consists of fixed remuneration and 'at risk' remuneration through a Short-Term Incentive (STI) plan. A Long-Term Incentive (LTI) plan is included in the remuneration structure for the Managing Director, senior executives and other employees who can influence long-term securityholder value. An appropriate mix of these components is determined for each level of management and employees.

The potential reward mix for the Managing Director and Other KMP for the reporting period, expressed as a percentage of total on-target reward, is shown in the following table:



Fixed annual remuneration

Fixed annual remuneration (FAR) represents the fixed component of executive remuneration and consists of a mix of cash, superannuation, prescribed benefits and salary-sacrificed items such as motor vehicles and fringe benefits tax. Market data is sourced from external remuneration advisers who provide detailed analysis of market practice for the Remuneration Committee to consider in the Committee's decision making process. FAR is reviewed annually against market rates for comparable roles. There are no guaranteed FAR increases in any senior executive's contract of employment.

Structure of total reward (continued)

Short-term incentive

The key design aspects of the STI plan are outlined below:

Key design aspect	Commentary
Eligibility	Managing Director, other senior executives and permanent employees on individual contracts of employment. Generally, senior executives must complete the business year to qualify for any STI payments. In some circumstances the Board, in its discretion, may determine that a pro-rata STI payment be awarded to an executive.
Target STI amount	A target STI amount, expressed as a percentage of the senior executive's FAR, is specified for each senior executive. However, the amount of STI payable is dependent on the: > extent to which AusNet Services has achieved or outperformed the corporate Key Performance Indicators (KPIs); and > extent to which the senior executive has achieved or outperformed his or her individual KPIs. The target STI for the Managing Director is 50% of FAR. The target STI for other senior executives is 40% of FAR.
Performance criteria	Based on corporate financial and non-financial measures as well as stretch individual performance hurdles. The key corporate KPIs set for the year ended 31 March 2015 included targets relating to: > employee, contractor and network safety; > earnings before interest, taxation, depreciation and amortisation; > return on equity; > capital efficiency; > business efficiency initiatives, network performance and reliability; and > employee retention. By linking individual rewards to the achievement of overall corporate targets, these KPIs align the interests of employees and managers with those of AusNet Services. The Managing Director's stretch individual performance scorecard contained a range of measures designed to contribute value to the business and included: > safety leadership and strategy implementation; > financial KPI's including credit rating KPI's > Business Excellence and performance efficiency KPI's; > people management and leadership; and > customer and community. The performance assessment of the Managing Director's stretch individual performance scorecard is conducted by the Chairman and the Remuneration Committee Chairman, and reviewed by the Board prior to finalisation and any award being granted.
Performance period	12 months to 31 March 2015.
Delivery mechanism	100% cash payment. The Board retains the right to vary any STI payment at its discretion.

Long-term incentive

The key design aspects of the LTI plan are outlined below:

Key design aspect	Commentary
Eligibility	Managing Director and other senior executives. The Board may in its discretion invite additional employees who are in a position to influence long-term securityholder value to participate in the LTI plan.
Purpose of the LTI plan	The LTI plan rewards participants for increasing long-term securityholder value.
Target LTI amount	The LTI Award is calculated as a percentage of the participant's FAR as at the test date. The quantum available to participants expressed as a percentage of FAR as at the performance test date, are: > Managing Director – 75% based on the general senior executive performance measures of Total Securityholder Return (TSR) and Earnings Per Security (EPS), with a further 25% for the achievement of stretch targets related to Return on Invested Capital (ROIC) and Interest Cover Ratio (ICR). > Other senior executives – 50% > Other participants – between 15% and 25%
Performance period	Performance is assessed over a three-year period and the LTI plan does not allow for retesting of performance measures in subsequent years.
Performance measures	Relative TSR (for 50% of the Award) and growth in EPS (for the other 50% of the Award). The Board and Remuneration Committee believe that it is important to assess executive performance against both relative and absolute hurdles linked to securityholder value. With the exception of the Managing Director, where an additional 25% LTI opportunity was introduced from 1 April 2011, accompanied by new performance indicators of ROIC and ICR, the same performance measures have been used for senior executive LTI since 1 April 2006. **TSR**: The comparator group used for the TSR performance measure consists of the companies included in the S&P/ASX 200 index. In assessing whether the performance hurdles have been met, AusNet Services receives independent data which provides both AusNet Services' TSR growth from the commencement of each grant and that of the companies in the comparator group. The level of TSR growth achieved by AusNet Services is given a percentile ranking having regard to its performance compared with the performance of other companies in the comparator group. The vesting scale for the TSR performance measure is shown below:

AusNet Services' TSR Percentile Ranking	Percentage of TSR Award that vests
Below 50.1	0%
50.1	35%
Between 50.1 and 74.9	Progressive vesting on a straight-line basis from greater than 35% to less than 100%
75 or above	100%

Structure of total reward (continued)

Long-term incentive (continued)

<table>
<tr><th>Key design aspect</th><th>Commentary</th></tr>
<tr><td>Performance measures (continued)</td><td>
EPS: The EPS growth measure is based on AusNet Services achieving a nominal compound annual growth (CAGR) of 5% per annum over the three-year period. A sliding scale applies as follows:
<table>
<tr><th>Compound annual growth rate</th><th>Percentage of EPS Award that vests</th></tr>
<tr><td>< 2.5% per annum</td><td>0%</td></tr>
<tr><td>Between 2.5% and 7.5% per annum</td><td>Linear scale from 50% to 150%</td></tr>
<tr><td>> 7.5% per annum</td><td>150%</td></tr>
</table>
ROIC: The ROIC measure applies to the Managing Director only and is designed to measure how effective AusNet Services uses funds (borrowed and owned) invested in its operations.

ROIC equals (NPAT + Finance Cost adjusted for Tax) / (Average Equity + Average Debt)

The target for this measure has been set as the average over the 3 year performance period, with the award calculated as follows:
<table>
<tr><th>AusNet Services' ROIC</th><th>Percentage of ROIC Award that vests</th></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
<tr><td>Between threshold and target</td><td>Linear scale from 50% to 100%</td></tr>
<tr><td>Above target to stretch target</td><td>Linear scale from 100% to 125%</td></tr>
<tr><td>Above stretch target</td><td>125%</td></tr>
</table>
ICR: The ICR applies to the Managing Director only and is a key financial metric which provides an indication of AusNet Services' ability to meet ongoing interest bills and therefore service debt.

ICR equals (Funds Flow from Operations + Finance Expenses) / Finance Expenses

The target for this measure has been set as the average over the 3 year performance period, with the award calculated as follows:
<table>
<tr><th>AusNet Services' ICR</th><th>Percentage of ICR Award that vests</th></tr>
<tr><td>Below threshold</td><td>0%</td></tr>
<tr><td>Between threshold and target</td><td>Linear scale from 50% to 100%</td></tr>
<tr><td>Above target to stretch target</td><td>Linear scales from 100% to 125%</td></tr>
<tr><td>Above stretch target</td><td>125%</td></tr>
</table>
In order for the Managing Director to qualify for an award under both the ROIC and ICR measures, a safety performance hurdle of zero fatalities for AusNet Services employees in the 12 month period prior to vesting must be achieved.
</td></tr>
<tr><td>Delivery mechanism</td><td>Once the performance criteria have been satisfied, participants receive a cash award. The Board retains the right to vary any LTI payment at its discretion.

Participants are then required (under the Plan Rules) to use the after tax cash proceeds of this Award to purchase AusNet Services stapled securities on-market. These purchases must be conducted during an approved trading window and the stapled securities must be held for at least 12 months. Reasonable brokerage costs incurred by the participants are reimbursed.

Participants are incentivised to achieve performance targets over a three-year timeframe, and are also required to hold the AusNet Services securities acquired with their Award payment for at least 12 months, thereby extending the long-term nature of the LTI plan.</td></tr>
<tr><td>Clawback arrangements</td><td>Where, in the opinion of the Board, the performance measures applicable to an award have been satisfied as a result of the fraud, dishonesty or breach of obligations of the participant and, in the opinion of the Board, the performance measures would not otherwise have been satisfied, the Board may determine that the performance measures are not satisfied and may, subject to applicable laws, determine that any award paid in such circumstances be repaid by the participant to AusNet Services.</td></tr>
</table>

Long-term incentive plan from 1 April 2015

AusNet Services has recently adopted a new equity based long-term incentive plan, to operate for offers made to employees from 1 April 2015. The equity based long-term incentive plan has been designed with an aim to align the interests of participating employees with the interests of AusNet Services Securityholders. No equity based performance rights have been granted under this plan as at the date of this Remuneration Report. No Director (except for the Managing Director) will be entitled to participate in this new long-term incentive plan.

Loans to Directors and senior executives

No loans have been made by AusNet Services to any Directors or senior executives.

Details of remuneration

Remuneration details of each Director and KMP of AusNet Services are set out in the following tables.

Total remuneration for Non-executive Directors for the year ended 31 March 2014 and 31 March 2015

		Short-term		Post-employment	Total
Non-executive Directors	Year	Cash salary and fees	Other short term benefits[1]	Superannuation[2]	
Ng Kee Choe (Chairman)	**2015**	**301,542**	**–**	**28,458**	**330,000**
	2014	302,233	–	27,767	330,000
Ralph **Craven** [3]	**2015**	**157,704**	**–**	**14,896**	**172,600**
	2014	25,375	–	2,347	27,722
Jeremy **Davis**	**2015**	**38,059**	**–**	**3,536**	**41,595**
	2014	136,278	–	12,519	148,797
Sally **Farrier**	**2015**	**137,978**	**–**	**13,022**	**151,000**
	2014	25,375	–	2,347	27,722
Eric **Gwee**	**2015**	**45,186**	**–**	**–**	**45,186**
	2014	160,797	–	–	160,797
Ho Tian Yee	**2015**	**143,461**	**–**	**13,539**	**157,000**
	2014	143,783	–	13,217	157,000
Tony **Iannello** [3]	**2015**	**179,635**	**–**	**16,965**	**196,600**
	2014	176,745	–	16,255	193,000
George **Lefroy**	2014	51,335	–	4,665	56,000
Tina **McMeckan**	**2015**	**157,716**	**–**	**14,884**	**172,600**
	2014	151,010	–	13,882	164,892
Sun Jianxing	**2015**	**132,496**	**–**	**12,504**	**145,000**
	2014	24,430	–	2,260	26,690
Ian **Renard** [3]	**2015**	**176,338**	**–**	**16,662**	**193,000**
	2014	184,218	–	16,941	201,159
Total for Non-executive Directors	**2015**	**1,470,115**	**–**	**134,466**	**1,604,581**
	2014	1,381,579	–	112,200	1,493,779

1 The allocation of the premium for Directors' and Officers' insurance is not included as under the terms of the current policy this information cannot be disclosed.

2 Superannuation contributions made on behalf of Non-executive Directors to satisfy AusNet Services' obligations under applicable Superannuation Guarantee legislation. This does not include any salary sacrifice or employee contributions which are included under cash salary and fees.

3 Received exertion payments for the year ended 31 March 2015 in relation to services provided on the Bushfire Litigation Committee up to 31 December 2014.

Details of remuneration (continued)

Total remuneration for key management personnel for the year ended 31 March 2014 and 31 March 2015

		Short-term			Post-employment	Equity based payments [3]	Other long-term benefits [4,5]	Total
	Year	Cash salary and fees [5]	Cash bonus [1]	Other short-term benefits [2,5]	Super-annuation			
Nino **Ficca**	**2015**	**819,097**	**234,916**	**85,219**	**99,845**	**393,534**	**62,108**	**1,694,719**
	2014	805,587	320,000	87,922	92,250	619,027	66,775	1,991,561
John **Azaris**	**2015**	**317,182**	**74,634**	**33,650**	**43,378**	**98,514**	**19,830**	**587,188**
	2014	329,076	102,400	37,648	42,214	126,660	10,016	648,014
Chad **Hymas**	**2015**	**277,283**	**60,763**	**35,163**	**25,000**	**83,275**	**13,538**	**495,022**
	2014	258,669	86,400	30,384	25,000	66,397	7,512	474,362
John **Kelso**	**2015**	**315,488**	**84,470**	**35,247**	**33,402**	**95,168**	**27,805**	**591,580**
	2014	299,795	90,144	37,003	31,233	126,524	52,711	637,410
Adam **Newman**	**2015**	**586,686**	**144,659**	**57,887**	**25,000**	**183,324**	**16,847**	**1,014,403**
	2014	579,310	180,000	54,747	25,000	199,797	15,642	1,054,496
Alistair **Parker**	**2015**	**323,343**	**76,393**	**34,868**	**25,000**	**102,407**	**12,074**	**574,085**
	2014	325,862	90,000	35,923	25,000	82,996	9,385	569,166
Ash **Peck** [6]	2014	225,974	–	27,757	22,361	(100,948)	(22,929)	152,215
Mario **Tieppo**	**2015**	**369,253**	**89,021**	**38,694**	**25,000**	**140,653**	**9,956**	**672,577**
	2014	106,322	39,605	11,421	7,759	38,886	3,055	207,048
Total KMP	**2015**	**3,008,332**	**764,856**	**320,728**	**276,625**	**1,096,875**	**162,158**	**5,629,574**
	2014	2,930,595	908,549	322,805	270,817	1,159,339	142,167	5,734,272

1 2015 cash bonuses include bonuses in respect of performance for the year ended 31 March 2015. These amounts have been approved and will be payable in June 2015.

2 Other short-term benefits include car parking benefits and the accrual of annual leave entitlements. The allocation of the premium for Directors' and Officers' insurance is not included as under the terms of the current policy this information cannot be disclosed.

3 As the performance period over which the LTI Awards vest is three years, the amount included in equity based payments is one-third of the amount estimated to be payable at the end of the performance period for each outstanding Award. This estimated amount is based on certain assumptions regarding the achievement of performance targets which are reviewed and adjusted annually. Any adjustments to previously recognised amounts, both positive and negative, are included in the current year. The actual amounts paid under these Awards will not be known until the end of the performance period. Refer to the table below under the heading of key management personnel – long-term incentive for the maximum amounts payable at the end of three years.

4 Other long-term benefits include the accrual of long service leave entitlements.

5 The above table represents the accounting value of KMP remuneration, calculated in accordance with accounting standards. As a result, annual leave and long service leave entitlements are recognised as remuneration when they accrue rather than when they are taken. This has the impact of reducing the cash salary and fees remuneration disclosed in the table above when these leave entitlements are ultimately taken by the KMP. In addition, any changes to the value of leave entitlements (for example, because of changes in FAR or long service leave entitlements not vesting) are recognised as remuneration, either positive or negative, in the year that the change occurs. These accounting adjustments to remuneration values are reflected in the *Cash Salary and Fees*, *Other Short-term Benefits* and *Other Long-term Benefits* disclosed in the table above.

6 Mr Peck ceased to be KMP on 6 December 2013. His remuneration up to this date has been included in the table above.

Remuneration and Other Terms of Employment

Remuneration and other terms of employment for the Managing Director and other KMP are set out below.

Managing Director	
Term of agreement	Permanent, subject to one month's notice of termination by either party.
Fixed remuneration	Fixed remuneration includes base salary and superannuation. As at 31 March 2015, fixed annual remuneration was $1,045,000. Fixed remuneration is reviewed annually by the Remuneration Committee and the Board.
Short-term incentive	Annual short-term incentive of 50% of FAR for on-target performance.
Long-term incentive	Long-term incentive of 75% of FAR for on-target performance, based on the general senior executive performance measures of TSR and EPS, and a further 25% for the achievement of stretch targets related to ROIC and ICR. Annual invitation to participate with three-year performance period and no retesting of performance measures in subsequent years.
Termination benefits	Termination benefits calculated at three weeks' pay for every year of service paid at the Managing Director's FAR rate and capped at six months.

In addition, the Managing Director participates in the AusNet Services Retention Plan. Under this plan, the Managing Director is entitled to receive up to 100% of FAR, contingent upon a change of control event occurring (as defined under the Corporations Act and ASX Listing Rules) and subject to continued employment up to 12 months following the change of control event. The Retention Plan is in place until 16 September 2015. The Board has absolute and unfettered discretion to act or refrain from acting under or in connection with the Retention Plan and in the exercise of any power or discretion under the Plan.

Other KMP

The major provisions contained in the services agreements of the other KMP listed are substantially the same as those that apply to the Managing Director although participation levels for STI, LTI and Retention Plan vary.

Key management personnel cash bonuses – short-term incentive

The percentage of the available bonus that was paid, or that vested, in the financial years ended 31 March 2014 and 31 March 2015, and the percentage that was forfeited because the senior executive did not meet the service or performance criteria, are set out below.

	Cash Bonus (2015) [1]			Cash Bonus (2014)		
	Payable ($)	Percentage of available bonus		Paid ($)	Percentage of available bonus	
		Payable (%)	Not Payable (%)		Paid (%)	Not Paid (%)
Nino **Ficca**	234,916	45.0	55.0	320,000	64.0	36.0
John **Azaris**	74,634	45.0	55.0	102,400	64.0	36.0
Chad **Hymas**	60,763	47.8	52.2	86,400	72.0	28.0
John **Kelso**	84,470	54.9	45.1	90,144	62.6	37.4
Adam **Newman**	144,659	55.6	44.4	180,000	72.0	28.0
Alistair **Parker**	76,393	48.5	51.5	90,000	60.0	40.0
Mario **Tieppo**	89,021	55.6	44.4	39,605	80.0	20.0

1 Bonuses for performance for the year ended 31 March 2015 have been approved and will be payable in June 2015.

Key management personnel – long-term incentive (equity based payments)

The AusNet Services Board approved a LTI plan for the Managing Director and senior executives that came into effect from 1 April 2006. The following table shows the value of cash grants subject to future performance testing, percentage payable or forfeited and future financial years that grants may vest and be paid. The grants made in 2013 and 2014 are still in progress and, as such, no percentage of these grants have been paid or forfeited as at the date of this report.

	Date of grant	Percentage of maximum grant payable (%) [1]	Percentage of maximum grant forfeited (%)	Vesting date	Maximum total value of grant ($) [2]
Nino **Ficca**	1 April 2012	32.6%	67.4%	31 March 2015	1,306,250
John **Azaris** [4]	1 April 2012	26.8%	73.2%	31 March 2015	259,375
Chad **Hymas** [4]	1 April 2012	26.8%	73.2%	31 March 2015	99,375
John **Kelso**	1 April 2012	26.8%	73.2%	31 March 2015	240,625
Adam **Newman**	4 March 2013	26.8%	73.2%	31 March 2015	281,206
Alistair **Parker** [4]	1 April 2012	26.8%	73.2%	31 March 2015	123,125
Mario **Tieppo** [3]	9 December 2013	26.8%	73.2%	31 March 2015	109,150
Total granted 1 April 2012					**2,419,106**
Nino **Ficca**	1 April 2013	–	–	31 March 2016	1,355,234
John **Azaris**	1 April 2013	–	–	31 March 2016	269,102
Chad **Hymas**	1 April 2013	–	–	31 March 2016	206,203
John **Kelso**	1 April 2013	–	–	31 March 2016	249,648
Adam **Newman**	1 April 2013	–	–	31 March 2016	421,484
Alistair **Parker**	1 April 2013	–	–	31 March 2016	255,484
Mario **Tieppo** [3]	9 December 2013	–	–	31 March 2016	199,719
Total granted 1 April 2013					**2,956,874**
Nino **Ficca**	1 April 2014	–	–	31 March 2017	1,406,056
John **Azaris** [4]	1 April 2014	–	–	31 March 2017	279,193
Chad **Hymas** [4]	1 April 2014	–	–	31 March 2017	213,936
John **Kelso**	1 April 2014	–	–	31 March 2017	259,010
Adam **Newman**	1 April 2014	–	–	31 March 2017	437,290
Alistair **Parker** [4]	1 April 2014	–	–	31 March 2017	265,065
Mario **Tieppo** [3]	1 April 2014	–	–	31 March 2017	269,102
Total granted 1 April 2014					**3,129,652**

1 These grants have been approved and will be payable in June 2015. In determining LTI's for the 1 April 2012 grant, the Board has not exercised any discretion in relation to the performance measures and outcomes payable under the LTI Plan.

2 For the grant of 1 April 2012, the amounts payable equated to 26.8% of the maximum LTI, except for Mr Ficca for whom the amount payable equated to 32.6% of the maximum LTI. For the grants of 1 April 2013 and 1 April 2014, the amounts are based on maximum performance in relation to TSR, EPS, ROIC and ICR at the end of the three-year performance period described above and assumes prevailing FARs increase by 3.75% per annum.

3 Mr Tieppo commenced as KMP from 9 December 2013. As part of his contract of employment, Mr Tieppo has been granted pro-rata participation in the 1 April 2012 and 1 April 2013 tranches of the Company's LTI plan, which are due to be tested on 31 March 2015 and 31 March 2016 respectively. The maximum total value of grant disclosed above is based on this pro-rata entitlement.

4 Mr Azaris, Mr Hymas and Mr Parker commenced as KMP from 1 April 2013. The LTI participation and maximum grant payable disclosed above also include those LTI's that were granted prior to their commencement as KMP.

Securityholdings of KMP

The KMP of AusNet Services have disclosed relevant interests in stapled securities as at 31 March 2015 as follows:

Name	Number of stapled securities at 1 April 2014	Granted during the year as compensation (i)	Acquisitions / (disposal)	Number of stapled securities at 31 March 2015
Non-executive Directors				
Ng Kee Choe [1]	195,883	–	–	195,883
Ralph **Craven**	–	–	–	–
Jeremy **Davis** [4]	120,750	–	–	120,750
Sally **Farrier**	–	–	–	–
Eric **Gwee** [1,4]	153,591	–	–	153,591
Ho Tian Yee	–	–	–	–
Tony **Iannello** [3]	190,976	–	–	190,976
Sun Jianxing	–	–	–	–
Tina **McMeckan** [5]	90,000	–	–	90,000
Ian **Renard**	84,898	–	–	84,898
Executives				
Nino **Ficca** [2]	1,268,183	195,000	–	1,463,183
John **Azaris**	132,600	39,000	(110,000)	61,600
Chad **Hymas**	80,192	15,050	5,664	100,906
John **Kelso**	72,937	35,500	527	108,964
Adam **Newman**	20,000	30,000	–	50,000
Alistair **Parker**	31,000	19,250	2,621	52,871
Mario **Tieppo**	–	4,000	–	4,000

1 Securities held by The Central Depository (Pte) Limited. Mr Gwee retired as a Director of AusNet Services on 17 July 2014.

2 319,850 securities held by immediate family members of Mr Ficca and 1,143,333 securities held by Mr and Mrs Ficca as Trustees for the Ficca Investment Trust.

3 87,500 securities held jointly by Mr Iannello and immediate family members of Mr Iannello through a Superannuation Plan and 103,476 securities held by immediate family members of Mr Iannello as trustee for the ADI Investment Trust.

4 Mr Davis and Mr Gwee retired as Directors of AusNet Services on 17 July 2014. The number of stapled securities disclosed at 31 March 2015 represents the number held at the date that Mr Davis and Mr Gwee ceased to be KMP.

5 Securities held by McMeckan Superannuation Pty Ltd as Trustee for the McMeckan Family Super Fund.

(i) includes securities purchased under AusNet Services' Long-term Incentive Plan

Audit and Non-audit services

The Directors of the Responsible Entity may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with AusNet Services Finance Trust are important.

Details of the amounts paid or payable to the auditor, KPMG, for audit and non-audit services provided during the year are set out in note 9 of the general purpose financial report.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 201.

Rounding of amounts

AusNet Services Finance Trust is a company of a kind referred to in Class Order 98/100, 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 Class Order to the nearest hundred thousand dollars unless otherwise stated.

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

Ng Kee Choe
Chairman

Nino Ficca
Managing Director

Melbourne
13 May 2015

Lead auditor's independence declaration

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

To: the directors of the Responsible Entity of AusNet Services Finance Trust, AusNet Services (RE) Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 March 2015 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Michael Bray
Partner

Melbourne

13 May 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Income statement

For the year ended 31 March 2015

	Notes	2015 $M	2014 $M
Revenue		–	–
Profit from operating activities		–	–
Finance income	2	135.9	161.4
Net finance income		**135.9**	**161.4**
Profit before income tax		**135.9**	**161.4**
Income tax expense	1(d)	–	–
Profit for the year		**135.9**	**161.4**
Earnings per unit attributable to the ordinary unitholders of AusNet Services Finance Trust			
Basic and diluted earnings per unit (cents per unit)	4	3.97	4.78

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

Statement of comprehensive income

For the year ended 31 March 2015

	2015 $M	2014 $M
Profit for the year	135.9	161.4
Other comprehensive income for the year, net of income tax	–	–
Total comprehensive income for the year	**135.9**	**161.4**

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

Statement of financial position

As at 31 March 2015

	Notes	2015 $M	2014 $M
ASSETS			
Current assets			
Receivables	5	2,874.5	2,795.3
Total current assets		**2,874.5**	**2,795.3**
Total assets		**2,874.5**	**2,795.3**
LIABILITIES			
Total liabilities		–	–
Net assets		**2,874.5**	**2,795.3**
UNITHOLDERS' FUNDS			
Unitholders of AusNet Services Finance Trust			
Units on issue	6	2,806.0	2,714.3
Retained profits		68.5	81.0
Total unitholders' funds		**2,874.5**	**2,795.3**

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

Statement of changes in unitholders' funds

For the year ended 31 March 2015

	Notes	Issued units $M	Retained profits $M	Total unitholders' funds $M
31 March 2015				
Balance as at 1 April 2014		2,714.3	81.0	2,795.3
Total comprehensive income for the year				
Profit for the year		–	135.9	135.9
Total comprehensive income for the year		**–**	**135.9**	**135.9**
Transactions with unitholders, recorded directly in unitholders' funds				
Income distributions paid	3	–	(148.4)	(148.4)
Return of capital paid	3	(13.8)	–	(13.8)
Distribution Reinvestment Plan (net of transaction costs)	6(b)	105.5	–	105.5
Total transactions with owners		**91.7**	**(148.4)**	**(56.7)**
Balance as at 31 March 2015		**2,806.0**	**68.5**	**2,874.5**
31 March 2014				
Balance as at 1 April 2013		2,708.2	89.7	2,797.9
Total comprehensive income for the year				
Profit for the year		–	161.4	161.4
Total comprehensive income for the year		**–**	**161.4**	**161.4**
Transactions with unitholders, recorded directly in unitholders' funds				
Income distributions paid	3	–	(170.1)	(170.1)
Return of capital paid	3	(16.0)	–	(16.0)
Distribution Reinvestment Plan (net of transaction costs)	6(b)	22.1	–	22.1
Total transactions with owners		**6.1**	**(170.1)**	**(164.0)**
Balance as at 31 March 2014		**2,714.3**	**81.0**	**2,795.3**

The above statement of changes in unitholders' funds should be read in conjunction with the accompanying notes.

Statement of cash flows

For the year ended 31 March 2015

	Notes	2015 $M	2014 $M
Cash flows from operating activities			
Finance income received		148.4	170.1
Net cash inflow from operating activities	11	**148.4**	**170.1**
Net cash outflow from investing activities		**–**	**–**
Cash flows from financing activities			
Proceeds from loans with related parties		140.1	16.0
Repayments of loans with related parties		(231.8)	(22.1)
Proceeds from Distribution Reinvestment Plan (net of transaction costs)	3	105.5	22.1
Income distribution	3	(148.4)	(170.1)
Return of capital	3	(13.8)	(16.0)
Net cash outflow from financing activities		**(148.4)**	**(170.1)**
Net increase in cash held		–	–
Cash and cash equivalents at the beginning of the year		–	–
Cash and cash equivalents at the end of the year		**–**	**–**

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

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Notes to the financial statements

31 March 2015

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Note 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below.

(a) Basis of preparation

This general purpose financial report, prepared by a for-profit entity for the year ended 31 March 2015 has been prepared in accordance with Australian Accounting Standards and interpretations adopted by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth). The financial statements and notes also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board.

This general purpose financial report is presented in Australian dollars.

AusNet Services Finance Trust was formerly known as SP Australia Networks (Finance) Trust up until 4 August 2014.

The financial statements were approved by the Board of Directors of the Responsible Entity on 13 May 2015.

(i) Historical cost convention

The financial statements have been prepared under the historical cost convention.

(b) Segment reporting

An operating segment is a component of the AusNet Services Finance Trust 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. AusNet Services Finance Trust provides loans to related parties within the Stapled Group and operates predominately in the State of Victoria. As a result, AusNet Services Finance Trust only operates in one segment.

(c) Finance income

Finance income comprises interest income on loans provided to related parties. Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(d) Income tax

The primary function of AusNet Services Finance Trust is to provide financing to both AusNet Services Distribution and AusNet Services Transmission as well as to facilitate distributions to unitholders in the nature of interest income and returns of capital as applicable for Australian taxation purposes.

AusNet Services Finance Trust is not regarded as a public trading trust under Division 6C of Part III of the *Income Tax Assessment Act 1936* (ITAA36) and is therefore not treated as a company for taxation purposes.

The Responsible Entity will not be liable for income tax under Division 6 of ITAA36, on the basis that unitholders will become presently entitled to the net income of AusNet Services Finance Trust prior to 30 June 2015. Accordingly, the AusNet Services Finance Trust is a 'flow through' entity in respect of net interest income derived and subsequently distributed to unitholders.

As a flow through entity for Australian taxation purposes, no current or deferred tax impacts are booked in respect of net trust income recognised to 31 March 2015.

(e) Receivables

Receivables are initially recognised at the fair value of the amounts to be received and are subsequently measured at amortised cost.

(f) Unitholders' funds

Ordinary units are classified as unitholders' funds.

(g) Earnings per unit

(i) Basic earnings per unit

Basic earnings per unit is calculated by dividing the profit attributable to unitholders of AusNet Services Finance Trust by the weighted average number of units outstanding during the financial year.

(ii) Diluted earnings per unit

Diluted earnings per unit adjusts the figures used in the determination of basic earnings per unit to take into account the effect of interest or other financing costs associated with dilutive potential units and includes these dilutive potential units in the weighted average number of units outstanding used in the calculation.

(h) Rounding of amounts

AusNet Services Finance Trust is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars unless otherwise stated.

Note 2 Net finance income

	2015 $M	2014 $M
Finance income		
Interest income – related parties	135.9	161.4
Total finance income	**135.9**	**161.4**
Net finance income	**135.9**	**161.4**

Note 3 Distributions

The following distributions were approved and paid by AusNet Services Finance Trust to unitholders during the current financial year:

	Date paid	Cents per unit	Total distribution $M
Distributions			
Interest income	27 June 2014	2.379	80.6
Return of capital	27 June 2014	0.408	13.8
Interest income	24 December 2014	1.980	67.8
Total distributions		**4.767**	**162.2**

The following distributions were approved and paid by AusNet Services Finance Trust to unitholders during the previous financial year:

Distributions			
Interest income	28 June 2013	2.649	89.2
Return of capital	28 June 2013	0.084	2.8
Interest income	23 December 2013	2.396	80.9
Return of capital	23 December 2013	0.391	13.2
Total distributions		**5.520**	**186.1**

In relation to the distributions paid in the current financial year of $162.2 million (2014: $186.1 million), $105.6 million (2014: $22.2 million), less transaction costs was utilised in the allotment of new securities issued under the Distribution Reinvestment Plan (DRP).

Note 4 Earnings per unit

(a) Basic earnings per unit

	2015	2014
Profit attributable to the ordinary unitholders of AusNet Services Finance Trust ($M)	135.9	161.4
Weighted average number of units (million)	3,427	3,377
Earnings per unit (cents)	3.97	4.78

(b) Diluted earnings per unit

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

Note 5 Receivables

	2015 $M	2014 $M
Current receivables		
Related party receivables	2,874.5	2,795.3
Total current receivables	**2,874.5**	**2,795.3**
Total receivables	**2,874.5**	**2,795.3**

No receivables are past due or considered impaired.

Note 6 Unitholders' funds

	Notes	2015 Units	2014 Units
Units on issue			
Ordinary units – fully paid (million)	(a)(b)	3,466.9	3,386.6

(a) Ordinary units

Ordinary units entitle the unitholder to participate in distributions and the proceeds on winding up of AusNet Services Finance Trust in proportion to the number of and amounts paid on the units issued. Holders of ordinary units are entitled to one vote on a show of hands or one vote for each unit held on a poll at unitholders' meetings.

(b) Movements in units

Date	Details	Notes	Number of units	$M (i)
1 April 2014	Opening balance		3,386,607,080	2,714.3
27 June 2014	Return of capital		–	(13.8)
27 June 2014	Distribution Reinvestment Plan	(ii)	38,637,082	51.4
24 December 2014	Distribution Reinvestment Plan	(ii)	41,668,847	54.2
	Transaction costs – DRP		–	(0.1)
31 March 2015	Closing balance		3,466,913,009	2,806.0
1 April 2013	Opening balance		3,367,543,113	2,708.2
28 June 2013	Return of capital		–	(2.8)
28 June 2013	Distribution Reinvestment Plan	(iii)	8,782,410	10.4
23 December 2013	Return of capital		–	(13.2)
23 December 2013	Distribution Reinvestment Plan	(iii)	10,281,557	11.8
	Transaction costs – DRP		–	(0.1)
31 March 2014	Closing balance		3,386,607,080	2,714.3

(i) With respect to the allocation of proceeds in the form of shares in AusNet Services Transmission, AusNet Services Distribution and units in AusNet Services Finance Trust, all amounts were allocated to the units in AusNet Services Finance Trust with the shares in AusNet Services Transmission and AusNet Services Distribution being issued at nominal consideration.

(ii) On 27 June 2014 and on 24 December 2014, 38.6 million and 41.7 million new stapled securities were issued under the DRP respectively. The new securities were issued at a price of $1.33 per security and $1.30 per security respectively, providing approximately $51.4 million and $54.2 million respectively.

(iii) On 28 June 2013 and on 23 December 2013, 8.8 million and 10.3 million new stapled securities were issued under the DRP respectively. The new securities were issued at a price of $1.18 per security and $1.15 per security respectively, providing approximately $10.4 million and $11.8 million respectively.

(c) Capital management

The principal activity of AusNet Services Finance Trust was to provide financing to other entities in the Stapled Group for the acquisition of the transmission and distribution businesses as well as to facilitate distributions to securityholders in the nature of interest income and returns of capital. Adequate capital must be maintained to ensure AusNet Services Finance Trust can continue to facilitate distributions to securityholders. In this regard, capital consists of the value of units on issue.

AusNet Services Finance Trust is not subject to any externally imposed capital requirements and there were no changes in AusNet Services Finance Trust's approach to capital management during the financial year.

Note 7 Financial risk management

During the year the principal activity of AusNet Services Finance Trust was to provide financing to both AusNet Services Transmission and AusNet Services Distribution and therefore AusNet Services Finance Trust is exposed to credit risk.

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to AusNet Services Finance Trust.

AusNet Services Finance Trust only provides finance to entities within the Stapled Group and therefore there is no allowance made for any amounts outstanding as the risk of default is negligible as all entities in the Stapled Group are operating together to achieve a common goal.

The carrying amount of financial assets recorded in the financial statements represents AusNet Services Finance Trust's maximum exposure to credit risk.

Note 8 Key management personnel

Total remuneration for key management personnel during the year is set out below:

	2015 $	2014 $
Remuneration by category		
Short-term employee benefits	5,564,031	5,543,528
Post-employment benefits	411,091	383,017
Equity based payments	1,096,875	1,159,339
Other long-term benefits	162,158	142,167
	7,234,155	**7,228,051**

Note 9 Remuneration of auditors

The auditor of AusNet Services is KPMG. Audit fees for AusNet Services Finance Trust are paid by another entity in the Stapled Group. It is not possible to allocate these audit fees to AusNet Services Finance Trust. No fees were paid to the auditor or a related practice of the auditor for non-audit services.

Note 10 Related party transactions

(a) Parent entities

By virtue of the Stapling Deed effective 21 October 2005, AusNet Services Distribution is deemed to be the parent entity of the Stapled Group.

Prior to 3 January 2014, the immediate parent of AusNet Services Distribution was Singapore Power International Pte Ltd (SPI) and the ultimate parent was Temasek Holdings (Private) Limited (Temasek). SPI is a wholly-owned subsidiary of Temasek. Temasek's shareholder is the Minister for Finance, a body corporate under the Minister for Finance (Incorporation) Act, Chapter 183 of Singapore. Both SPI and Temasek are incorporated in Singapore.

On 3 January 2014 State Grid Corporation of China (State Grid) acquired a 19.9 per cent securityholding in AusNet Services from SPI. Whilst SPI continues to be the largest securityholder in AusNet Services with a stake of 31.1 per cent, they ceased to be the parent of AusNet Services from that date. Under applicable accounting standards, State Grid and its subsidiaries, SPI and Temasek and their subsidiaries are related parties of AusNet Services. These entities are not considered related parties under the *Corporations Act 2001*.

(b) Other related parties

(i) Management Services Agreements (MSAs)

SPI Management Services Pty Ltd (SPIMS) is a wholly-owned subsidiary of related party SPI, and up until 31 March 2014 was a party to two management services agreements (MSAs) with AusNet Services Distribution and AusNet Services Transmission, and the Responsible Entity respectively. Prior to 31 March 2014, AusNet Services' senior management were employees of SPIMS. SPIMS charged AusNet Services various management service and performance fees in relation to these employees. The MSAs were terminated on 31 March 2014 and all SPIMS employees became AusNet Services employees. There were no further management service or performance fee payments under the MSA from 1 April 2014.

(c) Key management personnel

Disclosures relating to Directors and other key management personnel are set out in note 8.

Note 10 Related party transactions (continued)

(d) Transactions with related parties

For the purpose of the financial statements, parties are considered to be related to AusNet Services Finance Trust if AusNet Services Finance Trust has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa.

The following transactions occurred with related parties within the AusNet Services, Singapore Power and State Grid groups.

	2015 $'000	2014 $'000
Loans to related parties		
Other related parties	105,557	22,187
AusNet Services Distribution (Ltd)	126,300	–
Loan repayments from related parties		
Other related parties	13,798	16,015
AusNet Services Distribution (Ltd)	126,300	–
Interest income		
Other related parties	135,900	161,472
Distributions paid		
Distributions paid (net of DRP)	28,866	83,589

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties within the AusNet Services, Singapore Power and State Grid groups.

	2015 $'000	2014 $'000
Current receivables		
Other related parties	2,874,504	2,795,329

No allowance for impairment loss has been raised in relation to any outstanding balances due from related parties.

(f) Terms and conditions

Prior to 16 December 2008, AusNet Services Finance Trust had four loan agreements in place ('existing loan agreements'). Two loan agreements are with AusNet Services Distribution and two loan agreements are with AusNet Services Transmission. On 16 December 2008, AusNet Services Finance Trust entered into four additional loan agreements for the proceeds received under the DRP ('DRP loan agreements'). Two loan agreements are with AusNet Services Distribution and two loan agreements are with AusNet Services Transmission. During the current year the distribution loan agreements matured. One of these loans was repaid and a new loan facility was established. The other existing loan was not called at maturity and remains outstanding. At 31 March 2015, the amounts outstanding under these loan agreements (excluding any accrued interest) and the applicable interest rates were:

Loans to AusNet Services Distribution	Closing balance (excluding accrued interest) $M	Interest rate %
31 March 2015		
New loan facility	126.3	-
Existing loan	463.5	6.71
DRP loan	27.1	–
DRP loan	584.5	6.71
	1,201.4	
31 March 2014		
Existing loan	126.3	-
Existing loan	477.2	8.09
DRP loan	558.8	8.09
	1,162.3	

The amount of accrued interest as at 31 March 2015 was $35.3 million (2014: $41.9 million).

Loans to AusNet Services Transmission	Closing balance (excluding accrued interest) $M	Interest rate %
31 March 2015		
Existing loan	591.4	-
Existing loan	394.2	6.71
DRP loan	27.1	–
DRP loan	592.3	6.71
	1,605.0	
31 March 2014		
Existing loan	591.4	-
Existing loan	394.2	8.09
DRP loan	566.6	8.09
	1,552.2	

The amount of accrued interest as at 31 March 2015 was $32.8 million (2014: $38.6 million).

(i) Existing loan agreements

The loan agreements are each for a term of ten years. The loan agreements with AusNet Services Distribution have matured, however AusNet Services Finance Trust has resolved not to call for, or demand, repayment of the principal amount outstanding while a potential corporate restructure is considered. The loan agreements with AusNet Services Transmission mature in October 2015. All the loan agreements have similar terms and conditions which have been complied with and can be summarised as follows:

> the interest rate to apply to the loans are set annually at the Bank Bill Swap Rate (BBSW) plus a margin;

> interest accrues from day to day and is payable on the last day of the interest period, being every six months;

> interest which is payable may be capitalised by the Lender at intervals which the Lender determines or if no determination is made on the first day of each quarter;

> the Borrower must repay the principal outstanding and any accrued but unpaid interest on or before the end of the term of the agreement;

> the Lender may demand repayment of the outstanding principal and any unpaid accrued interest on demand by giving at least 28 days' notice (or a shorter period agreed between the parties);

> the Borrower can prepay outstanding principal and any unpaid accrued interest by giving at least 28 days' notice (or a shorter period agreed between parties); and

> the Lender may terminate its obligations if an event of default occurs.

(ii) DRP loan agreements

The loan agreements are each for a term of ten years. The loan agreements with both AusNet Services Distribution and AusNet Services Transmission mature in December 2018. All the loan agreements have similar terms and conditions which have been complied with. These terms and conditions are the same as those in the existing loan agreements (refer note 10(f)(i)).

The loans from AusNet Services Finance Trust are unsecured and are not guaranteed by any of AusNet Services Distribution's or AusNet Services Transmission's subsidiaries.

(iii) New loan facility

The new loan facility deed between AusNet Services Finance Trust and AusNet Services Distribution was executed in July 2014 and has a term of one year. There is no interest payable under this facility.

Note 11 Reconciliation of profit after income tax to net cash flows from operating activities

	2015 $M	2014 $M
Profit for the year	135.9	161.4
Changes in operating assets and liabilities		
(Increase)/decrease in receivables	12.5	8.7
Net cash inflow from operating activities	**148.4**	**170.1**

Note 12 Events occurring after the balance sheet date

(a) Distribution and corporate restructure

On 22 April 2015, AusNet Services released a securityholder booklet for the restructure and simplification proposal (Proposal) under which the existing stapled entities would become wholly owned by a new listed entity (AusNet Services Ltd). The Proposal is subject to applicable regulatory approvals and requires the approval of securityholders at the securityholder meeting on 29 May 2015. The Proposal would be implemented by way of company and trust schemes of arrangement. AusNet Services is targeting an implementation date of 18 June 2015.

Since the end of the financial year, the Directors of the Responsible Entity have approved a final distribution for 2015 of $68.1 million (1.963 cents per unit) to be paid on 26 June 2015 comprised as follows:

	Cents per unit	Total distribution $M
Interest income	1.963	68.1
	1.963	**68.1**

If the proposed restructure is implemented prior to the distribution date, this distribution will be made to AusNet Services Ltd.

(b) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 31 March 2015 up to the date of issue of this financial report that has significantly affected or may significantly affect:

(a) the operations in financial years subsequent to 31 March 2015 of AusNet Services Finance Trust;

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 31 March 2015, of AusNet Services Finance Trust.

Directors' declaration

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

(a) the financial statements and notes set out on pages 202 to 213, and the remuneration disclosures that are contained in the *Remuneration report* set out on pages 188 to 199 in the *Directors' report*, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards, and the *Corporations Regulations 2001;* and

  (ii) giving a true and fair view of AusNet Services Finance Trust's financial position as at 31 March 2015 and of its performance for the financial year ended on that date;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a); and

(c) there are reasonable grounds to believe that AusNet Services Finance Trust will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

Ng Kee Choe
Chairman

Nino Ficca
Managing Director

Melbourne
13 May 2015

Independent auditor's report to the members of AusNet Services Finance Trust

Independent auditor's report to the trustee of AusNet Services Finance Trust

Report on the financial report

We have audited the accompanying financial report of AusNet Services Finance Trust (the Trust), which comprises the statement of financial position as at 31 March 2015, and income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the responsibility entity of the Trust, AusNet Services (RE) Ltd are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In note 1(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Trust comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

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

Independence

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

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Auditor's opinion

In our opinion:

(a) the financial report of the Trust is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Trust's financial position as at 31 March 2015 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 188 to 199 of the directors' report for the year ended 31 March 2015. The directors of the AusNet Services (RE) Ltd, the responsible entity of the Trust, are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of AusNet Services Finance Trust for the year ended 31 March 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

Michael Bray
Partner

Melbourne

13 May 2015

Securityholder information

The securityholder information set out below was compiled from AusNet Services' register of securityholders as at 15 May 2015.

Stapled securities and voting rights

Each of AusNet Services' stapled securities consists of:

> one ordinary share of AusNet Services Transmission;

> one ordinary share of AusNet Services Distribution; and

> one unit in AusNet Services Finance Trust.

All stapled securities carry one vote per stapled security.

For the avoidance of doubt, any person named in the Central Depository (Pte) Limited of Singapore ("CDP") as a person on whose behalf CDP holds one or more securities ("CDP Account Holder") does not have any right to vote by virtue of their status as a CDP Account Holder.

Distribution of stapled securities

A distribution schedule of the number of holders of stapled securities is set out below:

Range	Total holders	Units
1–1,000	1,471	881,472
1,001–5,000	3,707	10,424,294
5,001–10,000	2,386	18,293,113
10,001–100,000	4,891	135,806,009
100,001–9,999,999	293	3,301,508,121
Total	**12,748**	**3,466,913,009**

Unmarketable Parcels

	Minimun parcel size	Holders
Minimum $500.00 parcel at $1.48 per unit	338	352

There was no current on-market buy-back.

Stapled securityholders

The names of the 20 largest holders of quoted stapled securities are listed below:

	Name	Number of securities held	Percentage of issued securities
1.	SINGAPORE POWER INTERNATIONAL PTE LTD	1,078,209,946	31.10
2.	STATE GRID INTERNATIONAL AUSTRALIA DEVELOPMENT COMPANY LIMITED	689,915,689	19.9
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	569,564,526	16.43
4.	J P MORGAN NOMINEES AUSTRALIA LIMITED	237,572,711	6.85
5.	CITICORP NOMINEES PTY LIMITED	204,007,916	5.88
6.	THE CENTRAL DEPOSITORY (PTE) LIMITED	140,616,976	4.06
7.	NATIONAL NOMINEES LIMITED	135,932,046	3.92
8.	BNP PARIBAS NOMS PTY LTD <DRP>	46,862,309	1.35
9.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	46,563,028	1.34
10.	QUESTOR FINANCIAL SERVICES LIMITED <TPS RF A/C>	20,524,278	0.59
11.	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	10,271,210	0.30
12.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	8,583,138	0.25
13.	QIC LIMITED	5,356,439	0.15
14.	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <MBA A/C>	3,628,148	0.10
15.	BOND STREET CUSTODIANS LIMITED <MPPMIM - V16636 A/C>	3,610,315	0.10
16.	QUESTOR FINANCIAL SERVICES LIMITED <TPS PIP A/C>	3,587,919	0.10
17.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,426,017	0.10
18.	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE NO 1 A/C>	3,227,624	0.09
19.	ASIA UNION INVESTMENTS PTY LIMITED	3,000,000	0.09
20.	AMP LIFE LIMITED	2,972,599	0.09
	Total Top 20 Holders	**3,217,432,834**	**92.80**
	Total Remaining Holders Balance	**249,480,175**	**7.20**

Substantial holders

The names of AusNet Services' substantial holders and the number of stapled securities in which each has a relevant interest, as disclosed in substantial holding notices received by AusNet Services as at 18 May 2015, are listed below:

Substantial holder	Number of securities held	Voting power
Singapore Power International Pte Ltd and its associates	1,053,234,802	31.1%
State Grid International Development Limited and its associates	673,934,809	19.9%

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Company Information

Financial Calendar

2015 Annual General Meeting

23 July 2015

2015/16 Financial Half Year end

30 September 2015

2015/16 Half Year Results announced

17 November 2015*

2015/16 Financial Year end

31 March 2016

*Subject to confirmation.

Annual General Meeting

The Annual General Meeting of AusNet Services will be held on Thursday, 23 July 2015 at 10.00am. The location of the Annual General Meeting is:

The Arts Centre Melbourne
ANZ Pavilion
100 St Kilda Road
Melbourne, Victoria, Australia

Enquiries and Information

Enquiries about stapled securities

AusNet Services' register of stapled securities is maintained by Computershare Investor Services Pty Limited ("Computershare").

For enquiries about AusNet Services stapled securities, a transfer of securities or distributions, contact:

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067

GPO Box 2957
Melbourne, Victoria 3001 Australia

Telephone: 1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

Facsimile: +61 3 9473 2500

Enquiries about AusNet Services

Contact AusNet Services:

Investor Relations
Telephone: +61 3 9695 6000
Facsimile: +61 3 9695 6666
Email: investor.enquiries@ausnetservices.com.au

Or write to:

Investor Relations
AusNet Services
Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006 Australia

Stock Exchange Listing

The stapled securities are listed under the number "AusNet Services" and code "AST" on the Australian Stock Exchange, and on the Singapore Exchange Limited under the code "AUSNET SERVICES". The securities participate in the Clearing House Electronic Subregister System ("CHESS").

Tax File Number ("TFN") information

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

Change of address or name

A securityholder should notify Computershare immediately, in writing, if there is any change in his or her registered address or name.

AusNet Services

AusNet Services (Distribution) Ltd (ABN 37 108 788 245)

AusNet Services (Transmission) Ltd (ABN 48 116 124 362)

AusNet Services (RE) Ltd (ABN 46 109 977 371) (AFSL No. 294117)
as responsible entity of AusNet Services Finance Trust
(ARSN 116 783 914)

Registered office

Level 31, 2 Southbank Boulevard
Southbank, Vic. 3006

Telephone: +61 3 9695 6000
Facsimile: +61 3 9695 6666

Directors

Mr **Ng** Kee Choe (Chair)
Mr Nino **Ficca** (Managing Director)
Dr Ralph **Craven**
Prof. Jeremy **Davis**
Ms Sally **Farrier**
Mr Eric **Gwee** Teck Hai
Mr **Ho** Tian Yee
Mr Tony **Iannello**
Ms Tina **McMeckan**
Mr Ian **Renard**
Mr **Sun** Jianxing

Company Secretary

Ms Susan **Taylor**

Auditor

KPMG
147 Collins Street
Melbourne, Vic. 3000

Telephone: +61 3 9288 5555
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