

AusNet Pty Ltd
ACN 603 317 559

Unaudited Interim Financial Report

For the six months ended 30 June 2024

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

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

Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006
Australia

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial statements of AusNet Pty Ltd for the year ended 31 December 2023.

Consolidated interim income statement

For the period ended 30 June 2024

		30 June	30 June
		2024	2023
	Notes	\$M	\$M
Revenue	B.3	1,086.0	1,057.4
Use of system and associated charges		(62.0)	(57.2)
Easement and land tax		(131.3)	(113.7)
Employee benefit expenses		(75.2)	(65.7)
External maintenance and contractors' services		(93.5)	(75.9)
Materials		(5.2)	(8.9)
Information technology and communication costs		(43.3)	(35.2)
Administrative expenses		(22.3)	(18.4)
Service level payments		(25.0)	(4.5)
Disposal of property plant and equipment		(4.0)	(4.6)
Reversal of impairment	C.3	1.5	-
Other costs		(38.4)	(49.9)
Total expenses excluding depreciation, amortisation, interest and tax		(498.7)	(434.0)
Earnings before interest, tax, depreciation and amortisation		587.3	623.4
Depreciation and amortisation		(257.2)	(264.6)
Profit from operating activities		330.1	358.8
Finance income	D.2	16.1	13.9
Finance costs	D.2	(227.7)	(219.4)
Net finance costs		(211.6)	(205.5)
Profit before income tax		118.5	153.3
Income tax expense	B.6	(40.2)	(256.2)
Profit / (loss) for the period		78.3	(102.9)

The above consolidated interim income statement should be read in conjunction with the accompanying notes, including the basis of preparation.

Consolidated interim statement of comprehensive income

For the period ended 30 June 2024

	30 June	30 June
	2024	2023
	\$M	\$M
Profit / (loss) for the period	78.3	(102.9)
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent periods		
Movement in defined benefit fund	5.3	1.7
Income tax on movement in defined benefit fund	(1.6)	(0.5)
	<u>3.7</u>	<u>1.2</u>
Items that may be reclassified to profit or loss in subsequent periods		
Movement in hedge reserve	139.4	(91.4)
Income tax on movement in hedge reserve	(41.9)	27.4
	<u>97.5</u>	<u>(64.0)</u>
Other comprehensive income / (loss) for the period, net of income tax	<u>101.2</u>	<u>(62.8)</u>
Total comprehensive income / (loss) for the period	<u>179.5</u>	<u>(165.7)</u>

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

Consolidated interim statement of financial position

As at 30 June 2024

	Notes	30 June 2024 \$M	31 December 2023 \$M
ASSETS			
Current assets			
Cash and cash equivalents		9.0	5.6
Receivables	B.4	271.2	216.9
Finance lease receivables	B.5	5.0	7.7
Inventories		54.3	49.3
Derivative financial instruments		165.2	157.1
Other assets		89.7	54.2
Assets held for sale	C.3	-	6.0
Total current assets		594.4	496.8
Non-current assets			
Inventories		24.9	24.3
Property, plant and equipment	C.1	12,686.7	12,370.9
Intangible assets	C.2	512.3	520.5
Finance lease receivables	B.5	405.0	385.2
Derivative financial instruments		667.8	599.2
Defined benefit asset		69.5	63.5
Deferred tax assets	B.6	814.4	892.0
Other assets		145.6	150.6
Total non current assets		15,326.2	15,006.2
Total assets		15,920.6	15,503.0
LIABILITIES			
Current liabilities			
Payables and other liabilities		528.5	477.1
Lease liabilities		7.3	8.3
Provisions	E.2	85.8	88.1
Borrowings	D.1	667.9	775.6
Derivative financial instruments		168.8	148.1
Liabilities directly associated with the assets held for sale	C.3	-	2.0
Total current liabilities		1,458.3	1,499.2
Non-current liabilities			
Deferred revenue		230.7	212.8
Lease liabilities		48.6	54.3
Provisions	E.2	63.7	63.2
Borrowings	D.1	9,763.9	9,529.4
Derivative financial instruments		361.2	320.3
Total non-current liabilities		10,468.1	10,180.0
Total liabilities		11,926.4	11,679.2
Net assets		3,994.2	3,823.8
EQUITY			
Contributed equity	D.3	5,228.1	5,228.1
Reserves		(3,005.6)	(3,103.1)
Retained profits		2,866.8	2,793.9
Other equity		(1,095.1)	(1,095.1)
Total equity		3,994.2	3,823.8

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

Consolidated interim statement of changes in equity

For the period ended 30 June 2024

	Notes	Share capital \$M	Restructure reserve (i) \$M	Hedge reserve (ii) \$M	Asset revaluation reserve (iii) \$M	Other equity (iv) \$M	Retained profits \$M	Total equity \$M
30 June 2024								
Balance as at 1 January 2024		5,228.1	(3,501.9)	347.4	51.4	(1,095.1)	2,793.9	3,823.8
Total comprehensive income for the period								
Profit for the period		-	-	-	-	-	78.3	78.3
Other comprehensive income		-	-	97.5	-	-	3.7	101.2
Total comprehensive income for the period								
		-	-	97.5	-	-	82.0	179.5
Transactions with owners, recorded directly in equity								
Dividends paid (v)		-	-	-	-	-	(9.1)	(9.1)
Total transactions with owners								
		-	-	-	-	-	(9.1)	(9.1)
Balance as at 30 June 2024								
		5,228.1	(3,501.9)	444.9	51.4	(1,095.1)	2,866.8	3,994.2
30 June 2023								
Balance as at 1 January 2023		5,228.1	(3,501.9)	531.1	52.9	(1,095.1)	2,125.4	3,340.5
Total comprehensive income for the period								
Loss for the period		-	-	-	-	-	(102.9)	(102.9)
Other comprehensive income		-	-	(64.0)	-	-	1.2	(62.8)
Total comprehensive income for the period								
		-	-	(64.0)	-	-	(101.7)	(165.7)
Transactions with owners, recorded directly in equity								
Dividends paid (v)		-	-	-	-	-	(56.7)	(56.7)
Total transactions with owners								
		-	-	-	-	-	(56.7)	(56.7)
Balance as at 30 June 2023								
		5,228.1	(3,501.9)	467.1	52.9	(1,095.1)	1,967.0	3,118.1

Consolidated interim statement of changes in equity

For the period ended 30 June 2024

- (i) Under the 2015 corporate restructure, former AusNet Services Ltd shares were issued to shareholders in return for their stapled securities. The former 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 (\$1,501.9 million) between the contributed equity of AusNet Pty Ltd and the pre-restructure contributed equity of the Stapled Group at the date of the transaction was recognised as a restructure reserve.
- As a part of the financing for the acquisition of AusNet Pty Ltd (formerly AusNet Services Ltd), Australian Energy Holdings No 4 Pty Ltd (the new immediate holding entity of AusNet Pty Ltd) entered into a \$2.0 billion two year bridging loan facility. On 9 March 2022, AusNet Services Holdings Pty Ltd assumed all liabilities of this facility. As a result, there was no cash proceeds received for the novated facility and an entry to restructure reserves of \$2.0 billion was recognised as an equity transaction with owners.
- (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) The balance of \$52.9 million includes \$51.4 million representing 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.
- The remaining \$1.5 million in the asset revaluation reserve represents a fair value adjustment relating to recognition of an equity investment measured at fair value through other comprehensive income, arising from the Group's remaining 20% interest of the Geospatial business sold on 15 February 2022. During the year ended 31 December 2023, the Group re-measured the fair value of the investment to nil.
- (iv) 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.
- (v) In the current half year period, dividends of \$9.1 million (June 2023: \$56.7 million) were paid from AusNet Pty Ltd to Australian Energy Holdings No 4 Pty Ltd.

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

Consolidated interim statement of cash flows

For the period ended 30 June 2024

	30 June 2024 \$M	30 June 2023 \$M
Cash flows from operating activities		
Profit / (loss) for the period	78.3	(102.9)
Add back interest, tax, depreciation and amortisation	509.0	726.3
Earnings before interest, tax, depreciation and amortisation	587.3	623.4
Non-cash gifted assets revenue	(29.4)	(34.7)
Other non-cash items	2.6	4.6
Working capital movement	(7.0)	(9.6)
Net interest paid	(208.0)	(188.6)
Net cash inflow from operating activities	345.5	395.1
Cash flows from investing activities		
Payments for property, plant and equipment (i)	(612.1)	(424.7)
Proceeds from sale of property, plant and equipment	0.4	0.6
Receipts from financial assets	29.6	1.2
Net cash outflow from investing activities	(582.1)	(422.9)
Cash flows from financing activities		
Payments for lease liabilities	(3.6)	(2.8)
Dividends Paid	(9.1)	(56.5)
Proceeds from borrowings (ii)	1,446.1	920.0
Repayments of borrowings (ii)	(1,193.4)	(755.0)
Net cash inflow from financing activities	240.0	105.7
Net increase in cash held	3.4	77.9
Cash and cash equivalents at beginning of the period	5.6	16.5
Cash and cash equivalents at the end of the period	9.0	94.4

- (i) Payments for property, plant and equipment include \$18.8 million (June 2023: \$13.3 million) for capitalised finance charges.
- (ii) During the period, \$500.0 million of AUD medium-term notes were raised through our AMTN program, \$543.3 million of Euro senior notes were repaid, \$720.0 million of the syndicated bank debt facilities were drawn, \$420.0 million of the syndicated bank debt facilities were repaid, \$226.1 million of working capital bank debt facilities were drawn and \$230.1 million of working capital bank debt facilities were repaid.

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

Condensed notes to the consolidated interim financial statements30 June 2024

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Condensed notes to the consolidated interim financial statements

30 June 2024

Section A Overview

(a) Basis of preparation

The consolidated unaudited interim financial report for the period ended 30 June 2024 represents the consolidated financial statements of the Group, which comprises AusNet Pty Ltd (the Company) and its subsidiaries. The ultimate Australian parent of the Company is Australian Energy Holdings No 1 Pty Ltd. The Group is also referred to as “we”, “us”, “our” or “AusNet”.

The Company previously had ordinary equity securities trading on the ASX. On 16 February 2022, all shares in AusNet Services Ltd were acquired by Australian Energy Holdings No 4 Pty Ltd. Australian Energy Holdings No 4 Pty Ltd is wholly owned (indirectly) by Australian Energy Holdings No 1 Pty Ltd, which became the AusNet consolidated group’s new ultimate parent in Australia. Following the acquisition, the ordinary equity securities of AusNet Services Ltd were delisted from the ASX whilst the debt instruments issued by AusNet Services Holdings Pty Ltd continue to trade on the ASX. An interim financial report for the period ended 30 June 2024 was prepared for AusNet Services Holdings Pty Ltd and was filed with the ASX on 28 August 2024.

AusNet Pty Ltd is not required to prepare and submit an interim financial report for the period ended 30 June 2024 under the *Corporations Act 2001* (Cth). The unaudited interim financial report has been prepared to assist the Group in meeting the reporting and compliance requirements of various debt facility agreements and may not be suitable for any other purpose.

The financial report has been prepared:

- in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*;
- on a going concern basis, which contemplates the continuity of normal trading operations. The Group’s current liabilities exceed current assets by \$863.9 million at 30 June 2024, primarily due to current borrowings maturing in the next 12 months. The Group is, and is expected to continue trading profitably, generating positive operating cash flows, and successfully refinancing maturing debt. In addition, at 30 June 2024 we have available a total of \$1,254.7 million of undrawn bank debt facilities and overdraft, and \$9.0 million of cash and cash equivalents. These undrawn bank debt and overdraft facilities are committed to by the (respective) bank(s) and are therefore considered fully available to the Group. On this basis, management is of the opinion the going concern basis of preparation remains appropriate. The interim financial report does not contain any adjustments relating to the recoverability or classification of assets or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.
- under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) measured at fair value; and
- with amounts rounded off to the nearest hundred thousand dollars, unless otherwise stated, in accordance with Instrument 2016/191 issued by the Australian Securities and Investments Commission.

This interim financial report is presented in Australian dollars.

The interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial statements of the Group for the year ended 31 December 2023 and any public announcements made by AusNet Services Holdings Pty Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

The 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 December 2023.

Condensed notes to the consolidated interim financial statements

30 June 2024

(b) Critical accounting estimates and judgements

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

The 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 December 2023.

The critical judgements and estimates used by management in applying the Group's accounting policies for the period ended 30 June 2024 reflect the latest available information. Any 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 June 2024.

(c) New accounting standards

(i) New accounting standards effective

In the current reporting period, we have applied AASB 2022-6 *Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants*, effective from 1 January 2024. These amendments detail the additional disclosure requirements for liabilities arising from loan arrangements for which our right to defer settlement of those liabilities is subject to our compliance with covenants within twelve months after the current reporting period.

A number of other new or amended accounting standards became mandatory in the current reporting period. None of these accounting standards and amendments that became effective in the current reporting period had a material impact on our accounting policies.

(ii) New accounting standards issued but not yet effective

We have not yet early adopted any standard, interpretation, or amendment that has been issued but is not yet effective. We are currently assessing the impact of the amendments, and do not expect any of these standards to have a material impact on our financial statements upon adoption.

Condensed notes to the consolidated interim financial statements

30 June 2024

Section B Operating our business

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

Note B.1 Segment information

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

(a) Description of reportable segments

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

The Group is organised into the following segments:

(i) *Electricity distribution*

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

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

The performance obligation is the provision of the access to the network and as such use of system revenue is recognised over the contract period which is deemed to be the regulatory reset period. The transaction price is assessed as 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 recovers under the revenue cap are not considered to comprise variable consideration in accordance with *AASB 15 Revenue from Contracts with Customers*.

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.

Condensed notes to the consolidated interim financial statements

30 June 2024

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. Ancillary Services are rendered to customers at a fixed rate. Revenue associated with the provision of Ancillary Services is recognised at a point in time services are provided. 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.

For Prescribed Services, 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.

Excluded Prescribed 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 a separate customer contract, and related to customer-initiated works, it is included in the Development & Future Networks segment.

(iv) Development & 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 and gas networks. Many of these services are 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.

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 Services and Negotiated Transmission Services. 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.

Revenue in relation to the desalination licence contracts is recognised over time as performance obligations are satisfied, using an output method. The performance obligation is the operation and maintenance of the transmission line, such that the line is available for use to supply electricity to the desalination plant in Wonthaggi, Victoria.

Condensed notes to the consolidated interim financial statements

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

	Electricity distribution	Gas distribution	Electricity transmission	Development & Future Networks (i)	Inter-segment eliminations	Consolidated
	\$M	\$M	\$M	\$M	\$M	\$M
30 June 2024						
Regulated revenue	494.4	106.7	336.1	-	(4.3)	932.9
Excluded prescribed transmission revenue	-	-	-	10.4	(0.2)	10.2
Excluded negotiated transmission revenue	-	-	-	12.6	-	12.6
Unregulated infrastructure revenue	-	-	-	43.1	-	43.1
Customer contributions	40.8	4.7	-	0.9	-	46.4
Service revenue	-	-	-	25.8	-	25.8
Other revenue	2.7	1.4	0.6	12.8	(2.5)	15.0
Total segment revenue	537.8	112.8	336.7	105.6	(6.9)	1,086.0
Segment operating expense	(240.5)	(31.1)	(183.7)	(51.8)	6.9	(500.2)
Impairment	-	-	-	1.5	-	1.5
Segment result - EBITDA (ii)	297.3	81.7	153.0	55.3	-	587.3
Lease interest income	-	-	-	15.9	-	15.9
EBITDAaL (iii)	297.3	81.7	153.0	71.2	-	603.2
Depreciation and amortisation	(140.2)	(37.5)	(67.2)	(12.3)	-	(257.2)
Capital expenditure	233.9	57.9	73.8	240.9	-	606.5
30 June 2023						
Regulated revenue	469.4	99.7	311.3	-	(4.2)	876.2
Excluded prescribed transmission revenue	-	-	-	5.2	(1.3)	3.9
Excluded negotiated transmission revenue	-	-	-	12.4	-	12.4
Unregulated infrastructure revenue	-	-	-	38.4	-	38.4
Customer contributions	48.4	6.1	-	1.6	-	56.1
Service revenue	-	-	-	29.4	-	29.4
Other revenue (i)	2.0	0.3	0.6	38.7	(0.6)	41.0
Total segment revenue	519.8	106.1	311.9	125.7	(6.1)	1,057.4
Segment operating expense	(177.3)	(28.6)	(158.1)	(76.1)	6.1	(434.0)
Segment result - EBITDA (ii)	342.5	77.5	153.8	49.6	-	623.4
Lease interest income	-	-	-	12.9	-	12.9
EBITDAaL (iii)	342.5	77.5	153.8	62.5	-	636.3
Depreciation and amortisation	(143.8)	(36.4)	(74.3)	(10.1)	-	(264.6)
Capital expenditure	217.9	47.9	41.8	162.8	-	470.4

(i) Other revenue in Development & Future Networks - Refer to Note B.3.

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

(iii) EBITDA after lease income

Condensed notes to the consolidated interim financial statements

30 June 2024

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 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 consumption by 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. As such, whilst seasonality has an impact on distribution volume, the impact on revenue is not as pronounced.

(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 June 2024 there are prepayment and deferred revenue balances representing this accounting treatment.

(d) Development & Future Networks

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

Condensed notes to the consolidated interim financial statements

30 June 2024

Note B.3 Revenue from contracts with customers**Disaggregated revenue**

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

	Electricity distribution	Gas distribution	Electricity transmission	Development & Future Networks (i)	Inter- segment eliminations	Total
	\$M	\$M	\$M	\$M	\$M	\$M
30 June 2024						
Timing of recognition						
At a point in time	54.2	9.9	3.9	20.8	(2.5)	86.3
Over time	482.8	102.9	336.1	80.3	(4.5)	997.6
Revenue from contracts with customers	537.0	112.8	340.0	101.1	(7.0)	1,083.9

Other income not in scope of AASB 15

Operating lease income	-	-	0.5	-	-	0.5
Income from government grants (ii)	0.8	-	-	0.8	-	1.6
Total segment revenue	537.8	112.8	340.5	101.9	(7.0)	1,086.0

30 June 2023**Timing of recognition**

At a point in time (i)	59.3	9.7	3.2	51.6	(0.7)	123.1
Over time	459.7	96.4	308.4	73.3	(5.4)	932.4
Revenue from contracts with customers	519.0	106.1	311.6	124.9	(6.1)	1,055.5

Other income not in scope of AASB 15

Operating lease income	-	-	0.3	-	-	0.3
Income from government grants (ii)	0.8	-	-	0.8	-	1.6
Total segment revenue	519.8	106.1	311.9	125.7	(6.1)	1,057.4

- (i) In the prior period, revenue recognised at a point in time (and Other Revenue in B.1 Segment information) in Development & Future Networks included \$35.0 million received from a customer to recover costs of \$27.3m recognised in Other Costs in relation to two projects that did not proceed, in accordance with contract terms of the Early Works Agreement.
- (ii) 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.

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Note B.4 Receivables

	30 June	31 December
	2024	2023
	\$M	\$M
Current receivables		
Accounts receivable	78.6	63.8
Allowance for impairment loss	(0.5)	(0.3)
Accrued revenue	193.0	153.3
Interest receivable	0.1	0.1
Total current receivables	271.2	216.9

Note B.5 Finance lease receivables

	30 June	31 December
	2024	2023
	\$M	\$M
Finance lease receivables – current	5.0	7.7
Finance lease receivables – non-current	405.0	385.2
Total lessor finance receivables	410.0	392.9

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

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Note B.6 Taxation

AusNet Pty Ltd is part of the tax consolidated group headed by Australian Energy Holdings No 1 Pty Ltd and is subject to a tax funding arrangement.

(a) Deferred tax assets

The Group joining the new tax consolidated group headed by Australian Energy Holdings No 1 Pty Ltd (AEH 1) resulted in a reset and increase in the tax base of depreciable assets for the AusNet Pty Ltd, which has created an estimated deductible temporary difference of \$3.8 billion on acquisition. The increase in the tax base of depreciable assets represents an estimate. This remains under review by the ATO.

Recognition of an associated deferred tax asset for this deductible temporary difference was assessed under the requirements of AASB 112 *Income Taxes*, based on the forecasted taxable income of the AusNet Pty Ltd. At 30 June 2024, the full deferred tax asset of \$814.4 million was recognised, as utilisation was deemed probable at the date of the financial report. Management judgement has been applied to determine the amount of deferred tax assets that can be recognised based on forecast taxable income. Whilst a level of uncertainty associated with the estimation of forecast taxable income, management has assessed the deferred tax assets are probable of recoupment.

(b) Uncertain tax positions

The tax expense and deferred tax balances assume certain tax outcomes and values of assets in relation to the application of tax legislation as it applies to the Company. Judgement is required in determining the timing of deductibility of expenditure, which impacts the amount of income tax payable and whether deferred tax balances are to be recognised in the statement of financial position. Changes in tax legislation or the interpretation of tax laws by tax authorities may affect the amount of provision for income taxes and deferred tax balances recognised.

At present there are several tax positions that are being reviewed by the ATO relating to the Australian Energy Holdings No 1 Pty Ltd tax group, including but not limited to the determination of reset tax base of assets using the allocable cost amount processes (ACA). An opening deferred tax liability has been recognised based on our calculations, but the calculation is subject to further review by the ATO. This could result in changes to the tax base and finalisation of the opening tax balances.

In addition, there are several matters pertaining to the former AusNet Pty Ltd consolidated tax group that remain subject to ATO review. Management has applied Interpretation 23 – *Uncertainty over Income Tax Treatments* to account for these positions. These include but are not limited to:

- On 16 February 2024, the Federal Court dismissed AusNet's appeal in relation to certain tax consolidation and capital allowance positions arising from the corporate restructure completed in June 2015. AusNet has appealed this decision, which was heard by the Full Federal Court in August 2024. A successful appeal outcome would result in a higher uplift in historical tax bases and higher capital allowance entitlements from June 2015. The potential uplift in tax bases has not been recognised in the financial statements of the Group or been adopted in filed income tax returns;
- The ATO previously issued a position paper to AusNet that disallows certain immediate deductions for expenditures in relation to the Powerline Replacement Fund (PRF) projects. A payable of \$11 million has been recognised in the current period; and
- AusNet under-claimed tax depreciation in 2020 and 2021. The tax effect of the under-claimed depreciation is approximately \$6 million, which has been recognised as a tax receivable in the current period.

Other than matters outlined above, there have been no significant changes during the six months ended 30 June 2024.

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Section C Investing in our business

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

Note C.1 Property, plant and equipment

	Freehold land \$M	Buildings \$M	Easements \$M	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 June 2024										
Cost	277.3	700.7	1,226.4	3,872.2	7,556.3	2,551.1	727.4	78.2	1,094.7	18,084.3
Accumulated depreciation	-	(171.6)	(0.9)	(1,331.7)	(2,512.4)	(740.6)	(610.6)	(29.8)	-	(5,397.6)
Carrying amount as at 30 June 2024	277.3	529.1	1,225.5	2,540.5	5,043.9	1,810.5	116.8	48.4	1,094.7	12,686.7
31 December 2023										
Cost	273.4	689.5	1,225.4	3,821.2	7,354.7	2,500.8	724.3	81.7	900.5	17,571.5
Accumulated depreciation	-	(164.2)	-	(1,280.6)	(2,410.7)	(721.1)	(597.2)	(26.5)	-	(5,200.3)
Accumulated impairment	-	-	-	-	-	-	(0.3)	-	-	(0.3)
Carrying amount as at 31 December 2023	273.4	525.3	1,225.4	2,540.6	4,944.0	1,779.7	126.8	55.2	900.5	12,370.9

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

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Note C.2 Intangible assets

	Distribution licences	Goodwill	Software	Total
	\$M	\$M	\$M	\$M
30 June 2024				
Cost	354.5	12.0	862.8	1,229.3
Accumulated impairment	-	(12.0)	(3.4)	(15.4)
Accumulated amortisation	-	-	(701.6)	(701.6)
Carrying amount as at 30 June 2024	354.5	-	157.8	512.3
31 December 2023				
Cost	354.5	12.0	839.4	1,205.9
Accumulated impairment	-	(12.0)	(3.4)	(15.4)
Accumulated amortisation	-	-	(670.0)	(670.0)
Carrying amount as at 31 December 2023	354.5	-	166.0	520.5

Note C.3 Assets held for sale

On 21 December 2023, the Group signed a non-legally binding term sheet to sell the water and gas field services business line ('the business'). At 31 December 2023, assets and liabilities associated with the business were classified as a disposal group held for sale. Prior to the classification of assets to held for sale, an impairment loss of \$14.2 million was recognised.

On 6 March 2024, Mondo Power Pty Ltd, a subsidiary of the Group, signed a Business Sale Agreement to sell the water and gas field service business, with the sale completed on 28 March 2024. The final consideration is contingent on certain working capital balances on completion date and certain conditions being met in accordance with the agreement including the retention of key contracts during the transition period. Following the finalisation of working capital balances, the consideration was updated resulting in a reversal of impairment loss of \$1.5 million in the current period. Any further reversal on the impairment or loss on sale will be re-assessed and recognised as the sale process is completed and conditions fulfilled.

As the sale was completed prior to 30 June 2024, the assets and liabilities classified as held for sale are no longer included in the statement of financial position.

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Section D Financing our business

This section provides information relating to our capital structure and our exposure to financial risks, how they affect the Group's financial position and performance, and how those risks are managed. The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's consolidated financial report as at and for the year ended 31 December 2023.

Note D.1 Borrowings

	Maturity date at 30 June 2024	30 June 2024 \$M	31 December 2023 \$M
Current borrowings			
Working capital bank debt facilities (ii)	2024	27.8	31.8
Japanese yen (JPY) senior notes (i)	2024	46.6	52.2
Euro (EUR) senior notes (i), (ii)	2024	-	566.7
Domestic medium-term notes (ii)	2024	125.0	124.9
Syndicated bank debt facilities (ii)	2025	468.5	-
Total current borrowings		667.9	775.6
Non-current borrowings			
Hong Kong dollar (HKD) senior notes (i)	2026 – 2034	790.2	778.7
Domestic medium-term notes (ii)	2027 – 2043	3,643.3	3,179.4
Bank debt facilities (ii)	2025 – 2032	1,212.9	1,379.6
Euro (EUR) senior notes (i), (ii)	2027 – 2030	1,777.0	1,810.7
Japanese Yen (JPY) senior notes (i)	2038	90.0	104.8
US dollar (USD) senior notes (i)	2026	117.3	115.0
Norwegian Kroner (NOK) senior notes (i)	2027 – 2029	437.8	458.9
Australian dollar (AUD) hybrid (iii)	2080	650.0	649.9
Euro (EUR) hybrid securities (i), (iii)	2081	1,045.4	1,052.4
Total non-current borrowings		9,763.9	9,529.4
Total borrowings		10,431.8	10,305.0

(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) During the period, \$500.0 million of AUD medium-term notes were raised through our AMTN program, \$543.3 million of Euro senior notes were repaid, \$720.0 million of the syndicated bank debt facilities were drawn, \$420.0 million of the syndicated bank debt facilities were repaid, \$226.1 million of working capital bank debt facilities were drawn and \$230.1 million of working capital bank debt facilities were repaid.

(iii) The first call date for hybrid securities is in October 2025 for AUD hybrids and September 2026 for EUR hybrids.

The Group had \$1,254.7 million of undrawn but committed bank debt facilities (31 December 2023: \$1,550.7 million) and \$9.0 million of cash and cash equivalents as at 30 June 2024 (31 December 2023: \$5.6m).

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Note D.1 Borrowings (continued)**(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. Transaction costs are recognised in the income statement. 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 June 2024.

The fair value of total borrowings as at 30 June 2024 was \$10,470.1 million (31 December 2023: \$10,346.3 million). This fair value measurement uses significant market observable data, and therefore was 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 December 2023.

Note D.2 Net finance costs

	30 June	30 June
	2024	2023
	\$M	\$M
Finance income		
Interest income	0.2	1.0
Lease interest income	15.9	12.9
Total finance income	16.1	13.9
Finance costs		
Interest expense	240.5	217.5
Interest expense – leases	1.1	1.1
Other finance charges – cash	3.3	3.3
Other finance charges - non-cash	6.3	8.0
(Gain) / loss on accounting for hedge relationships	(4.6)	3.7
Unwind of discount on provisions	1.5	0.8
Defined benefit net interest income	(1.6)	(1.7)
Capitalised finance charges	(18.8)	(13.3)
Total finance costs	227.7	219.4
Net finance costs	211.6	205.5

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Note D.3 Equity

		30 June 2024 \$M	31 December 2023 \$M
Contributed equity			
Ordinary share capital	(a)	5,228.1	5,228.1
Total contributed equity		5,228.1	5,228.1

(a) Movements in ordinary share capital

Date	Details	Number of shares	\$M
1 January 2024	Opening balance	3,835,799,900	5,228.1
30 June 2024	Closing balance	3,835,799,900	5,228.1
1 January 2023	Opening balance	3,835,799,900	5,228.1
31 December 2023	Closing balance	3,835,799,900	5,228.1

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Section E Other disclosures

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

Note E.1 Contingent liabilities and contingent assets

AusNet is involved in various tax, legal and administrative proceedings and claims on foot, the ultimate resolution of which, in the opinion of AusNet, will not have a material effect on the consolidated financial position, results of operations or cash flows. Other than as listed above and risk in relation to tax positions noted in Note B.6 and provisions noted in E.2, we are not aware of any additional contingent liabilities or assets as at 30 June 2024 (December 2023: nil).

Note E.2 Provisions

(a) Measurement of environmental provision

Provisions include an environmental provision of \$42.5 million (December 2023: \$42.8 million), which represents an estimate of costs to remediate soil and water contamination on gas sites which were previously used as coal processing facilities. The provision is based on preliminary cost estimates and timing of remediation, considering current legal and regulatory requirements, the estimated extent of the contamination, the nature of the site and surrounding areas, and the technologies and methods available. Management is exploring a number of strategies for future land use options for the three sites, with the estimation of the provision at period end being based on the current preferred option. The extent of remediation activities and associated costs may differ significantly depending on which option is ultimately chosen, and on other factors impacting the extent of ultimate remediation effort and underlying cost that are not known at balance date. As a result, there is a risk that in the event of full remediation of all three sites, the cost may significantly exceed the provision at 30 June 2024.

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

(b) Provision for Energy Resilience Community Fund

Following the severe weather event in Victoria on 13 February 2024, AusNet established a \$12 million Energy Resilience Community Fund ('the Fund') and a Deed of Undertaking was executed. The Fund will provide grants to community and not-for-profit organisation, local councils and small businesses to help build and strengthen community energy resilience. During the period ended 30 June 2024, a provision of \$12 million was recognised and \$1.7 million was distributed. The remaining provision balance of \$10.3 million represents funds required to be distributed prior to 31 December 2026.

Note E.3 Events occurring after the balance sheet date

There has been no matter or circumstance that has arisen since 30 June 2024 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 June 2024 of the Group;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial period subsequent to 30 June 2024, of the Group.