ASX Announcement

11 November 2021

Results for Announcement to the Market
AusNet Services Half Year 2022 Results

The following documents are attached:

1. ASX Appendix 4D – Half Year Report for the half year ended 30 September 2021; and
2. AusNet Services Ltd Interim Financial Report for the financial period ended 30 September 2021.

Naomi Kelly
Company Secretary

This announcement was authorised for release by the Board of AusNet Services Ltd.

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11 November 2021

AusNet Services Ltd
ABN: 45 603 317 559

Appendix 4D
Half Year ended 30 September 2021

Results for announcement to the market for the half year ended 30 September 2021

	30 September 2021	30 September 2020	% change	Up / down
Revenue from ordinary activities ($M)	**1,031.8**	1,039.4	0.7	down
Net profit from ordinary activities after tax attributable to shareholders ($M)	**177.5**	225.7	21.4	down
Net profit for the year attributable to shareholders ($M)	**177.5**	225.7	21.4	down
Net tangible assets per share (cents)	**75 cents**	67 cents		

Dividends for the half year ended 30 September 2021

	Interim FY2022 Cents per share	**Interim FY2021 Cents per share**
Franked	-	1.90
Unfranked	4.75	2.85
Total	**4.75**	**4.75**
Ex-dividend date	16 November 2021	16 November 2020
Record date	17 November 2021	17 November 2020
Payment date	16 December 2021	17 December 2020

Refer to the Directors' report within the attached Financial Report for explanation of revenues, profits after income tax and dividends.

Dividend Reinvestment Plan
The AusNet Services Ltd Dividend Reinvestment Programme will not be in operation for the FY2022 interim dividend.

AusNet Services Ltd
ACN 603 317 559

Interim Financial Report

For the financial period ended 30 September 2021

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

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

Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006
Australia

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Group for the year ended 31 March 2021 and any public announcements made by AusNet Services Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

The interim financial report was authorised for issue by the Directors on 10 November 2021.

Directors' Report

Introduction

The Directors of AusNet Services Ltd present their report on the general purpose interim financial report of the consolidated entity for the financial period ended 30 September 2021.

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

Our Board of Directors

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

Non-executive Directors

Peter Mason (Chair)

Alan Chan Heng Loon

Ralph Craven

Sally Farrier

Li Lequan

Robert Milliner

Nora Scheinkestel

Tan Chee Meng

Executive Director

Tony Narvaez – *Managing Director*

HY2022 operating environment

The six months to 30 September 2021 continued to present a challenging operating environment. Victoria endured various COVID-19 restrictions, including three separate lockdowns during the period. The restrictions and lockdowns have had an impact on our people, our work practices, our customers, and how we provide our essential services. COVID-19 has however not had a material impact on our revenues to date and we have not received any Government benefits from COVID-19 stimulus measures during the period.

In June 2021, Victoria experienced a severe weather event when strong winds and storms had a damaging impact on our distribution network. At the peak of the event, approximately 230,000 customers across our network had their power supply interrupted. Extensive reconstruction activity was required in affected areas to restore power to customers and this activity was conducted with the safety of our people always remaining a priority to us. We also worked closely with the Victorian State Government to facilitate Government relief payments to eligible customers impacted by the loss of power. The payments did not have a material financial impact for the period.

Our electricity distribution business is subject to a revenue cap each calendar year, and each revenue cap over a 5-year determination period is approved by the Australia Energy Regulator (AER). At the end of each determination period, our prices are reset for the new 5-year period. During our interim financial period, the AER transitioned away from a calendar year basis to a financial year basis ending 30 June. Our statutory financial year end remained unchanged at 31 March. The transition period has therefore resulted in two separate AER approved regulatory price resets which has impacted on our revenue. Further detail on the transition and its financial impact is described in the financial performance of our electricity distribution business on page 6 of this report.

Other operating highlights for the period included:

- Being able to adapt, manage and respond quickly, and safely, to the external operating challenges.
- Maintaining a strong focus on employee health and wellbeing throughout the period of COVID-19 restrictions and lockdowns.
- Ongoing review and assessment of capital expenditure programs to ensure programs relating to the minimisation of customer disruption during lockdown were appropriately prioritised.
- The announcement of the single corridor for the Western Victoria Transmission Network Project (WVTNP) which was an important step toward determining the final proposed route for the project. The WVTNP is a major infrastructure project for the State of Victoria. It aims to reduce congestion on the existing transmission network and enable future growth in renewable generation.

Following our announcement to the Australian Securities Exchange (ASX) on 21 June 2021 regarding a review on the coverage and application of one of our Enterprise Agreements, we have recognised a provision of $13.0 million, which is currently our best estimate of the outcome of the review and the likely remediation required. Of this balance, $7.0 million was provided for in our 31 March 2021 financial statements when we first identified the possibility of a potential underpayment matter but were at the early stages of assessing the issue. The costs incurred in the current period include the increase in the provision as well as current period salary adjustments, on-cost impacts and external advisory costs.

The review involves complex matters of interpretation and large volumes of data. As at the date of this report, the review remains ongoing, and the final outcome is unknown. We are committed to doing the right thing by our current and former employees who have been impacted and will continue to engage with them, along with relevant Unions and the Fair Work Ombudsman, on the final resolution and remediation of this matter.

Interim review of financial results

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

$M	30 September 2021	30 September 2020	Movement	%
Revenue	**1,031.8**	1,039.4	(7.6)	(0.7)
EBITDA	**636.4**	661.6	(25.2)	(3.8)
EBITDA after lease income (EBITDAaL)	**653.7**	679.5	(25.8)	(3.8)
Net profit after tax	**177.5**	225.7	(48.2)	(21.4)
Cash flow from operations	**403.0**	430.9	(27.9)	(6.5)
Capital expenditure	**392.5**	379.1	13.4	3.5
Dividend per share (cents)	**4.75**	4.75	-	-

The decline in financial performance compared to the prior period was expected. This primarily resulted from a combination of lower regulatory revenues under regulatory resets and declining price paths, additional costs arising from our employee underpayment remediation, and significant movements in non-cash hedge accounting outcomes. There were a number of other factors that impacted our results, and these are explained further below.

Regulatory revenues (excluding easement tax and Transmission Use of System (TUoS) revenues which are pass-through items) were $18.8 million lower than the prior period. This predominantly arose in our electricity distribution business from the AER approved Electricity Distribution Price Review (EDPR) price path under reset, as well as the “stub” period (1 January 2021 to 1 July 2021) to transition to a new regulatory year. Our gas distribution business also experienced declining revenues from a milder winter and lower approved tariffs.

Our operating expenditure (excluding easement tax, and TUoS expenses) increased by $7.1 million or 1.9%. Our efforts to address employee underpayment and related matters has resulted in an additional $7.4 million of costs being recognised in the current period, including remediation, on-cost and external advisory costs. Expenses were also impacted by a change in the accounting treatment of cloud software implementation costs, which are now expensed and resulted in $2.9 million of additional operating expenditure. In addition, there was a $2.8 million increase in non-discretionary items including insurance, council rates and levies, as well as a $4.1 million increase in other operating expenditure due to the prior year deferral of maintenance, higher IT costs associated with cybersecurity and project related works, and general wage increases.

Offsetting these operating expenditure increases has been our continued focus on transformation. In addition, the Development & Future Networks business (previously Growth & Future Networks) was able to achieve a $3.7 million reduction in operating expenditure (before corporate overheads).

Net profit after tax decreased by $48.2 million because of the EBITDA decrease described above as well as an increase in net finance charges largely due to the impact of a $19.8 million movement in non-cash hedge accounting. Our effective tax rate has increased from 26% to 27% in the current period, reflecting a $13.3 million income tax credit in the prior period because of amended tax returns for the 2016-2019 period. Our current period effective tax rate of 27% remains less than the corporate tax rate of 30% as we have recognised a $6.9 million income tax credit relating to an amended assessment lodged with the Australian Taxation Office (ATO). Further detail on the income tax credit is contained in note B.7 of our financial statements.

Capital expenditure had a marginal increase over the prior period of $13.4 million or 3.5%. We saw capital expenditure increase following the re-establishment of supply to 230,000 customers impacted by the June 2021 severe storm event, our investment in the planning and approval stages of WVTNP, and the system go live on 1 October 2021 of our transition to the new Five-Minute Settlement (5MS) rule across the National Electricity Market. The 5MS rule aligns operational dispatch and financial settlement in the electricity network, every five minutes. These increases were partially offset by a declining spend pattern in our REFCL programme following the installation of these devices at 59% of our 22 targeted zone substations and the completion of the replacement of transmission towers damaged by severe wind during January 2020.

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

Electricity transmission business

	30 September 2021	30 September 2020	Movement	%
Segment revenue ($M)	**305.1**	301.6	3.5	1.2
Segment result - EBITDA ($M)	**175.8**	180.7	(4.9)	(2.7)
Capital expenditure ($M)	**60.0**	71.5	(11.5)	(16.1)

Transmission revenues increased as a result of a $6.1 million increase in easement tax (pass-through revenue and no impact on EBITDA) marginally offset by the Transmission Rate Reset (TRR) approved price path which has resulted in lower prices during the current period. Operating expenses increased by $2.3 million, excluding the easement tax increase, primarily due to an increase in council rates and land tax, as well as employee underpayment remediation costs. Easement tax reflects $86.8 million or 67% of total transmission operating expenses.

Capital expenditure was reduced as the replacement and cutover of transmission towers damaged by severe wind in January 2020 was completed in the prior year.

Electricity distribution business

	30 September 2021	30 September 2020	Movement	%
Segment revenue ($M)	**495.7**	502.0	(6.3)	(1.3)
Segment result - EBITDA ($M)	**302.6**	319.5	(16.9)	(5.3)
Volume (GWh)	**4,110**	3,999	111	2.8
Connections	**777,826**	761,388	16,438	2.2
Capital expenditure ($M)	**215.5**	211.9	3.6	1.7

Revenues decreased due to a reduction in non-volume related regulated revenue by $24.9 million and was only marginally offset by new customer connections and a stronger demand in the commercial and industrial sector. Favourable metering revenue and customer contributions collectively contributed a revenue increase of $8.3 million. The reduction in non-volume related regulated revenue of $24.9 million was due to:

- Our tariff period changing from a calendar year basis to a financial year basis ending 30 June. The change was effective from 1 July 2021. The transition to the new tariff period, required the AER to approve an interim or "stub" price for the six months ended 30 June 2021. The impact of the AER approved "stub" prices resulted in a revenue decline of $16.4 million.
- Due to the regulatory framework we operate in, our revenue is subject to the impacts of cumulative over and under recoveries of regulated revenue. In the current period, we had to return $7.7 million of revenue via a reduction in AER approved EDPR prices.
- Our regulated pricing for July 2021 to June 2022 also included a Service Target Performance Incentive Scheme (STPIS) penalty of $4.1 million due to network reliability performance.

Operating expenditure increased by $10.6 million primarily due to $4.4 million higher TUoS charges (which are recovered through revenues over time). In addition, employee underpayment remediation costs and the change in accounting treatment for cloud software expenditure have also contributed to the increase. Network maintenance costs also increased during the year due to the June 2021 severe storm event and higher vegetation management costs from the completion of works that were deferred from the prior year. However, the impact of these higher maintenance costs was offset by lower Guaranteed Service Level (GSL) payments, with significant GSL's incurred in the prior period from the August 2020 severe weather event.

Capital expenditure remained in line with the prior period. Our REFCL programme has now successfully installed these devices in 13 or 59% of our 22 designated zone substations. Therefore, our spend pattern on this programme was lower in the current period due to the timing of when devices had to be installed compared to the period prior. However, following the June 2021 storm event described above, we incurred additional replacement and reconstruction expenditure to re-establish electricity supply to our impacted customers.

Future revenue impacts

Revenue for distribution services is recognised when those services are provided, based on the prevailing tariffs at the time. Our electricity distribution business is regulated by the AER and revenue is set on a financial year basis which commenced from 1 July 2021, and it differs to our statutory financial year. Given the nature of the regulatory model and how tariffs are set, there are several items that will impact future revenues for our electricity distribution business as follows:

- There is a difference between the regulated revenue recognised under our accounting policy and the revenue cap under the EDPR determination. This difference is trued-up as an adjustment to tariffs in future regulatory periods. As noted above, the current period has been impacted by this true up mechanism with a revenue decline from lower prices and has left a cumulative over recovery as at 30 September 2021 of $17.6 million.
- Given the magnitude of the June 2021 severe storm event, we will pursue natural disaster cost pass-through mechanisms under the regulatory framework we operate in. Subject to AER approval, storm response expenditure (both operating and capital expenditure) of approximately $29.0 million incurred in relation to this event may be recovered in future periods.
- The June 2021 severe storm event triggered a Guaranteed Service Level (GSL) payment, estimated at $25.0 million. The version of the Electricity Distribution Code (Code) applicable in June 2021 provides a provision for an electricity distributor to seek an exemption from paying a GSL in the event there is an unplanned electricity interruption that exceeds a specified threshold. On 14 July 2021, we applied to the AER for this exemption. The application for exemption was passed on to the Essential Services Commission with the agreement of the AER. We have disclosed a Contingent Liability in note E of our financial statements as there is uncertainty on whether the exemption may be invalidated by an order from the Minister for Energy, Environment and Climate Change to amend our electricity distribution licence. If this order is received and the GSL payment is required to be made, we will seek approval from the AER for pass through recovery under the regulatory framework. This may result in tariff adjustments in the remaining regulatory periods of our current EDPR price set 2021-2026.

Gas distribution business

	30 September 2021	30 September 2020	Movement	%
Segment revenue ($M)	**144.8**	149.3	(4.5)	(3.0)
Segment result - EBITDA ($M)	**113.2**	120.2	(7.0)	(5.8)
Volume (PJ)	**45.3**	46.9	(1.6)	(3.4)
Connections	**764,104**	744,590	19,514	2.6
Capital expenditure ($M)	**57.8**	49.6	8.2	16.5

Gas revenues decreased by $4.5 million due to lower volumes from a milder winter and lower industrial demand. In addition, revenue was impacted by lower tariffs as a result of the Gas Access Arrangement Review (GAAR) approved price path. Operating expenditure increased by $2.5 million due to minor inventory retirements and costs relating to the change in accounting treatment for cloud software expenditure.

The increase in capital expenditure was largely due to additional customer gas connections and alterations.

Development & Future Networks business

In September 2021, the Growth & Future Networks business was renamed to Development & Future Networks but without any significant change to its underlying services and operations.

	30 September 2021	30 September 2020	Movement	%
Segment revenue ($M)	**91.0**	91.3	(0.3)	(0.3)
Segment result – EBITDA ($M)	**44.8**	41.2	3.6	8.7
Lease interest income ($M)	**17.3**	17.9	(0.6)	(3.4)
EBITDA after lease income (EBITDAaL) ($M)	**62.1**	59.1	3.0	5.1
EBITDAaL Margin (%)	**57.3**	54.1	3.2	5.9
Capital expenditure ($M)	**59.2**	46.1	13.1	28.4

Revenue remained largely unchanged from the prior period. EBITDA increased by $3.6 million predominately due to lower labour costs reflecting the benefit of a work force restructuring undertaken in the prior period. The increase in EBITDA did not directly flow through to an equivalent EBITDAaL increase due to a prior period non-recurring adjustment on interest income following a customer scope change.

Capital expenditure in the current period is higher primarily due to the construction of the connection works associated with a major battery storage system in South West Victoria. In addition, works on the WVTNP which is currently in the planning and approvals stage, continues to ramp up due to increased landowner and stakeholder engagement, as well as activities contributing to the development of the Environment Effects Statement (EES). The EES is a requirement under the *Environment Effects Act 1978*. The expenditure incurred during the current stage of the WVTNP is reimbursable up to a threshold, from the Australian Energy Market Operator (AEMO), in the event the AEMO elects to terminate the project. Several large transmission connection projects are in stakeholder engagement, planning and early works stages. These include Ryan Corner and Hawkesdale as well as Golden Plains wind farms, which are expected to reach financial close within the next 6 to 12 months.

Financial position

Total equity of the Group was $3,423.1 million as of 30 September 2021, a decrease of $11.8 million compared to 31 March 2021, primarily attributed to;

- an unfavourable movement in our hedge reserves, partially offset by
- net profit for the period being higher than dividends paid (net of new shares issued under our Dividend Reinvestment Plan) and reflects the seasonal impact of profits generated by our distribution businesses.

Our current assets exceed current liabilities by $49.2 million at 30 September 2021 and reflects the low level of debt maturities over the next 12 months, which are covered by our strong liquidity position.

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations. The Group is, and is expected to continue, trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 30 September 2021 we have available a total of $800.0 million of undrawn but committed bank debt facilities and $480.4 million of cash and short-term investments.

Capital management

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

Debt raising and repayment

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

In line with our Treasury Risk Policy, we maintain a diversified debt portfolio by maturity and source. AusNet has an A- credit rating from Standard and Poor’s and A3 from Moody’s Investor Services. No debt raising activities were undertaken during the six-month period. Non-current hybrids ($705 million) with a first call date in September 2021 were repaid on 7 September and 17 September 2021.

Dividends

The final FY2021 dividend paid to shareholders on 24 June 2021 was as follows:

	Cents per share	**Total dividend $M**
Unfranked dividend (60%)	2.85	108.4
Franked dividend (40%)	1.90	72.2
Total dividend	**4.75**	**180.6**

In relation to the final FY2021 dividend, $49.4 million was utilised in the allotment of new shares issued under the Dividend Reinvestment Plan.

Environmental regulation and climate change

We were subject to both Federal and State Government environmental legislation during the period, including compliance with our obligations under the *Environment Protection Act 2017 (Vic)*, as amended by the *Environment Protection Act Amendment 2018*, from 1 July 2021. This new Act reforms the legislative framework for the protection of human health and the environment from pollution and waste and introduces proactive duties, including, among other obligations, a General Environmental Duty (GED), which is a duty to manage contaminated land and a duty to notify the Environmental Protection Authority (EPA) of contamination that meets or exceeds certain notifiable thresholds. AusNet prepared for the changes through a detailed Readiness Action Plan. Since 1 July 2021, focus has shifted to embedding the changes, ensuring our continued legislative compliance and delivery against environmental continuous improvement activities.

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

Under the *National Greenhouse and Energy Reporting (NGER) Act 2007 (Cth)*, corporations that meet or exceed thresholds are required to report greenhouse gas emissions and energy usage by 31 October each year. We met these thresholds and have lodged our current year's NGER reporting with the Clean Energy Regulator for the period from 1 July 2020 to 30 June 2021.

Regulatory Update

Electricity Distribution Price Review (EDPR) Final Decision 2021-2026

Following the AER's draft decision on the EDPR published in September 2020, we received a final decision on 30 April 2021. The final decision represented $3,470 million of revenue (in nominal dollars) over a five-year period commencing 1 July 2021.

The decision confirms AusNet's proposed accelerated depreciation for assets with shorter lives and incorporates the outcome of the AER's Regulatory Inflation review published in December 2020. The decision also includes the AER's approval for capital expenditure to meet bushfire safety obligations, reduce bushfire risk and enable additional export from distributed energy resources. Additional expenditure to fund expected increases in insurance premiums has also been approved by the AER.

This was the first decision underpinned by the 'New Reg' consumer engagement process, the goal of which was to ensure customers' preferences drive regulatory proposals and outcomes. The process was developed by the AER, Energy Networks Australia and Energy Consumers Australia.

The New Reg process has delivered price relief for our customers balanced with expenditure to improve customer experience, maintain the safety and reliability of the network and fund innovation to support the customer led investment in solar and batteries.

Transmission Rate Reset (TRR) Draft Decision 2022-2027

Following the submission of our TRR proposal to the AER in October 2020, the AER published its draft decision on 30 June 2021. The decision represented $2,838 million in revenue (in nominal dollars) over a five-year period and represented a 2% reduction to our TRR proposal. The reduction was due to two operating expenditure step changes relating to a future increase in council rates and to fund required increases in our cyber security capabilities. The revenue reduction from these step changes was partially offset by the AER's new Inflation Forecasting approach along with recent increases in the 10-year bond rate. In September 2021, we submitted a Revised Proposal, and a final decision is expected by 31 January 2022.

Material risks and uncertainties

We are committed to understanding and effectively managing risk to enhance our ability to deliver on our strategic objectives and meet expectations of our shareholders, employees, customers, suppliers, and the communities in which we operate. We maintain oversight of our material business risks (financial and non-financial) at an enterprise-wide level, with regular reporting to the Audit and Risk Committee and the Board of Directors on the effectiveness of the management of these risks. In our 31 March 2021 Financial Report, we detailed the following principal risks, which may materially impact the execution and achievement of our business strategy and financial prospects:

- Industry and regulatory risks;
- Network risks;
- Taxation risks;
- Funding and market risks;
- Climate change and sustainability risks; and
- Information technology and security risks.

We provide the following update on our material risks since the 31 March 2021 Financial Report:

Industry and regulatory risks

Rapid Earth Fault Current Limiter (REFCL) update

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

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

Compliance date	Completed	To be completed by		Total
	1 November 2021	1 November 2022	1 May 2023	
Zone substations	14	5	3	22
Compliance points	47	10	7	64

As detailed in the 31 March 2021 Financial Report, this program presents several other risks, which continue to be present and are being actively managed.

The amended *Electricity Safety Act 1998 (Vic)* (ESA) enables ESV, or the Minister, to apply to the Supreme Court of Victoria seeking the imposition of significant financial penalties if a distributor fails to achieve the number of points prescribed by the Regulations throughout the applicable compliance period. The legislation provides that the Court can impose a maximum penalty of $2.0 million per point for each station where a distributor has not achieved compliance. Accordingly, penalties of up to $10.0 million per zone substation can apply if AusNet fails to achieve the required capacity during the relevant compliance period. Additionally, the Court can impose a maximum daily penalty of $5,500 for each day AusNet remains non-compliant.

Taxation risks

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

We continue to work with the ATO on our objection in relation to certain tax consolidation and capital allowance positions arising from the corporate restructure completed in June 2015. If successful, the tax consolidation element would result in a higher uplift in tax base. AusNet’s financial statements and tax returns do not reflect this potential uplift.

In relation to the capital allowances element of the 2015 corporate restructure objection we continue to carry a $26.4 million tax risk provision. Further detail regarding this provision is contained in note B.7 to the financial statements.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial period

Dividend

Since the end of the financial period, the Directors have approved an interim dividend for FY2022 of $181.9 million (4.75 cents per share) to be paid on 16 December 2021. This dividend is unfranked. The AusNet Services Ltd Dividend Reinvestment Plan will not operate for the interim dividend.

October 2021 Weather Event

On 29 October 2021, Victoria experienced a weather event when strong winds and storms damaged parts of our distribution network. Approximately 236,000 customers experienced a disruption to their power supply. We commenced reconstruction work as soon as it was safe to do so by our teams. As at the date of this report, power supply has resumed to all customers. We estimate reconstruction and reconnection costs to be in the range of $8.0 million to $11.0 million. We intend to seek an approval from the AER for recovery of costs through tariff adjustments within our current five-year EDPR 2021 – 2026 period.

The Electricity Distribution Code (Code) sets out the quality standards to which we provide our electricity distribution service. If our service does not meet these standards, our customers are entitled to compensation called a Guaranteed Service Level (GSL). The amount of the GSL is calculated on the number of unplanned electricity interruptions and the duration of these interruptions experienced by customers. The GSL is paid on a quarterly basis and by a credit to each relevant customer account from their retailer. The Code lists examples of events that may cause an unplanned electricity interruption and it also previously provided a provision for an electricity distributor to seek an exemption from paying a GSL in the event there was an unplanned electricity interruption that exceeded a specified threshold. On 1 July 2021, the Code was amended to remove the exemption and include a requirement for a distributor like AusNet to make a GSL payment for each customer without power supply for more than 12 hours. Based on the weather event of 29 October 2021, we estimate GSL payments in the range of $9.0 million to $13.5 million. We intend to obtain AER approval to recover this cost in our next EDPR price reset commencing 2026 – 2031.

Receipt of a Binding Take Over Offer and Implementation Scheme Deed

On 31 October 2021 AusNet received a binding proposal for $2.65 cash per share (see further below), and has entered into a Scheme Implementation Deed (SID), under which Brookfield is to acquire all the shares in AusNet for cash consideration by means of a scheme of arrangement (the Scheme). The AusNet Board of directors unanimously recommends that shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert concluding in its report (and continuing to conclude) that the Scheme is in the best interests of AusNet shareholders.

The Scheme is subject to various conditions including approval by AusNet shareholders at a scheme meeting which is proposed to be held before the end of March 2022. If the Scheme is implemented, AusNet shareholders will receive total consideration of $2.65 cash per share, less the total cash amounts of any dividend paid in respect of the half-year ended 30 September 2021 (being $0.0475 per share) and in respect of the full year ending 31 March 2022 (up to a maximum of $0.0475 per share),

If the Scheme is implemented after 31 March 2022, AusNet shareholders will be entitled to additional consideration from Brookfield of $0.000260274 per share for each day after 31 March 2022 that has elapsed by the date of implementation.

Singapore Power (which currently owns 32.74% of the AusNet shares) has informed AusNet that it supports the Scheme and intends to vote in favour of it, subject to: the SID not being terminated, there not being a superior proposal and an independent expert concluding that the Scheme is in the best interests of AusNet shareholders (and not changing that conclusion).

The SID and the Scheme will require AusNet to incur a number of additional and one-off costs, including legal and advisory fees, administration costs and certain employee arrangements as contemplated by the SID. A significant portion of these costs will only be incurred if the Scheme is successfully completed. In addition, the SID specifies that AusNet will incur a break fee of $101,674,267 (being 1% of the equity value of AusNet as implied by the Scheme consideration) if the AusNet board ultimately recommends a competing superior proposal, or if any individual AusNet director ceases to recommend the Scheme, or if a competing proposal is announced or made whilst the SID remains on foot and that competing proposal completes within 9 months, or if Brookfield terminates the SID for any material breach by AusNet.

Rounding of amounts

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

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

Peter Mason
Chair

Tony Narvaez
Managing Director

Melbourne
10 November 2021

KPMG

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

To the Directors of AusNet Services Ltd

I declare that, to the best of my knowledge and belief, in relation to the review of AusNet Services Ltd for the half-year ended 30 September 2021there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

BW Szentirmay

Partner

Melbourne

10 November 2021

Consolidated interim income statement
For the period ended 30 September 2021

	Notes	30 September 2021 $M	30 September 2020 $M
Revenue	B.2	**1,031.8**	1,039.4
Use of system and associated charges		**(61.5)**	(57.1)
Easement and land tax		**(91.7)**	(83.6)
Employee benefit expenses		**(90.3)**	(92.7)
External maintenance and contractors' services		**(73.9)**	(63.3)
Materials		**(7.5)**	(8.8)
Information technology and communication costs		**(27.6)**	(22.9)
Administrative expenses		**(19.8)**	(16.6)
Service level payments		**(3.1)**	(12.6)
Disposal of property plant and equipment		**(6.7)**	(5.7)
Other costs		**(13.3)**	(14.5)
Total expenses excluding depreciation, amortisation, interest and tax		**(395.4)**	(377.8)
Earnings before interest, tax, depreciation and amortisation		**636.4**	661.6
Depreciation and amortisation		**(234.4)**	(231.9)
Profit from operating activities		**402.0**	429.7
Finance income	D.2	**19.1**	22.0
Finance costs	D.2	**(177.0)**	(148.1)
Net finance costs		**(157.9)**	(126.1)
Profit before income tax		**244.1**	303.6
Income tax expense	B.7	**(66.6)**	(77.9)
Profit for the period		**177.5**	225.7
Basic and diluted earnings per share (cents per share)	B.4	**4.66**	6.04

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

Consolidated interim statement of comprehensive income

For the period ended 30 September 2021

	30 September 2021 $M	30 September 2020 $M
Profit for the period	**177.5**	225.7
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent periods		
Movement in defined benefit fund	**5.3**	10.4
Income tax on movement in defined benefit fund	**(1.6)**	(3.1)
	3.7	7.3
Items that may be reclassified to profit or loss in subsequent periods		
Movement in hedge reserve	**(88.4)**	(44.6)
Income tax on movement in hedge reserve	**26.5**	13.4
	(61.9)	(31.2)
Other comprehensive loss for the period, net of income tax	**(58.2)**	(23.9)
Total comprehensive income for the period	**119.3**	201.8

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

Consolidated interim statement of financial position
As at 30 September 2021

	Notes	30 September 2021 $M	31 March 2021 $M
ASSETS			
Current assets			
Cash and cash equivalents		**330.4**	827.9
Receivables	B.5	**219.3**	184.6
Other financial assets	B.6	**164.3**	734.5
Inventories		**41.3**	43.5
Derivative financial instruments		**32.1**	18.1
Tax receivable	B.7	**66.5**	5.6
Other assets		**56.0**	26.8
Total current assets		**909.9**	1,841.0
Non-current assets			
Inventories		**23.7**	21.6
Property, plant and equipment	C.1	**11,442.8**	11,388.5
Intangible assets	C.2	**563.8**	503.5
Other financial assets	B.6	**466.7**	442.3
Derivative financial instruments		**399.5**	332.1
Tax receivable	B.7	**-**	37.5
Other assets		**66.5**	63.1
Total non-current assets		**12,963.0**	12,788.6
Total assets		**13,872.9**	14,629.6
LIABILITIES			
Current liabilities			
Payables and other liabilities		**310.9**	314.9
Lease liabilities		**7.7**	6.9
Provisions	E.2	**93.1**	97.2
Borrowings	D.1	**415.8**	318.4
Derivative financial instruments		**8.9**	25.9
Current tax payable		**24.3**	-
Total current liabilities		**860.7**	763.3
Non-current liabilities			
Deferred revenue		**221.9**	209.0
Lease liabilities		**74.3**	84.4
Provisions	E.2	**52.4**	51.7
Borrowings	D.1	**8,060.5**	8,868.8
Derivative financial instruments		**457.2**	510.0
Deferred tax liabilities		**722.8**	707.5
Total non-current liabilities		**9,589.1**	10,431.4
Total liabilities		**10,449.8**	11,194.7
Net assets		**3,423.1**	3,434.9
EQUITY			
Contributed equity	D.3	**5,537.1**	5,487.8
Reserves		**(1,806.1)**	(1,744.4)
Retained profits		**787.2**	786.6
Other equity		**(1,095.1)**	(1,095.1)
Total equity		**3,423.1**	3,434.9

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

Consolidated interim statement of changes in equity

For the period ended 30 September 2021

	Notes	Share capital $M	Restructure reserve (i) $M	Hedge reserve (ii) $M	Asset revaluation reserve (iii) $M	Share based payment reserve (iv) $M	Other equity (v) $M	Retained profits $M	Total equity $M
30 September 2021									
Balance as at 1 April 2021		5,487.8	(1,501.9)	(294.8)	51.4	0.9	(1,095.1)	786.6	3,434.9
Total comprehensive income for the period									
Profit for the period		-	-	-	-	-	-	177.5	177.5
Other comprehensive income		-	-	(61.9)	-	-	-	3.7	(58.2)
Total comprehensive income for the period		**-**	**-**	**(61.9)**	**-**	**-**	**-**	**181.2**	**119.3**
Transactions with owners, recorded directly in equity									
Dividends paid	D.4	-	-	-	-	-	-	(180.6)	(180.6)
Dividend Reinvestment Plan (net of transaction costs)	D.3	49.4	-	-	-	-	-	-	49.4
Shares purchased as part of employee share plans	D.3	(1.7)	-	-	-	-	-	-	(1.7)
Share based payment reserve	D.3	1.6	-	-	-	0.2	-	-	1.8
Total transactions with owners		**49.3**	**-**	**-**	**-**	**0.2**	**-**	**(180.6)**	**(131.1)**
Balance as at 30 September 2021		**5,537.1**	**(1,501.9)**	**(356.7)**	**51.4**	**1.1**	**(1,095.1)**	**787.2**	**3,423.1**
30 September 2020									
Balance as at 1 April 2020		5,352.8	(1,501.9)	(635.2)	51.4	2.3	(1,095.1)	831.3	3,005.6
Total comprehensive income for the period									
Profit for the period		-	-	-	-	-	-	225.7	225.7
Other comprehensive income		-	-	(31.2)	-	-	-	7.3	(23.9)
Total comprehensive income for the period		**-**	**-**	**(31.2)**	**-**	**-**	**-**	**233.0**	**201.8**
Transactions with owners, recorded directly in equity									
Dividends paid	D.4	-	-	-	-	-	-	(190.1)	(190.1)
Dividend Reinvestment Plan (net of transaction costs)	D.3	45.1	-	-	-	-	-	-	45.1
Shares purchased as part of employee share plans	D.3	(1.4)	-	-	-	-	-	0.5	(0.9)
Share based payment reserve	D.3	3.0	-	-	-	(1.0)	-	-	2.0
Total transactions with owners		**46.7**	**-**	**-**	**-**	**(1.0)**	**-**	**(189.6)**	**(143.9)**
Balance as at 30 September 2020		**5,399.5**	**(1,501.9)**	**(666.4)**	**51.4**	**1.3**	**(1,095.1)**	**874.7**	**3,063.5**

Consolidated interim statement of changes in equity

For the period ended 30 September 2021

(i) Under the corporate restructure, AusNet Services Ltd shares were issued to shareholders in return for their stapled securities. AusNet Services Ltd share capital was measured at fair value on the date of the transaction, being the market capitalisation of the AusNet Services Stapled Group on the date of implementation of 18 June 2015 ($4,957.7 million). The difference between the contributed equity of AusNet Services Ltd and the pre-restructure contributed equity of the Stapled Group at the date of the transaction was recognised as a restructure reserve.

(ii) The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. These gains or losses are transferred to the income statement when the hedged item affects income, except for highly probable forecast purchases of an asset where the gains or losses are included in the initial measurement of that asset.

(iii) This amount represents the fair value uplift to the assets of the AusNet Services Transmission Group on the date that the previous Stapled Group was formed. The fair value uplift was applied to easements which are considered to have an indefinite useful life. The amount was carried into the asset revaluation reserve of the Group following the corporate restructure on 18 June 2015.

(iv) The share based payment reserve represents the tax-effected fair value of the performance rights granted under the long term incentive plan as well as the difference between the vested cost and expense recognised. This takes into account estimated vesting and service conditions as at 30 September 2021.

(v) The other equity component results from the application of reverse acquisition accounting and represents the difference between the net assets of AusNet Services (Transmission) Ltd and AusNet Finance Pty Ltd and the purchase price paid by the legal acquirer, AusNet Services (Transmission) Ltd on 20 October 2005.

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

Consolidated interim statement of cash flows

For the period ended 30 September 2021

	30 September 2021 $M	30 September 2020 $M
Cash flows from operating activities		
Profit for the period	**177.5**	225.7
Add back interest, tax, depreciation and amortisation	**458.9**	435.9
Earnings before interest, tax, depreciation and amortisation	**636.4**	661.6
Non-cash gifted assets revenue	**(22.4)**	(19.0)
Other non-cash items	**6.7**	5.7
Working capital movement	**(34.4)**	(17.5)
Income tax paid	**(25.5)**	(53.4)
Net interest paid	**(157.8)**	(146.5)
Net cash inflow from operating activities	**403.0**	430.9
Cash flows from investing activities		
Payments for property, plant and equipment (i)	**(385.4)**	(407.0)
Proceeds from sale of property, plant and equipment	**0.8**	0.2
Proceeds from short term investments (ii)	**569.8**	149.8
Receipts from financial assets	**5.3**	5.7
Net cash inflow/(outflow) from investing activities	**190.5**	(251.3)
Cash flows from financing activities		
Payments for employee share plans	**(1.7)**	(1.0)
Payments for lease liabilities	**(2.7)**	(2.9)
Dividends paid (iii)	**(131.2)**	(145.0)
Proceeds from borrowings	**-**	552.0
Repayments of borrowings	**(955.4)**	(709.7)
Net cash (outflow) from financing activities	**(1,091.0)**	(306.6)
Net (decrease)/ increase in cash held	**(497.5)**	(127.0)
Cash and cash equivalents at beginning of the period	**827.9**	155.3
Cash and cash equivalents at the end of the period	**330.4**	28.3

(i) Net finance costs include a credit of $10.0 million (FY2021: $10.1 million) for capitalised finance charges which is included in payments for property, plant and equipment.

(ii) $569.8 million (FY2021: $149.8 million) of short term deposits with a maturity date more than 3 months were redeemed as cash during the period.

(iii) Amounts shown represent dividends paid of $180.6 million (FY2021: $190.1 million) offset by proceeds from the Dividend Reinvestment Plan net of transaction costs of $49.4 million (FY2021: $45.1 million).

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

Contents

Section A Overview

(a) Basis of preparation

The consolidated general purpose interim financial report, prepared by a for-profit entity for the period ended 30 September 2021, represents the consolidated financial statements of the Group, which comprises AusNet Services Ltd and its subsidiaries. The Group is also referred to as we, us, our or AusNet.

The financial report has been prepared:

- in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth);
- on a going concern basis, which contemplates the continuity of normal trading operations. The Group's current assets exceed current liabilities by $49.2 million at 30 September 2021. The Group is, and is expected to continue trading profitably, generating positive operating cash flows, and successfully refinancing maturing debt. In addition, at 30 September 2021 we have available a total of $800 million of undrawn but committed bank debt facilities, as well as $480.4 million of cash and short-term deposits;
- under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) measured at fair value; and
- with amounts rounded off to the nearest hundred thousand dollars, unless otherwise stated, in accordance with Instrument 2016/191 issued by the Australian Securities and Investments Commission.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Group for the year ended 31 March 2021 and any public announcements made by AusNet Services Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act*.

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

The interim financial statements were approved by the Board of Directors on 10 November 2021.

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 March 2021.

(b) Critical accounting estimates and judgements

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

In preparing this consolidated interim financial report, the key sources of estimation uncertainty were the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 March 2021. Some of the critical judgements and estimates used by management in applying the Group's accounting policies for the period ended 30 September 2021 have been updated to reflect the latest available information. These updates have not had a significant impact on the financial performance or financial position of the Group as at and for the period ended 30 September 2021.

In regard to judgements used by management to estimate any potential financial obligation relating to AusNet's employee (both current and former) underpayment review, those judgements are continually reassessed by management and remain subject to review by Fair Work Australia.

Section B Operating our business

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

Note B.1 Segment information

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

(a) Description of reportable segments

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

The Group is organised into the following segments:

(i) Electricity distribution

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

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

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

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

Customer Contributions

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

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

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

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

Note B.1 Segment information (continued)

(a) Description of reportable segments (continued)

(ii) Gas distribution

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

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

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

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

(iii) Electricity transmission

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

Prescribed excluded services revenue is generated from assets that will be rolled into the regulated asset base (RAB) in the next regulatory reset period and included in regulated transmission revenue from that date. For the period that this revenue is under separate contracts and related to customer-initiated works, it is included in the Development & Future Networks segment.

The performance obligation is the provision of the access to the network and as such revenue is recognised over the contract period which is deemed to be the regulatory reset period. The transaction price is deemed to be the determined recoverable revenue over that period.

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

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

The contracted infrastructure business builds, owns and operates a portfolio of assets that fall outside the regulated asset base. Development & Future Networks makes investments through directly negotiated agreements, and typically receives annuity payments over the contract period in exchange for infrastructure and operational services. Dedicated customer connections are treated as finance lease receivables, with proceeds received from these assets split between revenue, lease interest income and principal repayments. Note that lease interest income in this segment also includes interest income on the desalination licence receivable.

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

This segment also includes customer-initiated excluded prescribed and negotiated transmission services. Excluded negotiated services revenue is generated from assets that are excluded from the RAB but are controlled under a regulated negotiating framework. Contracts are based on fixed fees over the life of the asset and performance obligations are satisfied over time.

Note B.1 Segment information (continued)

(b) Reportable segment financial information

	Electricity distribution	Gas distribution	Electricity transmission	Development & Future Networks	Inter-segment eliminations	Consolidated
30 September 2021	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Regulated revenue	458.8	139.9	289.6	-	(4.6)	883.7
Excluded prescribed transmission revenue	-	-	14.8	8.2	-	23.0
Excluded negotiated transmission revenue	-	-	-	10.0	-	10.0
Unregulated infrastructure revenue	-	-	-	28.4	-	28.4
Customer contributions	34.6	4.7	-	0.8	-	40.1
Service revenue	-	-	-	39.9	-	39.9
Other revenue	2.3	0.2	0.7	3.7	(0.2)	6.7
Total segment revenue	**495.7**	**144.8**	**305.1**	**91.0**	**(4.8)**	**1,031.8**
Segment operating expense	(193.1)	(31.6)	(129.3)	(46.2)	4.8	(395.4)
Segment result - EBITDA (i)	**302.6**	**113.2**	**175.8**	**44.8**	**-**	**636.4**
Lease interest income	-	-	-	17.3	-	17.3
EBITDAaL (ii)	**302.6**	**113.2**	**175.8**	**62.1**	**-**	**653.7**
Depreciation and amortisation	(131.3)	(30.0)	(52.8)	(20.3)	-	(234.4)
Capital expenditure	215.5	57.8	60.0	59.2	-	392.5
30 September 2020						
Regulated revenue	468.6	144.8	284.9	-	(4.6)	893.7
Excluded prescribed transmission revenue	-	-	15.0	9.5	(0.2)	24.3
Excluded negotiated transmission revenue	-	-	-	9.2	-	9.2
Unregulated infrastructure revenue	-	-	-	29.0	-	29.0
Customer contributions	31.3	3.6	-	-	-	34.9
Service revenue	-	-	-	39.3	-	39.3
Other revenue	2.1	0.9	1.7	4.3	-	9.0
Total segment revenue	**502.0**	**149.3**	**301.6**	**91.3**	**(4.8)**	**1,039.4**
Segment operating expense	(182.5)	(29.1)	(120.9)	(50.1)	4.8	(377.8)
Segment result - EBITDA (i)	**319.5**	**120.2**	**180.7**	**41.2**	**-**	**661.6**
Lease interest income	-	-	-	17.9	-	17.9
EBITDAaL (ii)	**319.5**	**120.2**	**180.7**	**59.1**	**-**	**679.5**
Depreciation and amortisation	(127.9)	(30.7)	(50.3)	(23.0)	-	(231.9)
Capital expenditure	211.9	49.6	71.5	46.1	-	379.1

(i) Earnings before interest, tax, depreciation and amortisation
(ii) EBITDA after lease income

Note B.1 Segment information (continued)

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

(i) Accounting policies

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

(ii) Inter-segment eliminations

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

Note B.2 Revenue from contracts with customers

Disaggregated revenue

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

30 September 2021	**Electricity distribution**	**Gas distribution**	**Electricity transmission**	**Development & Future Networks**	**Inter-segment eliminations**	**Total**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**
Timing of recognition						
At a point in time	46.9	8.3	0.5	27.8	(0.2)	83.3
Over time	447.9	136.5	304.4	62.4	(4.6)	946.6
Revenue from contracts with customers	**494.8**	**144.8**	**304.9**	**90.2**	**(4.8)**	**1,029.9**
Other income not in scope of AASB 15						
Operating lease income	0.1	-	0.2	-	-	0.3
Income from government grants (i)	0.8	-	-	0.8	-	1.6
Total segment revenue	**495.7**	**144.8**	**305.1**	**91.0**	**(4.8)**	**1,031.8**
30 September 2020						
Timing of recognition						
At a point in time	42.6	6.0	1.3	28.2	-	78.1
Over time	458.7	143.3	299.9	61.2	(4.8)	958.3
Revenue from contracts with customers	**501.3**	**149.3**	**301.2**	**89.4**	**(4.8)**	**1,036.4**
Other income not in scope of AASB 15						
Operating lease income	0.1	-	0.4	-	-	0.5
Income from government grants (i)	0.6	-	-	1.9	-	2.5
Total segment revenue	**502.0**	**149.3**	**301.6**	**91.3**	**(4.8)**	**1,039.4**

(i) Government grant income in the electricity distribution segment comprises grants under the Powerline Replacement Program whereby grants are received to fund bushfire safety capital expenditure, with income recognised over the life of the constructed assets. Government grants in the Development & Future Network segment comprises assets received in relation to the Ballarat Energy Storage System, with income recognised over the life of the asset.

Note B.3 Seasonality of operations

(a) Electricity distribution

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

(b) Gas distribution

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

(c) Electricity transmission

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

Easement tax pass-through revenue (and the associated payments to the State Revenue Office) have a payment profile weighted towards the first half of the year. Under AASB 15 *Revenue from Contracts with Customers*, both the revenue and expense are recognised on a straight-line basis over the financial year. As such, at 30 September 2021 we have prepayment and deferred revenue balances representing this accounting treatment.

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

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

Note B.4 Earnings per share

(a) Basic earnings per share

		30 September 2021	30 September 2020
	Profit attributable to the ordinary shareholders of AusNet ($M)	**177.5**	225.7
divided by	Weighted average number of shares (million)	**3,813**	3,738
equals	Basic earnings per share (cents)	**4.66**	6.04

(b) Diluted earnings per share

There were no factors causing a dilution of either the profit or loss attributable to ordinary shareholders or the weighted average number of ordinary shares outstanding. We have the option to issue equity to meet vested share rights to employees, however we are currently purchasing shares on market. Accordingly, basic and diluted earnings per share are the same.

Note B.5 Receivables

	30 September 2021 $M	31 March 2021 $M
Current receivables		
Accounts receivable	**67.6**	52.2
Allowance for impairment loss	**(1.9)**	(2.7)
Accrued revenue	**152.3**	134.5
Interest receivable	**0.8**	0.4
Other receivables	**0.5**	0.2
Total current receivables	**219.3**	184.6

Note B.6 Other financial assets

	30 September 2021 $M	31 March 2021 $M
Current other financial assets		
Lessor receivable (i)	**2.1**	2.4
Short term investments	**150.0**	719.8
Desalination licence receivable	**12.0**	12.1
Cash held by employee share trust	**0.2**	0.2
Total other current financial assets	**164.3**	734.5
Non-current other financial assets		
Lessor receivable (i)	**316.8**	287.9
Desalination licence receivable	**149.9**	154.4
Total non-current other financial assets	**466.7**	442.3

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

Note B.7 Taxation

(a) Tax receivable

	30 September 2021 $M	31 March 2021 $M
Current tax receivable		
Receivable for tax paid in respect of pre-consolidation tax losses (i)	**29.0**	-
Receivable for tax paid in respect of gifted assets in prior years (ii)	**37.5**	-
Current year tax receivable	**-**	5.6
Total current tax receivable	**66.5**	5.6
Non-current tax receivable		
Receivable for tax paid in respect of gifted assets in prior years (ii)	**-**	37.5
Total non-current tax receivable	**-**	37.5

(i) Refer to section (c) below.

(ii) In December 2020, AusNet lodged an objection with the Australian Tax Office (ATO) seeking a $37.5 million refund of tax paid in relation to certain gifted assets received and recognised as revenue in prior periods. As at 30 September 2021, we expect the refund to be received within 12 months and have reclassified the tax receivable balance from non-current to current.

(b) Income tax expense

	30 September 2021 $M	30 September 2020 $M
Profit before income tax	**244.1**	303.6
Tax at the Australian tax rate of 30.0% (FY2021: 30.0%)	**(73.3)**	(91.1)
Tax effect of amounts which are not (taxable)/deductible:		
Prior year (under)/ overprovisions	**(0.2)**	(0.1)
Impact of amended assessments (i)	**-**	13.3
Tax risk provision (ii)	**6.9**	-
Income tax expense	**(66.6)**	(77.9)

(i) During the previous period, amended assessments for FY2016 to FY2019 were lodged with the ATO, with a number of changes to the timing of deductions for property, plant and equipment. Part of these changes relate to the period prior to the 2015 corporate restructure and as such, they increased the reset tax base amount under the tax consolidation event which resulted from the restructure. A $13.3 million credit to tax expense was recognised as a result of this higher reset tax base amount and is based on the amended assessments.

(ii) Refer to section (c) below.

Note B.7 Taxation (continued)

(c) Uncertain tax positions

In October 2020 AusNet lodged an objection with the ATO in relation to certain tax consolidation and capital allowance positions arising from the corporate restructure in 2015.

In relation to the tax consolidation element of this objection, the potential uplift in tax base has not been recognised in the financial statements of AusNet.

At 31 March 2021 AusNet continued to recognise an $11.0 million net tax risk provision. This provision was based on a probability weighted range of possible outcomes for two separate matters:

- A $26.4 million tax risk provision in relation to the capital allowance element of the 2015 corporate restructure objection; and
- A $15.4 million offsetting potential tax refund, with AusNet seeking higher prior year deductions in relation to a separate capital allowance matter.

As at 30 September 2021, the $26.4 million tax risk continues to be carried as a deferred tax liability. In relation to the potential refund, the ATO has accepted AusNet's amended assessments. As a result, the full value of the refund, being $29.0 million, has been recognised as a current tax receivable. This has also resulted in the recognition of a $6.9 million income tax benefit in the income statement.

Section C Investing in our business

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

Note C.1 Property, plant and equipment

	Freehold land $M	Buildings $M	Easements $M	Transmission network (i) $M	Electricity distribution network $M	Gas distribution network $M	Other plant and equipment $M	Right-of-use asset $M	Capital work in progress $M	Total $M
30 September 2021										
Cost	253.0	628.5	1,225.9	3,504.7	6,637.0	2,305.2	731.5	93.4	496.4	**15,875.6**
Accumulated depreciation	-	(132.2)	(0.5)	(1,072.0)	(2,009.0)	(604.4)	(592.2)	(22.5)	-	**(4,432.8)**
Carrying amount as at 30 September 2021	**253.0**	**496.3**	**1,225.4**	**2,432.7**	**4,628.0**	**1,700.8**	**139.3**	**70.9**	**496.4**	**11,442.8**
31 March 2021										
Cost	252.4	623.3	1,225.9	3,401.3	6,502.1	2,266.6	727.2	100.1	548.4	**15,647.3**
Accumulated depreciation	-	(125.5)	(0.4)	(1,028.4)	(1,923.0)	(583.0)	(580.4)	(18.1)	-	**(4,258.8)**
Carrying amount as at 31 March 2021	**252.4**	**497.8**	**1,225.5**	**2,372.9**	**4,579.1**	**1,683.6**	**146.8**	**82.0**	**548.4**	**11,388.5**

(i) Transmission network also contains Development & Future Networks unregulated infrastructure assets.

Note C.2 Intangible assets

	Distribution licences	Goodwill	Software	Total
	$M	$M	$M	$M
30 September 2021				
Cost	354.5	12.0	755.4	1,121.9
Accumulated amortisation	-	-	(558.1)	(558.1)
Carrying amount as at 30 September 2021	**354.5**	**12.0**	**197.3**	**563.8**
31 March 2021				
Cost	354.5	12.0	673.5	1,040.0
Accumulated amortisation	-	-	(536.5)	(536.5)
Carrying amount as at 31 March 2021	**354.5**	**12.0**	**137.0**	**503.5**

Section D Financing our business

This section provides information relating to our capital structure and our exposure to financial risks, how they affect the Group's financial position and performance, and how those risks are managed. The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's consolidated financial report as at and for the year ended 31 March 2021.

Note D.1 Borrowings

	Maturity date	**30 September 2021 $M**	31 March 2021 $M
Current borrowings			
Domestic medium-term notes	June 2022	**344.5**	250.0
Hong Kong dollar (HKD) senior notes (i)	December 2021	**71.3**	68.4
Total current borrowings		**415.8**	318.4
Non-current borrowings			
Hong Kong dollar (HKD) senior notes (i)	2026-2034	**832.0**	783.4
Domestic medium-term notes	2024-2043	**2,065.9**	2,402.6
Euro (EUR) senior notes (i)	2024-2030	**2,631.4**	2,528.7
Japanese Yen (JPY) senior notes (i)	2024	**63.4**	60.9
US dollar (USD) senior notes (i)	2026	**118.8**	113.8
Norwegian Kroner (NOK) senior notes (i)	2027-2029	**589.3**	570.5
US dollar (USD) hybrid (i) (ii)	2076	**-**	495.8
Singapore dollar (SGD) hybrid (i) (ii)	2076	**-**	197.2
Australian dollar (AUD) hybrid (ii)	2080	**646.1**	645.7
Euro (EUR) hybrid securities (i), (ii)	2081	**1,113.6**	1,070.2
Total non-current borrowings		**8,060.5**	8,868.8
Total borrowings		**8,476.3**	9,187.2

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

(ii) The first call date for hybrid securities is in October 2025 for AUD hybrids and September 2026 for EUR hybrids. SGD and USD hybrids were paid on the first call date in September 2021.

AusNet had $800.0 million of undrawn but committed bank debt facilities, as well as $480.4 million of cash and short-term deposits as at 30 September 2021.

(a) Fair value measurement

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

The Group also has a number of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position. With the exception of borrowings, the carrying amounts of these items are considered to be a reasonable approximation of their fair value at 30 September 2021.

Note D.1 Borrowings (continued)

(a) Fair value measurement (continued)

The fair value of total borrowings as at 30 September 2021 is $9,254.8 million (31 March 2021: $10,043.7 million). This fair value measurement uses significant market observable data, and therefore is a level two measurement within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. The valuation techniques applied are consistent with those applied in the consolidated financial report as at and for the year ended 31 March 2021.

Note D.2 Net finance costs

	30 September 2021 $M	30 September 2020 $M
Finance income		
Interest income	**1.8**	4.1
Lease interest income	**17.3**	17.9
Total finance income	**19.1**	22.0
Finance costs		
Interest expense	**175.3**	168.2
Interest expense – leases	**2.4**	1.9
Other finance charges – cash	**1.5**	2.3
Other finance charges - non-cash	**3.6**	2.4
Loss/(gain) on accounting for hedge relationships	**3.7**	(16.1)
Unwind of discount on provisions	**1.1**	0.1
Defined benefit net interest income	**(0.6)**	(0.6)
Capitalised finance charges	**(10.0)**	(10.1)
Total finance costs	**177.0**	148.1
Net finance costs	**157.9**	126.1

Note D.3 Equity

		30 September 2021 $M	31 March 2021 $M
Contributed equity			
Ordinary share capital	(a)	**5,542.0**	5,492.6
Shares held by employee share plans trust	(b)	**(4.9)**	(4.8)
Total contributed equity		**5,537.1**	5,487.8

(a) Movements in ordinary share capital

Date	**Details**	**Issue price**	**Number of shares**	**$M**
1 April 2021	Opening balance		3,801,232,373	5,492.6
24 June 2021	Dividend Reinvestment Plan	$1.72	28,732,113	49.4
30 September 2021	**Closing balance**		**3,829,964,486**	**5,542.0**
1 April 2020	Opening balance		3,726,840,530	5,359.3
25 June 2020	Dividend Reinvestment Plan	$1.72	26,208,143	45.1
30 September 2020	**Closing balance**		**3,753,048,673**	**5,404.4**

Note D.3 Equity (continued)

(b) Shares held by employee share plans trust

The Group uses an employee share trust as a delivery mechanism to satisfy future vesting entitlements for the Short Term Incentive Plan deferred equity rights for the Managing Director and other key executives and the Long Term Incentive Plan (LTIP) performance rights. During the financial period, 960,000 shares were acquired on market at an average price of $1.75 (FY2021: 780,000 shares acquired on market at an average price of $1.84) and 1,140,566 shares vested at an average price of $1.74 per share (FY2021: 1,821,950 shares vested at an average price of $1.70 per share).

The share trust is held by Computershare Pty Ltd and for accounting purposes the trust is deemed to be controlled by AusNet. Accordingly, the shares held by the trust are consolidated into the Group's financial statements. The shares have been excluded for the earnings per share calculation in note B.4.

Note D.4 Dividends

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

	Date paid	Cents per share	Total dividend $M
Current period - Ordinary dividend	24 June 2021	4.75	180.6
Previous period - Ordinary dividend	25 June 2020	5.10	190.1

In relation to the dividend paid of $180.6 million (FY2021: $190.1 million), $49.4 million less transaction costs was utilised in the allotment of new shares issued under the Dividend Reinvestment Plan (FY2021: $45.1 million).

Section E Other disclosures

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

Note E.1 Contingent liabilities and contingent assets

(a) Rapid Earth Fault Current Limiter (REFCL) penalty regime

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

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

Compliance date	Completed	To be completed by		Total
	1 November 2021	1 November 2022	1 May 2023	
Zone substations	14	5	3	22
Compliance points	47	10	7	64

As detailed in the 31 March 2021 Financial Report, this program presents several other risks, which continue to be present and are being actively managed.

The amended *Electricity Safety Act 1998 (Vic)* (ESA) enables Energy Safe Victoria, or the Minister, to apply to the Supreme Court of Victoria seeking the imposition of significant financial penalties if a distributor fails to achieve the number of points prescribed by the Regulations throughout the applicable compliance period. The legislation provides that the Court can impose a maximum penalty of $2.0 million per point for each station where a distributor has not achieved compliance. Accordingly, penalties of up to $10.0 million per zone substation can apply if AusNet fails to achieve the required capacity during the relevant compliance period. Additionally, the Court can impose a maximum daily penalty of $5,500 for each day AusNet remains non-compliant.

(b) Guaranteed Service Level contingent liability

We provide an electricity delivery service in accordance with quality standards as set out in the Electricity Distribution Code (Code). If our service does not meet these standards, our customers are entitled to compensation called a Guaranteed Service Level (GSL). The amount of the GSL is calculated on the number of unplanned electricity interruptions and the duration of these interruptions experienced by customers. The GSL is paid on a quarterly basis and by a credit to each relevant customer account from their retailer. The version of the Code applicable in June 2021 lists examples of events that may cause an unplanned electricity interruption and it also provides a provision for an electricity distributor to seek an exemption from paying a GSL in the event there is an unplanned electricity interruption that exceeds a specified threshold. On 14 July 2021, AusNet submitted an event exclusion application to the Australia Energy Regulator (AER) requesting an exemption from paying GSLs relating to the June 2021 severe weather event. The application was passed to the Essential Services Commission, with the agreement of the AER to exclude the electricity supply interruptions caused by the June 2021 storm event. The total GSL amount for which an exemption has been sought is estimated to be $25 million.

On 3 August 2021, AusNet was notified in writing by the Minister for Energy, Environment and Climate Change of her intention to include an additional condition in our electricity distribution licence that would prevent us from accessing the provision in the Code that will exempt us from the obligation to pay the GSL to customers affected by the June 2021 storm event. The Minister requested a response from AusNet of which one was provided by the deadline of 20 August 2021. Our response outlines in detail the reasons why AusNet believed we should remain exempt from paying the relevant GSLs.

As at balance date, there was a high level of uncertainty on whether the GSL will be required to be paid or not. AusNet has not recognised an obligation regarding the above matter. In the event that AusNet is required to make this payment, pass-through cost recovery will be sought from the AER under the regulatory framework.

Note E.1 Contingent liabilities and contingent assets (continued)

(c) Other

AusNet is involved in various tax, legal and administrative proceedings and various claims on foot, the ultimate resolution of which, in the opinion of AusNet, will not have a material effect on the consolidated financial position, results of operations or cash flows.

Other than as listed above, we are not aware of any contingent liabilities or assets as at 30 September 2021 (FY2021: $0).

Note E.2 Provisions

(a) Measurement of environmental provision

Provisions include an environmental provision which represents an estimate of costs of rehabilitating sites, including the estimated costs to remediate soil and water contamination on gas sites which were previously used as coal production facilities. The provision is based on preliminary cost estimates and timing of remediation, considering current legal and regulatory requirements, the estimated extent of the contamination, the nature of the site and surrounding areas, and the technologies and methods available. Management is exploring a number of strategies for future land use options for the three sites, with this process expected to take 6 to 12 months. The extent of remediation activities and associated costs may differ significantly depending on which option is chosen. The provision is a probability-weighted calculation of these options and as a result there is a risk that in the event of full remediation of all three sites, the cost may significantly exceed the provision at 30 September 2021.

Note E.3 Events occurring after the balance sheet date

(a) Dividend

Since the end of the period, the Directors have approved an interim dividend for FY2022 of $181.9 million (4.75 cents per share) to be paid on 16 December 2021. The interim dividend will not be franked.

(b) October 2021 Weather Event

On 29 October 2021, Victoria experienced a weather event when strong winds and storms had a damaging impact on our distribution network. Approximately 236,000 customers experienced a disruption to their power supply. We commenced reconstruction work as soon as it was safe to do so by our teams. As at the date of this report, power supply has resumed to all customers.

We estimate reconstruction and reconnection costs to be in the range of $8.0 million to $11.0 million. We intend to seek an approval from the AER for recovery of costs through tariff adjustments within our current five-year EDPR 2021 – 2026 period.

The Electricity Distribution Code (Code) sets out the quality standards to which we provide our electricity distribution service. If our service does not meet these standards, our customers are entitled to compensation called a Guaranteed Service Level (GSL). The amount of the GSL is calculated on the number of unplanned electricity interruptions and the duration of these interruptions experienced by customers. The GSL is paid on a quarterly basis and by a credit to each relevant customer account from their retailer. The Code lists examples of events that may cause an unplanned electricity interruption and it also previously provided a provision for an electricity distributor to seek an exemption from paying a GSL in the event there was an unplanned electricity interruption that exceeded a specified threshold. On 1 July 2021, the Code was amended to remove the exemption and include a requirement for a distributor like AusNet to make a GSL payment for each customer without power supply for more than 12 hours. Based on the weather event of 29 October 2021, we estimate GSL payments in the range of $9.0 million to $13.5 million. We intend to obtain AER approval to recover this cost in our next EDPR price reset commencing 2026 – 2031.

(c) Receipt of a Binding Take Over Offer and Implementation Scheme Deed

On 31 October 2021 AusNet received a binding proposal for $2.65 cash per share (see further below) and has entered into a Scheme Implementation Deed (SID), under which Brookfield is to acquire all the shares in AusNet for cash consideration by means of a scheme of arrangement (the Scheme). The AusNet Board of directors unanimously recommends that shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to an independent expert concluding in its report (and continuing to conclude) that the Scheme is in the best interests of AusNet shareholders.

The Scheme is subject to various conditions including approval by AusNet shareholders at a scheme meeting which is proposed to be held before the end of March 2022. If the Scheme is implemented, AusNet shareholders will receive total consideration of $2.65 cash per share, less the total cash amounts of any dividend paid in respect of the half-year ended 30 September 2021 (being $0.0475 per share) and in respect of the full year ending 31 March 2022 (up to a maximum of $0.0475 per share),

If the Scheme is implemented after 31 March 2022, AusNet shareholders will be entitled to additional consideration from Brookfield of $0.000260274 per share for each day after 31 March 2022 that has elapsed by the date of implementation.

Singapore Power (which currently owns 32.74% of the AusNet shares) has informed AusNet that it supports the Scheme and intends to vote in favour of it, subject to: the SID not being terminated, there not being a superior proposal and an independent expert concluding that the Scheme is in the best interests of AusNet shareholders (and not changing that conclusion).

The SID and the Scheme will require AusNet to incur a number of additional and one-off costs, including legal and advisory fees, administration costs and certain employee arrangements as contemplated by the SID. A significant portion of these costs will only be incurred if the Scheme is successfully completed. In addition, the SID specifies that AusNet will incur a break fee of $101,674,267 (being 1% of the equity value of AusNet as implied by the Scheme consideration) if the AusNet board ultimately recommends a competing superior proposal, or if any individual AusNet director ceases to recommend the Scheme, or if a competing proposal is announced or made whilst the SID remains on foot and that competing proposal completes within 9 months, or if Brookfield terminates the SID for any material breach by AusNet.

Note E.3 Events occurring after the balance sheet date (continued)

(d) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 30 September 2021 up to the date of issue of this financial report that has significantly affected or may significantly affect:

(a) the operations in the financial period subsequent to 30 September 2021 of the Group;

(b) the results of those operations; or

(c) the state of affairs, in the financial period subsequent to 30 September 2021, of the Group.

Directors' declaration

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

(a) the interim financial statements and notes set out on pages 14 to 38, are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations* 2001; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 September 2021 and its performance for the six-month period ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Peter Mason
Chair

Tony Narvaez
Managing Director

Melbourne
10 November 2021

KPMG

Independent Auditor's Review Report

To the shareholders of AusNet Services Ltd

Report on the Interim Financial Report

Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of AusNet Services Ltd does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 September 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- Consolidated interim statement of financial position as at 30 September 2021
- Consolidated interim income statement, Consolidated interim statement comprehensive income, Consolidated interim statement of changes of equity and Consolidated interim statement of cash flows for the half-year ended on that date
- Notes comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 September 2021 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

BW Szentirmay

Partner

Melbourne

10 November 2021

Mithra Villanelo

Partner