AusNet Services Holdings Pty Ltd
ACN 603 317 559

Financial Report

For the financial year ended 31 March 2022

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

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

Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006
Australia

A description of the nature of AusNet Services Holdings Pty Ltd operations and its principal activities is included in the Directors' report.

The financial report was authorised for issue by the Directors on 27 June 2022.

The Directors of AusNet Services Holdings Pty Ltd present their report on the general-purpose financial report of the consolidated entity for the financial year ended 31 March 2022 (FY2022). The financial report is for AusNet Services Holdings Pty Ltd and its controlled entities (we, us, our, AusNet or the Group).

Our Board of Directors

The persons listed below were Directors of the Company during the whole of the financial year and up to the date of this report unless otherwise noted.

Tony **Narvaez** *(Chief Executive Officer)*

Mark **Ellul** *(Chief Financial Officer)*

*Naomi **Kelly** (Company Secretary)*

Operating & Financial Review

The twelve months to 31 March 2022 presented a challenging operating environment and heralded the de-listing of our ultimate parent, AusNet Services Limited from the Australian Securities Exchange, following the completion of the sale by way of Scheme of Arrangement, of our Group on 16 February 2022 to Australian Energy Holdings No 4 Pty Ltd (AEH No. 4),a company controlled by Brookfield Asset Management Inc (Brookfield). The transaction was completed on 16 February 2022 and resulted in material transaction costs consistent with these types of transactions. The total cost is presented and described further on page 3 of this report.

In regard to our operating environment, Victoria endured continued various COVID-19 restrictions and lockdowns which had an impact on our people, our work practices, our customers, and how we provided our essential services. However, during the period, COVID-19 has not had a material impact on our revenues, and we did not receive any Government benefits from COVID-19 stimulus measures.

Victoria experienced two severe weather events, in June 2021 and October 2021, when strong wind and storms had a damaging impact on our electricity distribution network. At the peak of both events, approximately 230,000 and 236,000 customers, respectively, 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 an annual revenue cap previously on a 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 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 impacted our revenue. Further detail on the transition and its financial impact is described in the financial performance of our electricity distribution business on page 3 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, such as COVID-19.
- Maintaining a strong focus on employee health and wellbeing throughout the period of COVID-19 restrictions and lockdowns.
- 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.

Directors' Report

Financial performance

	FY2022	FY2021	Movement	%
Revenue ($M)	1,220.3	1,214.3	(6.0)	(0.5)
EBITDA ($M)	670.8	689.0	(18.2)	(2.6)
NPAT ($M)	63.4	114.4	(51.0)	(44.6)

The decline in NPAT by 44.6% was driven by additional and largely one-off operational costs as follows:

- transactional fees incurred in relation to the sale of our Group and its acquisition by Brookfield of $26.8 million;
- our response to the two severe weather events and Guaranteed Service Level (GSL) payments of $41.2 million; and
- an increase in net finance charges largely due to the impact of a $23.7 million movement in non-cash unrealised hedging gains and losses.

The decrease in profitability was partially offset by:

- prior year impairment expense related to the divestment of the Geospatial business ($30.7 million); and
- lower corporate cost allocations to the Development & Future Networks business ($16.3 million).

After excluding these items, underlying Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Net Profit After Tax (NPAT) were comparable year on year.

Further details regarding revenue and operating expense performance are contained in each business segment commentary below.

Electricity distribution business

	FY2022	FY2021	Movement	%
Revenue ($M)	**926.6**	922.7	3.9	0.4
EBITDA ($M)	**497.1**	545.4	(48.3)	(8.9)
Volume (GWh)	**7,603**	7,426	177	2.4
Connections	**790,832**	768,460	22,372	2.9
Capital expenditure ($M)	**447.2**	405.8	41.4	10.2

Revenue remained broadly in line with the prior year with a minor 0.4% increase. We had favourable increases in metering revenue and stronger volume demand in the commercial and industrial sectors, but these increases were offset by a decrease in non-volume related regulated revenue 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 $24.4 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 $7.8 million due to network reliability performance.

Operating expenditure increased by $69.9 million and included $4.5 million higher TUoS charges (which are recovered through revenues over time). In addition, there was an increase in largely one-off costs relating to our employee underpayment remediation, transactional costs from the acquisition of the Group by Brookfield, a change in the accounting treatment of cloud software implementation costs to the immediate expensing of these costs when incurred and costs relating to both severe weather events, described previously, in particular an increase in GSLs.

Capital expenditure was higher than the prior period predominately due to additional replacement and reconstruction expenditure to re-establish electricity supply to our customers impacted by both severe storm events and the purchase of land at our Lilydale Depot as described previously.

Gas distribution business

	FY2022	FY2021	Movement	%
Revenue ($M)	**237.6**	224.9	12.7	5.3
EBITDA ($M)	**165.7**	167.9	(2.2)	(1.3)
Volume (PJ)	**68.8**	70.2	(1.4)	(2.0)
Connections	**771,116**	752,882	18,234	2.4
Capital expenditure ($M)	**113.0**	100.2	12.8	12.8

Gas revenues increased by $12.7 million predominately due to higher customer contributions following the completion of new gas connections at Lovely Banks, a suburb within the City of Geelong. Operating expenditure increased by $14.4 million due largely to one-off costs relating to our employee underpayment remediation, transactional costs from the acquisition of the Group by Brookfield, a change in the accounting treatment of cloud software implementation costs to the immediate expensing of these costs when incurred and minor inventory retirements.

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 (DFN) but without any significant change to its underlying services and operations.

	FY2022	FY2021	Movement	%
Revenue ($M)	**56.0**	66.7	(10.7)	(16.0)
EBITDA ($M)	**7.9**	(24.3)	32.2	132.5
Lease interest income ($M)	**1.6**	0.6	1.0	166.7
EBITDA after lease income (EBITDAaL) ($M)	**9.5**	(23.7)	33.2	140.1
EBITDAaL Margin (%)	**16.4**	(36.1)	51.8	143.5
Capital expenditure ($M)	**18.4**	19.4	(1.0)	(5.2)

The revenue decline of $10.7 million or 16.0% was due to:

- non recurring revenue incurred in the prior year for the North East Link relocation project;
- lower revenue from our Energy Services business; and
- lower revenue from the Geospatial business as it was readied for its pending 80% divestment that was completed on 15 February 2022.

EBITDA increased by $32.2 million due to the prior period non-recurrence of an impairment charge relating to our Geospatial business and a reduction in related labour costs following the divestment of this business during the current period, on 15 February 2022. In addition, the DFN business received a lower allocation of corporate costs from AusNet Services Group during the period.

Material risks and uncertainties

The Board reviews and guides AusNet's system of risk management, compliance and internal controls, including setting the risk appetite. The Managing Director is accountable to the Board for the implementation of risk management processes in line with good corporate governance. Management is responsible for embedding sound risk management practices across all business activities.

Risks are identified, assessed and managed across the organisation via various methods and utilising our risk management framework and tools. The status of the material strategic and business risks is reported to executive management regularly, while all risks are reviewed by risk owners and subject matter experts regularly to ensure the risk description and consequences are up-to-date, appropriate controls are identified, and that those controls are adequate and effective in managing the risk to the target risk rating.

Further details can be found in our Corporate Governance Statement which is available on our website. We are cognisant of the following principal risks which may materially impact the execution and achievement of our business strategy, financial performance and position.

Health and safety risks

Occupational health and safety are key risk areas in the operation and maintenance of energy transmission and distribution networks. There are risks caused by circumstances beyond the Group's control, as well as the inherently dangerous nature of maintenance and construction work across our networks.

The Group's businesses also give rise to the risk of claims by (individual, industrial or commercial) customers and/or the community as a result of the dangers associated with:

- downed power lines, broken gas mains, oil spills and other events in connection with the construction, operation, management and maintenance of our networks and other related assets; and
- infrastructure leasing and licensing and providing specialist utility, government, energy and water services such as vegetation management, asset inspection and condition monitoring, chemical testing, metering and water infrastructure services.

Although the Group has implemented various risk management systems designed to identify and closely manage risks to employees, contractors, customers and the community through its operations, the Group cannot assert beyond doubt that such systems are adequate. Incidents, including fatalities and severe injuries, have occurred in the course of the Group's business in the past and may occur in the future. These risks will expose the Group to potential material liabilities, such as claims, fines and increased expenses.

Industry and regulatory risks

The energy industry and Australian economy more broadly is experiencing a period of significant and rapid change and uncertainty, with concerns around environmental issues, energy security, reliability and affordability, as well in relation to national security and foreign policy. Government, as well as various political, regulatory and industry bodies continue to debate, recommend and implement various reform programs that could have adverse impacts on the financial performance and position of AusNet.

In addition to policy development, traditional energy models are changing with the closure of coal-fired power stations and the increase in renewable and distributed generation and storage. These changes are driven by changes in technology, environmental and regulatory policies, customer expectations and cost. These changes are expected to continue in the future and impact our physical networks' and regulatory framework and the need to adapt and provide services to customers.

We continue to play a key role in the reform of the industry in terms of our active contribution in the current reviews and the trial of new technologies on our network. Our objective is to actively participate in shaping industry development and to lead and deliver the transformation required in the energy sector.

The Group's gas network revenues are exposed to variations in demand for gas and other factors affecting customer usage. The majority of the Group's gas distribution network revenues are derived from the transported volume of gas metered at the connections to the distribution networks, with the balance, which amounted to 47% in FY2022, recovered through fixed charges. The volume of gas used is subject to seasonal fluctuations and to a range of variables, including economic conditions, population growth, government policy, weather, alternative energy sources, technology, energy saving behaviour and availability of adequate supplies of gas. Economic downturns and customer relocations out of a distribution area would also have a direct adverse effect on the Group's revenues. Similarly, warmer than normal winters can negatively affect the volume of gas that moves through its network, which may reduce the portion of revenue which is exposed to volume movements. There could also be a potential negative reaction by consumers to higher prices resulting in reduced demand, which may negatively impact revenues.

Industry and regulatory risks (continued)

There are long-term structural shifts in the energy industry, which may result in a reduction in gas demand and declining revenues from the Group's gas distribution business. In particular, community sentiment to remove all fossil fuels from the economy may drive policy action to transition away from gas. The Victorian Government is actively considering policies to encourage electrification along with increased appliance efficiency, and this could cause high rates of residential disconnection and gas demand could fall. Such changes increase the exposure of Group's gas distribution assets to stranding risk due to changes in demand.

Price determinations

The energy industry in Australia is highly regulated. The regulated component of our revenues (approximately 88 per cent of total revenues for the year ended 31 March 2022) is subject to periodic pricing resets by the AER, where revenue or prices will be determined for each of the networks for the specified regulatory period. AusNet has no ability or flexibility to charge more for regulated services than is provided for under the relevant AER determination (for electricity distribution), or the approved access arrangement (in respect of gas distribution), without regulatory approval. Regulatory control periods are generally five years with a mechanism to update tariffs annually. The regulatory reset date for our electricity distribution network was 1 July 2021, and our gas distribution network will reset prices for a 5-year period from 1 July 2023.

Regulated charges do not necessarily reflect actual or projected operating costs, capital expenditure or the costs of capital. If the regulated charges set by the AER are lower than our costs, this may adversely affect our financial performance and position, including revenues and cash flows. In addition, we are exposed to cost changes within a regulatory control period and bear the risk of any shortfall in allowances for costs provided by regulatory determinations. The regulator applies benchmarking as it considers appropriate to each network business, having regard to an overall objective that only capital expenditure that is efficient should form part of the regulated asset base. Operating expenditure is particularly subject to benchmarking comparisons to set efficient levels going forward. The regulatory regime also offers limited pass-through protection. Our risk management approach includes developing detailed plans of works to be undertaken and costs to be incurred as well as energy and maximum demand forecasts prior to the commencement of a regulatory period.

Emphasis is placed on ensuring that we continue to maintain safe, resilient and reliable networks and that the costs to be incurred are efficient and prudent. This information is submitted to the AER as part of the determination process and, where appropriate, the views of industry and other external experts are sought to be included in the submission.

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 Revenue Reset (TRR) Final 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. We received the final decision on 28 January 2022. The decision represented $2,877 million in revenue (in nominal dollars) over a five-year period and represented a 0.6% reduction to our TRR proposal and a 1.0% increase to the Draft decision. The final decision will fund several key replacement and refurbishment projects at some of our major terminal stations. This expenditure is necessary to maintain the safety, performance and reliability of the Victorian transmission network and to support the renewable energy transition.

Climate change and sustainability risks

As an owner and operator of energy networks, AusNet is focussed on the identification and management of both transition and physical risks of climate change. Transition risks include the impacts of potential changes to energy policy, legislation and regulations as the energy industry moves to a lower carbon future, with increasing renewable and distributed generation. The implications of these changes are outlined in the industry and regulatory risks and network risks sections.

Other transition risks and opportunities arise from changes in customer preferences and developments in renewable energy and energy storage technology. As part of our active monitoring of new technology we undertake trials (including mini-grids), and partner with other organisations to better understand risks and opportunities for our business.

In addition to the risks identified above, community sentiment to remove all fossil fuels from the economy may drive policy action to transition away from gas causing high rates of residential disconnection, as electrification is encouraged along with increased appliance efficiency. As a result, gas demand could fall, as new subdivisions are not equipped with gas. Mitigating some of these risks in Victoria, is that gas is currently the predominant fuel for heating. In addition, as a member of the Australian Hydrogen Centre, AusNet has been selected for a feasibility project to assess the ability to produce and distribute hydrogen in regional towns.

Infrastructure Victoria has been asked to provide the Victorian Government with advice relating to Victoria's gas transmission and distribution networks under a range of 2050 energy sector scenarios. A final report is expected to be provided by the end of calendar 2022.

Physical risks include the impacts of changing environmental conditions (both short and longer term) on our network assets and the potential damage to assets and interruptions to supply from severe weather events such as storms, bushfires or floods. We have continued our network resilience program to strengthen critical parts of the network and enhance contingency planning.

Bushfire Risks

Recent fire events both domestically and overseas have resulted in substantial losses. These events are impacting the availability and pricing of bushfire liability insurance globally. AusNet has liability insurance which specifically provides cover for bushfire liability. AusNet reviews its insurance cover annually and seeks cover commensurate with the scale and size of its operations, the risks assessed to be associated with its operations and with industry standards and practice. Recent events have seen some insurers withdraw from the market and premiums rise. This will likely continue to occur for future renewals, thereby increasing the risk of not being able to source commensurate cover at a reasonable cost.

There are regulatory mechanisms in place under which, in certain circumstances, we may apply to the AER for a pass through of any reasonable and prudent residual costs that may ultimately be incurred in relation to bushfires above our liability insurance. This mechanism has yet to be tested in practice.

Risk management for these risks includes a significant annual investment in bushfire mitigation activities, the ongoing development and testing of emergency response plans and reviewing engineering standards and ratings for equipment. Investment is also being made in network resilience to strengthen critical parts of the electricity distribution network and enhance contingency planning. AusNet's safety record, network asset management and network maintenance programs are consistent with industry practice. We have achieved a targeted bushfire mitigation index of zero (a zero index means that no works are outstanding beyond their scheduled dates) by the bushfire season declaration and our vegetation management programs are prepared pursuant to the Electricity Safety (Bushfire Mitigation) Regulations. In addition, we continue our focus on customer engagement on community resilience, including pre-summer communications and media for customers to be bushfire ready.

Information technology and security risks

There is a growing focus required from organisations due to an increasing risk of cyber-attacks. Our cyber security function is mandated to protect our digital assets from an attack that could disrupt our operations, impact our customers or defraud our organisation, acknowledging the important role we play in providing critical infrastructure and services to the State of Victoria.

The drive to reduce carbon emissions, customers' increasing needs for higher levels of reliability and the reduction in the cost of digital technology have resulted in a greater role for technology in the enablement, management and operations of utility networks. The greater role of technology comes with an increased risk and potential impact of cyber-attacks. This increased focus on the role technology plays in the management and operations of utility networks will require the introduction of new digital technology platforms. In the event there is any significant delay in the development of new technology, this may negatively impact our revenue (by reducing our ability to realise operational efficiencies) or require unforeseen capital investment to replace obsolete technology.

Information technology and security risks (continued)

In addition, as with all new business solutions, there are risks associated with solution design, implementation, budgeting, planning, integration, future maintenance, upgrades and support. The realisation of any such risks could adversely impact the effectiveness and cost of such a solution and business continuity.

To mitigate these risks, we have established a centralised architecture, delivery and governance capability with a focus on technology needs, designing and building to meet requirements and governance.

Management and personnel risks

The Group’s success is dependent on its ability to attract, develop, retain and engage, a diverse range of employees. With the recent adjustment in the AusNet Services Group’s delivery model, resulting in the outsourcing of various field delivery services, the workforce profile has changed; the requirement for trade and technical capabilities has reduced while the demand for commercial, analytical and strategic partnership capabilities has increased, as well as a highly competitive labour market across most workforce segments. Whilst capability and talent acquisition remain key strategic focuses for the business, the inability to attract, develop, retain and engage employees could adversely affect the Group’s financial performance and position.

Historically, the operations of certain AusNet subsidiaries have from time to time experienced work stoppages and other forms of industrial action during renegotiation periods of the terms of the Enterprise Agreements. It is possible that the Group’s operations may be affected by industrial action in the future, where the risk of any work stoppages or other labour-related developments adversely impacting the Group’s financial performance and position is relatively low. At the date of this report, the Group is not subject to any protected industrial action.

Network reliability and service delivery risks

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

Any service disruption may cause loss or damage to customers, who may seek to recover damages from AusNet, and this could harm our business and reputation. Our emergency response, crisis management and business continuity management system are our approved methodology to guide response and recovery activities. However, it may not be able to effectively protect our business and operations from these events.

AusNet is also exposed to risks regarding its design and installation, information technology and other service providers. We rely on the expertise, qualifications and adequacy and sustainability of financial and other resources of these service providers. We are also exposed to the cost of replacing faulty equipment. On rare occasions, faults in plant items are discovered only after the item has been installed within a network, requiring a large-scale replacement program, which may not be partly or fully covered by warranties.

Plant warranties may not be available or may only partially respond. Additionally, while incidents in our zone substations and terminal stations have property insurance cover, incidents outside the boundaries of our zone substations and terminal stations are self-insured. Any forced replacement program, particularly if not insured or covered by warranties, could be costly and adversely affect our financial performance and position.

The changing generation mix in Victoria and the location of generators in the future may also impact the configuration and performance of the networks, increasing the risk of redundant assets as well as a risk of decline in the reliability and security of the networks. We continue to work closely with all stakeholders associated with the planning and development of generating capacity to manage such risk.

Balance sheet and capital management

Total equity of the Group was $713.5 million as at 31 March 2022, a decrease of $548.3 million compared to the previous financial year, primarily attributed to:

- a favourable movement in our hedge reserve, offset by
- net profit for the period being lower than dividends paid, in addition to
- $2,000.0 million of debt assumed as part of the acquisition of the Group on 16 February 2022, via the novation of debt by AEH No.4 to AusNet Services Holdings Pty Ltd and which has been recorded as a transaction with owners through equity.

Our current liabilities exceeded our current assets by $149.8 million at 31 March 2022. The Group is, and is expected to continue trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 31 March 2022, the Group had available a total of $800.0 million of undrawn but committed bank debt facilities and $270.8 million of cash.

Non-current assets increased by $1,178.3 million compared to the prior year, due to an increase in non-current receivables from other entities within the AusNet Services Group.

Non-current liabilities increased by $613.7 million due to the assumption of $2,000.0 million in debt described above, off which $500 million was refinanced and repaid on 30 March 2022. Deferred tax liabilities increased $308.4 million primarily due to the tax effect of the change in derivative values.

Capital management

Our approach to capital management has the following objectives:

- Targeting credit metrics over the medium term that maintain a 'BBB+' credit rating, thereby providing financial flexibility and a low cost of capital.
- Managing financial risk prudently to ensure net exposures are maintained within target settings.
- Funding capital expenditure efficiently through various sources to support organic growth and other investment opportunities, while covering 100% of maintenance capital expenditure and a portion of growth capital expenditure from internal cash flows.

Debt raising

AusNet Services Holdings Pty Ltd is the central funding vehicle (CFV) for the AusNet Services Group.

In line with our Treasury Risk Policy, we maintain a diversified debt portfolio by maturity and source. AusNet has a BBB+ credit rating from Standard and Poor's and Baa1 from Moody's Investor Services.

AusNet entered into an accession deed for a A$2.0 billion committed syndicated facility agreement in March 2022, following the implementation of the scheme of arrangement under Part 5.1 of the Corporations Act for the acquisition of AusNet Services Ltd by Australian Energy Holdings No 4 Pty Ltd (AEH4) in February 2022.

In addition, AusNet completed a A$500 million 6-year bond issue in March 2022. This issuance, in addition to our existing bank debt facilities, satisfy our refinancing requirements for the next 12 months.

Dividends

Dividends paid during the year were as follows:

	Cents per share	Dividend
Funding for AusNet Services Ltd interim FY2022 dividend	11.2	181.9
Total dividend	**11.2**	**181.9**

Introduction and Contents

This report sets out the executive remuneration outcomes for FY2022. On 1 November 2021, AusNet Services Ltd, the former ultimate Australian parent entity, entered into a Scheme Implementation Deed, under which a consortium led by Brookfield Asset Management acquired all the shares of the Group for cash consideration by means of a scheme of arrangement. On 16 February 2022, the scheme of arrangement was implemented and all shares on issue in AusNet Services Ltd were acquired by the consortium via Australian Energy Holdings No 4 Pty Ltd. Australian Energy Holdings No 1 Pty Ltd becomes the Group's new ultimate parent in Australia. KMP for the Group has not changed as a result of this transaction, but the transaction did result in the acceleration and 100 per cent vesting of all Long Term Incentive and Deferred Short Term Incentives on foot as at the transaction date (refer to section 5 for more detail).

The report also explains the Board's reasoning and considerations on the design and application of the remuneration framework to deliver sustainable business performance and stakeholder outcomes.

The report has been prepared and audited against the disclosure requirements of the Corporations Act 2001 (Cth).

The remuneration report details the remuneration arrangements for Key Management Personnel (**KMP**). KMP are those persons who have authority and responsibility for planning, direction and controlling the major activities of the Group, directly or indirectly.

The KMP of the Group are engaged to provide services to the AusNet Services Group and are not exclusive to any particular entity within AusNet Services. Accordingly, this report includes information that is common to AusNet Services Holdings Pty Ltd and AusNet Services Ltd. The remuneration amounts reported represent the total remuneration received by KMP during the year for services to the AusNet Services Group, and we have not apportioned between particular entities within the AusNet Services Group.

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1 Key Management Personnel

AusNet Services Holdings Pty Ltd KMP are assessed each year by the Board and comprise the Directors of the company and Senior Executives.

Those that are assessed to be KMP for FY2022 were as follows:

Name	Position	Date appointed as KMP
Tony **Narvaez** [1]	Director and Chief Executive Officer (**CEO**)	November 2019
Prue **Crawford-Flett** [1]	Executive General Manager, Network Operations & Safety (**EGM NO&S**)	May 2020
Mark **Ellul**	Director and Chief Financial Officer (**CFO**)	September 2019
Chad **Hymas** [1]	Chief Development Officer (**CDO**)	April 2013
Steven **Neave** [1]	Executive General Manager, Network Management & Digital (**EGM NM&D**)	July 2020
Alastair **Parker**[2]	Executive General Manager, Regulated Energy Services	Ceased as KMP on 18 December 2020
Mario **Tieppo**[2]	Executive General Manager, Technology	Ceased as KMP on 23 April 2020

[1] The positions held by Mr Narvaez, Ms Crawford-Flett, Mr Hymas and Mr Neave had changes to titles during FY2022 to reflect changes to their respective responsibilities.

[2] Roles removed due to operating model changes in FY2021.

2 Approach to Executive Remuneration in FY2022

AusNet owns and operates energy infrastructure that requires long term investment decisions. Our business decisions are made in this context and our approach to remuneration reflects the focus on outcomes that support the long-term growth, value creation and sustainability of our business.

We combine Fixed Annual Remuneration with Short and Long Term Incentives to form an overall Total Remuneration position. This structure, plan design and market positioning are intended to attract and retain people who will execute our strategy and drive sustainable high performance over the short and long term.

Remuneration outcomes reflect both individual and overall company performance; this approach enables us to reward performance in ways that are aligned with stakeholder outcomes.

AusNet's Board reviews the structure and effectiveness of the remuneration arrangements annually to ensure their alignment to business performance and strategy.

The table below provides the purpose of each remuneration component.

Fixed Annual Remuneration (FAR)	Short-Term Incentive (at risk)	Long-Term Incentive (at risk)
To attract and retain; paying competitively and reflecting each role's impact and accountabilities along with the incumbent's skills, experience, capability and performance.	To connect and reward for achievement against an annual balanced scorecard of measures aligned with the agreed strategic and financial plan. To drive and reward increments of outperformance against set targets.	To reward and retain executives and key contributors aligned with long-term value creation in line with stakeholder interests.

The Board reviews the remuneration framework and the outcomes it delivers against five key remuneration principles.

Principle	Implications for Remuneration Framework Design and Operation
Is aligned to strategy and business needs	• Remuneration frameworks and mix will operate in support of our Purpose, Values and Strategy inclusive of our desired culture.
Is market competitive	• Decisions on the remuneration framework and mix will be informed by external market information and internal relativities. • Benchmarking will be undertaken against the relevant market(s) within which we compete for talent. • Total remuneration outcomes are generally targeted to be at the relevant market median.
Is structured to drive and reflect performance	• Remuneration outcomes will reflect short-term performance and long-term value creation, with appropriate differentiation to encourage high performance. • Clawback applies to variable remuneration in the event of past performance misstatement or misconduct. • Performance ranges to be met for payment (at threshold, target and maximum) will be set after considering historical and forecast analysis. • Assessment will consider both assessed outcomes and behaviours.
Is simple and transparent	• The remuneration framework will be easy to explain to participants, and the market.
Is subject to effective governance	• The Board will ensure that remuneration outcomes reflect assessment of both risk and performance. • Remuneration outcomes will be aligned with organisational performance, including stakeholder outcomes. • Regular reviews of these Remuneration Principles and the company's remuneration framework will occur to ensure that they remain effective.

3 At Risk and Incentive Components

The following table summarises the relative size of the short and long-term incentive reward components for KMP and the key performance measures and delivery mechanisms applicable for the performance period ended 31 March 2022.

	Short-Term Incentive (at risk)			**Long-Term Incentive (at risk)**	
Incentive Opportunity	Short and Long Term Incentive opportunities expressed as a percentage of FAR				
	Threshold	**Target**	**Maximum**	**Threshold**	**Maximum**
CEO	30%	60%	90%	18% [2]	100%
CDO, CFO	30%	60%	90%	9% [2]	50%
Other KMP	20%	40%	60%	9% [2]	50%
Performance Measures	• STI scorecard KPIs include selected financial and non-financial measures. • Three financial measures – EBITDA, Return on Equity (ROE) and Company Opex (ex D&FN) focus on ability to grow revenues, control costs and effectively manage working capital. • Non-financial measures drive the importance of Health & Safety and contribution to strategic initiatives. • STI outcome subject to gateway performance criteria relating to cash flow from operations and safety performance.			• LTI KPIs are relative Total Shareholder Return (TSR) (50 per cent) and Return on Invested Capital (ROIC) (50 per cent). • TSR measures returns generated from the investments made against the performance of a comparator group. • ROIC measures returns generated from investments in operations.	
Delivery mechanism	• STI awards for all Executive KMP are paid as cash.			• The LTI award is granted as performance rights, subject to testing against the above performance measures, continued employment and Board discretion. • Each recipient of vested share rights is subject to the AusNet Share Trading Policy and applicable laws, to sell, transfer or otherwise dispose of their securities.	

[1] *Threshold performance reflects 0 per cent outcomes for ROIC and 35 per cent outcome for TSR.*

Remuneration Mix

The respective total reward mix for KMP is as follows, assuming target vesting for STI and maximum grant value for LTI.

		At Risk	
	FAR	**STI**	**LTI**
CEO	39%	23%	38%
CDO, CFO	47%	29%	24%
Other KMP	53%	21%	26%

4 FY2022 Performance and Remuneration Summary

The twelve months to 31 March 2022 presented a challenging operating environment and heralded the de-listing of AusNet Services Limited from the Australian Securities Exchange, following the completion of the sale of the Group on 16 February 2022 to Australian Energy Holdings No 4 Pty Ltd (a company controlled by Brookfield Asset Management Inc (Brookfield)).

FY2022 was an extraordinary year that presented a number of significant challenges, including two major storm events, our acquisition by Brookfield and the ongoing COVID-19 pandemic. Against this backdrop the Group delivered strong underlying business performance. Financial performance for the Group was lower than FY2021 primarily due to the aggregate impact of the two severe weather events and the transactional costs relating to the purchase of the Group by Brookfield.

In assessing performance for the purpose of determining remuneration outcomes, the Board considered one-off transactional costs, storm-related costs that have been approved by the regulator to be recovered in future years and other material items that could impact its assessment of underlying business performance. Given the magnitude and impact of the period's events and approved pass-through costs to Scorecard outcomes, the Board applied its discretion to ensure that the assessed outcomes accord with the Remuneration Principles and do not undermine the role of remuneration design in supporting business performance.

The Board awarded a STI vesting outcome of 110.5 per cent of target to the CEO, reflecting a combination of financial and strategic outcomes.

The table below shows key financial performance outcomes for the current and past reporting periods for ASL. Executive remuneration outcomes, STI and LTI awards correlate to business performance and shareholder outcomes for the period FY2018 – FY2022. To add: In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current and past reporting.

Financial performance	**FY18**	**FY19**	**FY20**	**FY21**	**FY22**
NPAT ($m)	291	254	291	302	217
EBITDA ($m)	1,143	1,134	1,196	1,155	1,083
Return on Equity (%)	8.0	7.3	9.2	9.4	8.2
Total Shareholder Return (TSR) Percentile Ranking - relative performance [1]	64.2	63.9	67.8	60.6	N/A
Earnings Per Share (EPS) (%) 3-year compound annual growth rate (CAGR) [1]	130.4	(21.0)	3.3	0.2	N/A
Return on Invested Capital (ROIC) (%) 3-year average [1]	5.67	4.70	4.82	4.75	N/A
Share price at 31 March ($) [1,2]	1.675	1.755	1.710	1.835	N/A
Dividends (cents per share)	9.25	9.72	10.20	9.50	4.75
STI vested as % of target	110.0	105.0	82.0	102.0	110.5
LTI vested as % of maximum	85.9	54.3	65.6	37.5	100.0

[1] *Not provided for FY2022 given AusNet's delisting from ASX on 16 February 2022*

[2] *Scheme consideration of $2.6025 per share paid on 16 February 2022*

5 FY2022 Incentive Plans – Structure and Outcomes

FY2022 Short-Term Incentive Plan

The FY2022 STI Plan uses a single additive scorecard covering financial and non-financial measures. Key features of the Plan are set out as follows:

<table>
<tr><th></th><th>Financial</th><th>Non-financial</th></tr>
<tr><td>CEO and Executive KMP (ex CDO)</td><td>• EBITDA - 30%
• Return on equity - 20%
• Company Opex (ex D&FN) - 10%</td><td rowspan="2">• HSEQ Index - 10%
• KPIs aligned to strategic priorities - 30%</td></tr>
<tr><td>CDO</td><td>• EBITDA - 20%
• Return on equity - 10%
• Company Opex (ex D&FN) - 5%
• D&FN Growth (EBITDAaL and EBITDAaL margin) - 25%</td></tr>
</table>

STI performance measures are designed to connect and reward achievement against an annual balanced scorecard of measures aligned with the agreed strategic and financial plan.

KPIs aligned to strategic priorities are set by the Board for the CEO. For FY2022 the Board set the CEO's strategic KPIs to be aligned to the organisation's four key strategic priorities of Customer Passion, Energised People, Operational Excellence and Accelerate growth.

For the executive team, KPIs reflecting a cascade of the strategic priorities as appropriate for each role were applied.

FY2022 CEO STI Scorecard Outcomes

The Board assessed the financial and safety performance gateways, which are preconditions for any STI payment and determined that FY2022 performance met gateway criteria.

The Board reviewed the CEO's FY2022 STI scorecard performance including progress on strategic measures and an assessment on how results were achieved, including alignment to values, risk, compliance, enterprise leadership and culture.

The outcome was 110.5 per cent of target performance resulting in 110.5 per cent of target STI opportunity or 73.7 per cent of maximum STI opportunity.

The table below provides a summary of the CEO STI Scorecard assessment.

	Measure	Strategy, performance and reward alignment	Outcome commentary
Financial	EBITDA	EBITDA is considered the most relevant financial performance measure in the utilities industry as it represents a proxy for cash generation, which influences dividend growth and is aligned with stakeholder outcomes.	EBITDA outcome was above target after normalising for transaction and storm related costs.
	Return on equity	Return on equity is an important measure in demonstrating relative financial performance and aligns with stakeholder outcomes.	Return on equity outcome was above target after normalising for transaction and storm related costs.
	Company operating expenditure (excluding D&FN)	Constraining operating expenditure for the regulated business is critical to our benchmarking outcomes and considered a key lever in improving financial performance.	Normalised company operating expenditure outcome was above target due to prudent operating cost management including transformation benefits and headcount reduction during the year.

Safety	HSEQ Index blends key lead and lag indicators focussed on the ongoing improvement of our safety performance and culture.	The HSEQ Index has strongly outperformed across all key components resulting in the maximum index score
Strategic	Objectives aligned to the organisation's four key strategic priorities: Customer Passion, Energised People, Operational Excellence and Accelerate growth.	Board assessed overall performance against strategic KPIs as being at target.

Executive KMP Outcomes

Executive KMP STI scorecards included the same assessed financial and safety weightings as for the CEO (except for the CDO, who has different financial measures and weighting as shown at the start of Section 5) with individual strategic KPIs determined for each role. In addition, individual KMP were assessed on how results were achieved including their alignment to values, risk, compliance, enterprise leadership and employee engagement and the CEO determined discretion need not be applied.

The range of FY2022 STI outcomes for Executive KMP was between 110.5 per cent of target and 115.0 per cent of target STI opportunity, or 73.7 per cent to 76.7 per cent of maximum STI opportunity.

Long-Term Incentive Plan (LTIP) 2021 Grant

The terms of the 2021 LTIP Grant made are summarised below. These grants were made to Executive KMP, and other participants in June 2021. The CEO's grant was made shortly after shareholder approval in August 2021.The rights granted relate to the shares of AusNet Services Limited, and as such, AusNet Services Holdings Pty Ltd is not the issuing entity.

As described later in section 5, all performance rights that were granted under the LTIP, including the 2021 LTIP grant, that remained outstanding were impacted by the change of control.

Design Aspect	Commentary	
Eligibility	Executive KMP. The Board has discretion to invite additional employees to participate in the LTI plan.	
Performance Period	The 2021 LTI grant is for the three-year performance period commencing 1 April 2021 and ending on 31 March 2024 (FY2022 to FY2024).	
Opportunity	The LTI award opportunity is based on a percentage of the participant's FAR as at the grant date. The number of performance rights granted is the LTI award opportunity divided by the volume weighted average share price (VWAP) over the five-trading day period commencing on the date on which AusNet Services released its FY2021 results. The grant price for the 2021 grant was therefore $1.7813. The CEO was granted 645,595 performance rights shortly after shareholders voted and elected to approve his grant at the AGM held in July 2021 being 100% of his Fixed Annual Remuneration of $1,150,000 divided by the grant price of $1.7813. Other participants, including Executive KMP grants were made in June 2021. Other Executive KMP – 50 per cent of FAR at maximum performance.	
Performance Measures	**Total Shareholder Return (TSR)**	**Return on Invested Capital (ROIC)**
	The comparator group used for the TSR performance measure is the S&P/ASX 100 index (without exceptions). In assessing whether performance hurdles have been met, the Board receives an independent calculation of relative TSR growth for the performance period ranked against companies in the comparator groups.	The ROIC measure is designed to measure how effectively we use funds (borrowed and owned) invested in our operations. ROIC is calculated over a three-year performance period and equals (NPAT + Finance Cost adjusted for Tax) / (Average Equity + Average Debt). Average debt includes finance lease liabilities. Finance cost includes associated finance lease income and expense.

Design Aspect	Commentary	
Weightings, targets and vesting scales	**50%**	**50%**
	• Threshold performance: 50th percentile – 35 per cent vesting • Maximum performance: 75th percentile – 100 per cent vesting	• Threshold performance: 4.13 per cent – 0 per cent vesting • Maximum performance: 4.33 per cent – 100 per cent vesting
	The vesting of each of the above KPIs will occur on a linear basis between the threshold and maximum ranges.	

Long-Term Incentive Plan (LTIP) 2020 and 2019 grants.

The terms of the 2019 and 2020 grants were identical to those noted above, with the exception of having a 3rd performance measure for Earnings Per Share (EPS), which had a 25% weighting (with 25% less weighting to ROIC). EPS is calculated by taking the company's net profit after tax divided by the weighted average number of shares on issue. The EPS growth measure reflects the nominal CAGR over the three- year performance period.

- Threshold performance: 2.5 per cent CAGR – 0 per cent vesting
- Maximum performance: 7.5 per cent CAGR – 100 per cent vesting

With vesting occurring on a linear basis between the threshold and maximum range.

Vesting upon Change of Control – 2019, 2020 and 2021 LTI Grants

As discussed above, on 16 February 2022 AusNet was subject to a change of control event, being the sale to Brookfield under a scheme of arrangement (**Scheme**). Under the terms of AusNet's LTIP the Board retains absolute discretion to determine the manner in which any or all outstanding performance rights granted under the plan will be dealt.

The Board considered AusNet's performance, the impact of the Scheme on the ability to test performance hurdles, the need to incentivise employees during the period prior to implementation of the Scheme, employee retention risks and the alternatives available to the AusNet Board to (among other things) minimise those retention risks.

Having regard to all of those matters, under the terms of the AusNet Long Term Incentive Plan rules, the Board determined that, upon the Scheme becoming Effective, all of the Performance Rights which remain outstanding at that time will vest (i.e., a modification to the grants such that vesting conditions which remain to be satisfied on those Performance Rights will be waived). There was no incremental fair value recognised in respect of this modification. All rights vested into shares, and were purchased by Brookfield for 100% cash.

Section 7 provides a summary of performance rights awarded under the 2019, 2020 and 2021 LTI grants that vested upon the change of control.

6 KMP – Contract terms

The KMP are employed on the following contractual terms:

CEO	Term of agreement	Permanent, subject to six months' notice of termination by either party.
Other KMP	Term of agreement	Permanent, subject to six months' notice of termination by either party.
	Termination benefits	Termination benefits calculated at three weeks' pay for every year of service paid at the Executive KMP's FAR rate and capped at six months.

7 Statutory Remuneration Disclosures

Executive KMP Statutory Remuneration

Remuneration for Executive KMP, in accordance with statutory requirements for remuneration disclosures are as follows:

		Short-term				Other short-term benefits [2,5]			Post-employment	Equity based payments [3]	Other long-term benefits [4,5]	Total
	FY	**Cash salary and fees [5]**	**Dividend Equivalent Payment [7]**	**STI [1]**	**Annual Leave taken**	**Annual Leave Balance Net Change**	**Car Park**	**One-off relocation and incentive**	**Superannuation**		**Long Service Leave Balance Net Change**	
Tony **Narvaez**	**2022**	**1,114,387**	**61,367**	**762,450**	**8,602**	**79,521**	**9,585**	**-**	**27,115**	**1,844,952**	**28,640**	**3,936,619**
	2021	1,094,828	4,761	703,800	30,172	57,380	14,363	-	25,096	336,481	28,586	2,295,467
Prue **Crawford-Flett**	**2022**	**392,433**	**-**	**200,700**	**32,567**	**0**	**9,585**	**-**	**25,096**	**375,924**	**11,207**	**1,047,512**
	2021	363,122	-	158,998	4,885	24,775	12,435	-	21,731	23,851	9,703	619,500
Mark **Ellul**	**2022**	**544,194**	**1,257**	**397,800**	**30,709**	**13,793**	**9,585**	**-**	**27,115**	**372,779**	**14,942**	**1,412,175**
	2021	478,161	-	264,869	35,536	18,266	14,363	-	25,096	32,345	39,536	908,172
Chad **Hymas**	**2022**	**446,692**	**11,975**	**328,342**	**12,297**	**24,207**	**9,585**	**-**	**27,115**	**405,998**	**12,103**	**1,278,314**
	2021	439,805	4,588	295,974	21,195	14,951	14,363	-	25,096	57,660	12,257	885,889
Steven **Neave** [6]	**2022**	**408,339**	**8,176**	**200,600**	**20,376**	**12,069**	**9,585**	**-**	**21,285**	**288,094**	**11,207**	**979,731**
	2021	284,178	-	128,219	18,895	3,873	10,231	100,000	17,617	62,572	7,983	633,568
Mario **Tieppo**	2021	27,682	-	-	-	2,173	905	-	1,635	4,208	697	37,300
Alistair **Parker**	2021	356,034	-	113,731	22,126	7,073	10,310	-	18,077	103,490	10,072	640,913
Total KMP	**2022**	**2,906,044**	**82,775**	**1,889,892**	**104,550**	**129,591**	**47,924**	**-**	**127,727**	**3,287,748**	**78,100**	**8,654,351**
	2021	3,043,810	9,349	1,665,591	132,809	128,491	76,970	100,000	134,348	620,607	108,834	6,020,809

[1] *FY2022 STI amounts for the performance year ended 31 March 2022 were paid in May 2022. All FY2022 awards were made in cash and were not subject to any deferral.*
[2] *Other short-term benefits include car parking benefits and the accrual of annual leave entitlements. The allocation of the premium for Directors' and Officers' insurance is not included as under the terms of the current policy this information cannot be disclosed.*
[3] *As all performance rights were vested upon the change of control of AusNet on 16 February 2022, the amount included in Equity-based payments is equal to the estimated grant value of all awards that vested less any amount already accrued in previous years. This estimated amount is based on certain assumptions regarding the achievement of performance targets, which are reviewed and adjusted annually. Any adjustments to previously recognised amounts, both positive and negative, are included in the current year.*
[4] *Other long-term benefits include the accrual of long service leave entitlements.*

Directors' Report – Remuneration report (audited)

[5] The above table represents the accounting value of KMP remuneration, calculated in accordance with accounting standards. As a result, annual leave and long service leave entitlements are recognised as remuneration when they accrue rather than when they are taken. This has the impact of reducing the cash salary and fees remuneration disclosed in the table above when these leave entitlements are ultimately taken by the KMP. In addition, any changes to the value of leave entitlements (for example, because of changes in FAR or long service leave entitlements not vesting) are recognised as remuneration, either positive or negative, in the year that the change occurs. These accounting adjustments to remuneration values are reflected in the Cash salary and fees, Other short-term benefits and Other long-term benefits disclosed in the table.
[6] In FY2021, Mr Neave received a one-off sign on benefit of $200,000 which comprised a $100,000 cash paid upon Mr Neave's commencement and $100,000 deferred into share rights. In July 2020, Mr Neave received 57,375 share rights at an allocation price of $1.7429 to be deferred for a period of two years, the cost relating the current year is disclosed within equity based payments.
[7] FY2022 amounts relate to dividend equivalent payments paid upon vesting of deferred rights on change of control..

Short-Term Incentive Outcomes

The percentage of the available STI that was paid, or that vested, and percentage of target that was lapsed in the financial years ended 31 March 2022 and 31 March 2021, are set out below.

	FY2022				FY2021			
	STI payable ($) [1]	STI deferr -ed ($) [1]	Total STI payable ($)	Percen -tage of target paya- ble	STI paid ($)	STI deferred ($) [2]	Total STI paid ($)	Percen -tage of target paid
Tony **Narvaez**	762,450	-	**762,450**	110.5%	469,200	234,600	**703,800**	102.0%
Prue **Crawford-Flett**	200,700	-	**200,700**	115.0%	158,998	-	**158,998**	102.0%
Mark **Ellul**	397,800	-	**397,800**	110.5%	217,717	47,152	**264,869**	101.0%
Chad **Hymas**	328,342	-	**328,342**	112.6%	197,316	98,658	**295,974**	101.5%
Steven **Neave**	200,600	-	**200,600**	112.0%	128,219	-	**128,219**	100.0%
Alastair **Parker**	-	-	**-**	-	113,731	-	**113,731**	72.0%

[1] *Incentive payments for the performance year ended 31 March 2022 were paid in May 2022. All FY2022 awards were made in cash and were not subject to any deferral.*
[2] *One-third of the CEO, CFO (pro rata from 11 November 2020) and CDO FY2021 award was deferred into share rights to be held for a period of two years. STI is paid in cash for all other executives. All deferred rights vested on 16 February 2022.*

Long-Term Incentive Vesting Outcomes

As discussed in section 5, the Board determined that all outstanding performance rights awarded under the 2019, 2020 and 2021 LTIP grants would vest in full. The table below provides details of the performance rights that were awarded under those grants and that vested on 8 February 2022.

	Maximum value of grant	Granted	Vested	Forfeited	Lapsed
	2019 LTI Performance Rights				
Tony **Narvaez**	$304,737	260,459	260,459	-	-
Prue **Crawford-Flett**	$143,094	122,302	122,302	-	-
Mark **Ellul**	$49,142	42,001	42,001	-	-
Chad **Hymas**	$154,542	132,086	132,086	-	-
Mario **Tieppo**	$143,094	122,303	122,303	-	-
Alistair **Parker**	$174,893	149,481	149,481	-	-
	2020 LTI Performance Rights				
Tony **Narvaez**	$742,731	601,401	601,401	-	-
Prue **Crawford-Flett**	$145,317	117,665	117,665	-	-
Mark **Ellul**	$161,463	130,739	130,739	-	-
Chad **Hymas**	$156,942	127,078	127,078	-	-
Steven **Neave**	$103,513	83,816	83,816	-	-
Alistair **Parker**	$177,610	143,813	143,813	-	-
	2021 LTI Performance Rights				
Tony **Narvaez**	$752,119	645,595	645,595	-	-
Prue **Crawford-Flett**	$147,154	126,312	126,312	-	-
Mark **Ellul**	$196,205	168,416	168,416	-	-
Chad **Hymas**	$158,926	136,417	136,417	-	-
Steven **Neave**	$147,154	126,312	126,312	-	-

Meetings of Directors

The number of meetings of the Board of Directors of AusNet Services Holdings Pty Ltd held during the year ended 31 March 2022, and the number of meetings attended by each Director, are set out in the following table:

	Board of AusNet Services Holdings Pty Ltd	
	A	**B**
Tony Narvaez	8	8
Mark Ellul	8	8

A = Number of meetings attended.
B = Number of meetings held during the time the Director held office

Indemnification and insurance of officers and auditors

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

The constitution also provides for AusNet Services Holdings Pty Ltd, to the extent permitted by law, to purchase and maintain insurance, or pay or agree to pay a premium for insurance, for each Officer against any liability (as defined in the constitution) incurred by the Officer as an officer of the company or of a related body corporate.

AusNet Services Holdings Pty Ltd may enter into a deed with any Officer to give effect to the rights conferred by the constitution as described previously.

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

During the financial year, we paid a premium to insure the Directors and Company Secretaries of the Australian-based subsidiaries and the Executive General Managers of AusNet. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance policy, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the policy.

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

Non-audit services

We may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the relevant company are important.

Details of the amounts paid or payable to the auditor, KPMG, for audit and non-audit services provided during the year are set out in Note F.1 of the financial report.

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

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act* is set out on page 23.

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*, which came into effect, 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), 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.

Significant changes in the state of affairs

On 1 November 2021, AusNet Services Ltd, the former ultimate Australian parent entity, entered into a Scheme Implementation Deed, under which a consortium led by Brookfield Asset Management acquired all the shares of the Group for cash consideration by means of a scheme of arrangement. On 16 February 2022, the scheme of arrangement was implemented and all shares on issue in AusNet Services Ltd were acquired by the consortium via Australian Energy Holdings No 4 Pty Ltd. Australian Energy Holdings No 1 Pty Ltd becomes the Group's new ultimate parent in Australia.

Other than referred to above, in the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the financial year.

Rounding of amounts

AusNet is a company of a kind referred to in Instrument 2016/201, 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.

Matters subsequent to the end of the financial year

(a) Refinancing of bridging loan facility

Subsequent to year-end, the $1.5 billion outstanding bridging loan facility was repaid. $200.0 million was repaid in April 2022 using cash on hand. The remaining $1.35 billion was refinanced in June 2022 via a new debt facility.

(b) Distribution

On 24 June 2022, the Board of AusNet Services Holdings Pty Ltd approved a dividend of $329.0 million to AusNet Services Ltd.

(c) Other matters

There has been no matter or circumstance that has arisen since 31 March 2022 up to the date of issue of this financial report that has significantly affected or may significantly affect:

(a) the operations in financial years subsequent to 31 March 2022 of the Group;

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 31 March 2022, of the Group.

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

Tony Narvaez
Director

Melbourne
27 June 2022

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

To the Directors of AusNet Services Holdings Pty Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of AusNet Services Holdings Pty Ltd for the financial year ended 31 March 2022 there have been:

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

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

KPMG

KPMG

BW Szentirmay

Partner

Melbourne

27 June 2022

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Consolidated income statement
For the year ended 31 March 2022

	Notes	2022 $M	2021 $M
Revenue	B.1, B.2	**1,220.3**	**1,214.3**
Use of system and associated charges		(123.6)	(118.7)
Employee benefits expenses		(123.9)	(141.4)
External maintenance and contractors' services		(122.2)	(110.3)
Materials		(11.0)	(11.6)
Information technology and communication costs		(49.6)	(43.4)
Lease expenses		(2.4)	(2.5)
Administrative expenses		(25.8)	(25.6)
Service level payments		(37.7)	(10.3)
Disposal of property, plant and equipment		(9.1)	(9.6)
Impairment of non-financial assets	C.1, C.2	(1.8)	(30.7)
Scheme of arrangement transaction costs		(26.8)	-
Other expenses		(15.6)	(21.2)
Total expenses excluding depreciation, amortisation, interest and tax		**(549.5)**	**(525.3)**
Earnings before interest, tax, depreciation and amortisation		**670.8**	**689.0**
Depreciation and amortisation	C.1, C.2	(342.2)	(336.8)
Profit from operating activities		**328.6**	**352.2**
Finance income	D.4	100.4	117.3
Finance costs	D.4	(339.3)	(314.7)
Net finance costs		**(238.9)**	**(197.4)**
Profit before income tax		89.7	154.8
Income tax expense	B.4	(26.3)	(40.4)
Profit for the year		**63.4**	**114.4**

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

Consolidated statement of comprehensive income

For the year ended 31 March 2022

	Notes	2022 $M	2021 $M
Profit for the year		**63.4**	**114.4**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Movement in defined benefit fund	F.2	16.3	30.0
Income tax on movement in defined benefit fund	B.4	(4.9)	(9.0)
		11.4	**21.0**
Items that may be reclassified to profit or loss in subsequent periods			
Movement in hedge reserve		720.5	494.9
Income tax on movement in hedge reserve	B.4	(216.2)	(148.5)
	D.3	**504.3**	**346.4**
Other comprehensive income/(loss) for the year, net of tax		**515.7**	**367.4**
Total comprehensive income/(loss) for the year		**579.1**	**481.8**

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

Consolidated statement of financial position

As at 31 March 2022

	Notes	**2022 $M**	2021 $M
ASSETS			
Current assets			
Cash and cash equivalents		270.8	826.3
Receivables	B.3	223.1	192.4
Other financial assets	C.3	1.4	669.8
Inventories	B.3	36.9	39.5
Derivative financial instruments	D.3	2.8	17.7
Other assets	B.3	20.0	24.7
Total current assets		555.0	1,770.4
Non-current assets			
Receivables	E.3	3,351.5	2,497.1
Property, plant and equipment	C.1	6,990.6	6,823.3
Intangible assets	C.2	527.8	472.5
Other financial assets	C.3	9.6	7.8
Derivative financial instruments	D.3	400.2	323.9
Other assets	B.3	86.3	63.1
Total non-current assets		11,366.0	10,187.7
Total assets		11,921.0	11,958.1
LIABILITIES			
Current liabilities			
Payables and other liabilities	B.3	268.9	395.1
Lease liabilities	D.5	5.0	5.0
Provisions	B.3	73.3	67.6
Borrowings	D.2	338.3	318.4
Derivative financial instruments	D.3	19.3	21.2
Total current liabilities		704.8	807.3
Non-current liabilities			
Deferred revenue	B.3	114.0	112.7
Lease liabilities	D.5	29.1	42.3
Provisions	B.3	41.0	43.3
Borrowings	D.2	9,183.2	8,868.8
Derivative financial instruments	D.3	515.0	509.9
Deferred tax liabilities	B.4	620.4	312.0
Total non-current liabilities		10,502.7	9,889.0
Total liabilities		11,207.5	10,696.3
Net assets		713.5	1,261.8
EQUITY			
Contributed equity	D.6	2,678.1	1,625.1
Reserves		(1,787.4)	(293.2)
Retained profits/(losses)		(177.2)	(70.1)
Total equity		713.5	1,261.8

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

Consolidated statement of changes in equity

For the year ended 31 March 2022

	Notes	Contributed equity $M	Restructure reserve (i) $M	Share based payment reserve (ii) $M	Hedge reserve (iii) $M	Asset revaluation reserve (iv) $M	Retained profits/(loss) $M	Total equity $M
31 March 2022								
Balance as at 1 April 2021		1,625.1	-	-	(293.2)	-	(70.1)	1,261.8
Total comprehensive income for the year		-	-	-	-	-	-	-
Profit for the year		-	-	-	-	-	63.4	63.4
Other comprehensive income		-	-	-	504.3	-	11.4	515.7
Total comprehensive income for the year		**-**	**-**	**-**	**504.3**	**-**	**74.8**	**579.1**
Transactions with owners, recorded directly in equity								
Dividends	D.7	-	-	-	-	-	(181.9)	(181.9)
Novation of bridging loan (i)		-	(2,000.0)	-	-	-	-	(2,000.0)
Equity injection (v)	D.6	1,049.4	-	-	-	-	-	1,049.4
Fair value adjustments		-	-	-	-	1.5	-	1.5
Share based payment reserve	D.6	3.6	-	-	-	-	-	3.6
Total transactions with owners		**1,053.0**	**(2,000.0)**	**-**	**-**	**1.5**	**(181.9)**	**(1,127.4)**
Balance as at 31 March 2022		**2,678.1**	**(2,000.0)**	**-**	**211.1**	**1.5**	**(177.2)**	**713.5**
31 March 2021								
Balance as at 1 April 2020		1,436.4		1.0	(639.6)		153.3	951.1
Total comprehensive income for the year								
Profit for the year		-		-	-		114.4	114.4
Other comprehensive income		-		-	346.4		21.0	367.4
Total comprehensive income for the year		**-**		**-**	**346.4**		**135.4**	**481.8**
Transactions with owners, recorded directly in equity								
Dividends	D.7	-		-	-		(358.8)	(358.8)
Equity injection	D.6	188.2		-	-		-	188.2
Share based payment reserve	D.6	0.5		(1.0)	-		-	(0.5)
Total transactions with owners		**188.7**		**(1.0)**	**-**		**(358.8)**	**(171.1)**
Balance as at 31 March 2021		1,625.1		-	(293.2)		(70.1)	1,261.8

Consolidated statement of changes in equity

For the year ended 31 March 2022

(i) As a part of the financing for the acquisition of AusNet Services Ltd, Australian Energy Holdings No 4 Pty Limited (the new immediate holding entity of AusNet Services Ltd) entered into a $2.0 billion two year bridging loan facility. On 9 March 2022, AusNet 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. Subsequent to the novation, $0.5 billion of the loan was re-financed on 30 March 2022. The proceeds of $0.5 billion received from the refinancing was used to repay the counterparty, resulting in $1.5 billion remaining in non-current borrowings at 31 March 2022. Subsequent to year-end, the $1.5 billion outstanding bridging loan facility was repaid. $200.0 million was repaid in April 2022 using cash on hand. The remaining $1.35 billion was refinanced in June 2022 via a new debt facility. Refer to Note F.6 for further details.

(ii) The share based payment reserve represents the tax effected fair value of the performance rights granted under the long term incentive plan. All outstanding rights granted were vested on 16 February 2022.

(iii) 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. During the year, $504.3 million of unrealised gains relating to hedged items (net of tax) was recognised in other comprehensive income, driving the movement in the hedge reserve (2021: $346.4 million).

(iv) The $1.5 million fair value adjustment recognised in the current year relates to recognition of an equity investment measured at fair value through other comprehensive income, relating to the Group’s remaining 20% interest of the Geospatial business. Refer to Note C.3 for details.

(v) AusNet Services (Distribution) Pty Ltd, made two equity injections during the year. The equity injection of $1.0 billion was to cure the impact of AusNet Service Holdings Pty Ltd. assuming the $2.0 billion debt from Australian Energy Holdings No 4 Pty Limited. The other equity injection of $49.4 million was made to apply excess funds from AusNet Services Ltd. Dividend Reinvestment Plan. Refer to D.6 for details.

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

Consolidated statement of cash flows

For the year ended 31 March 2022

	Notes	2022 $M	2021 $M
Cash flows from operating activities			
Profit for the year		63.4	114.4
Add back interest, tax, depreciation		607.4	574.6
Earnings before interest, tax, depreciation and amortisation		**670.8**	**689.0**
Non-cash gifted assets		(48.2)	(44.9)
Other non-cash items		12.3	40.3
Non-cash intercompany transactions		(68.8)	(93.2)
Working capital movement		18.5	(0.6)
Income tax refunded / (paid)		59.8	-
Net interest paid		(242.7)	(228.5)
Net cash inflow from operating activities		**401.7**	**362.1**
Cash flows from investing activities			
Payments for property, plant and equipment (i)		(527.8)	(478.7)
Proceeds from sale of property, plant and equipment		0.5	0.5
Receipts from financial assets	C.3	0.2	0.3
Receipts from / (Payments) for financial assets(ii)	C.3	669.8	(420.1)
Net cash outflow from investing activities		**142.7**	**(898.0)**
Cash flows from financing activities			
Repayments of related party loans		(87.8)	(61.1)
Payments for lease liabilities	D.5	(5.3)	(5.0)
Proceeds from borrowings (iii)	D.2	500.0	2,131.9
Repayment of borrowings (iii)	D.2	(1,506.8)	(857.7)
Net cash inflow / (outflow) from financing activities		**(1,099.9)**	**1,208.1**
Net (decrease)/increase in cash held		(555.5)	672.2
Cash and cash equivalents at the beginning of the year		826.3	154.1
Cash and cash equivalents at the end of the year		**270.8**	**826.3**

(i) Net finance costs include a credit of $7.1 million (2021: $9.4 million) for capitalised finance charges which is included in payments for property, plant and equipment.

(ii) $669.8 million of short-term deposits held at 31 March 2021 matured in the current year. In prior year, the net movement of short term deposits with a maturity date more than 3 months from 31 March was $420.1 million.

(iii) On 9 March 2022, AusNet Holdings Pty Ltd, a wholly owned subsidiary of AusNet Services Ltd, assumed $2.0 billion of liabilities from Australian Energy Holdings No 4 Pty Limited (the immediate holding entity of AusNet Services Ltd). There were no cash proceeds from this novated facility. Amount shown represents the proceeds received for the $0.5 billion of the loan refinanced on 30 March 2022, which was then used to repay the counterparty. Refer to Note D.2 for further details.

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

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Section A Overview

On 1 November 2021, AusNet Services Ltd, the former ultimate Australian parent of AusNet Services Holding Pty Ltd (the Company), entered into a Scheme Implementation Deed, under which a consortium led by Brookfield Asset Management acquired all the shares of the consolidated group trading as AusNet Services for cash consideration by means of a scheme of arrangement. On 16 February 2022, the scheme of arrangement was implemented and all shares on issue in AusNet Services Ltd were acquired by the consortium via Australian Energy Holdings No 4 Pty Ltd. Australian Energy Holdings No 1 Pty Ltd becomes the Group's new ultimate parent in Australia. Following the implementation, the ordinary equity securities of AusNet Services Ltd were delisted from the ASX whilst the debt instruments issued by AusNet Services Holdings Pty Ltd continues to trade on the ASX. As such, the Group is deemed to be a reporting entity as at 31 March 2022.

We have included information in this report that we deem to be material and relevant to the understanding of the financial statements. Disclosure may be considered material and relevant if the dollar amount is significant due to size or nature, or the information is important to understand:

- our current year results;
- the impact of significant changes in our business; or
- aspects of our operations that are important to future performance.

(a) Basis of preparation

The consolidated general purpose financial report, prepared by a for-profit entity and presented in Australian dollars, represents the consolidated financial statements of AusNet Services Holdings Pty Ltd (the Company) and its subsidiaries. The consolidated group is collectively referred to as the Group. Our current parent and the former ultimate Australian parent of the Company is AusNet Services Ltd, which is part of a consolidated group trading as AusNet Services (referred to as the AusNet Services Group, we, us or our). The financial statements were approved by the Board of Directors on 27 June 2022.

The financial report has been prepared:

- in accordance with Australian Accounting Standards and interpretations adopted by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth), as well as International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board;
- on a going concern basis, which contemplates the continuity of normal trading operations. The Group's current liabilities exceed current assets by $149.8 million at 31 March 2022. The Group is, and is expected to continue trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 31 March 2022, the Group has available a total of $800.0 million of undrawn but committed bank debt facilities and $270.8 million of cash; and
- 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 accounting policies applied by the Group in this consolidated 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 financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed throughout the financial statements located within the following notes:

- B.2 - Variable consideration and satisfaction of performance obligations
- B.3 - Accrued revenue estimates
- B.3 – Measurement of environmental provision
- B.3 – Measurement of employee wages provision
- B.4 - Timing and availability of tax deductions
- C.1 - Useful lives of property, plant and equipment
- C.3 - Assessments of recoverable amount
- D.3 - Fair value of derivative financial instruments
- D.5 - Lease terms and Incremental Borrowing Rate
- F.2 - Valuation of defined benefit assets and obligations

Section B Operating our business

This section highlights the performance of the Group for the year, including results by operating segment, details of income tax expense and related balances. In addition, this section provides information on the working capital used to generate the Group's operating activities and the liabilities incurred as a result.

Note B.1 Segment results

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

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

The Cost Allocation Methodologies as approved by the Australian Energy Regulator (AER) are used as the basis for allocating expenses to the relevant segment.

(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 variable consideration 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 results (continued)

(ii) Gas distribution

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

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

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

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

(iii) Development & Future Networks (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 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.

Note B.1 Segment results (continued)

(b) Reportable segment financial information

	Electricity distribution	Gas distribution	Development & Future Networks	Consolidated
2022	**$M**	**$M**	**$M**	**$M**
Regulated revenue	856.5	217.2	-	**1,073.7**
Customer contributions	64.7	18.1	-	**82.8**
Service revenue	-	-	54.1	**54.1**
Other revenue	5.4	2.4	1.9	**9.7**
Total segment revenue	**926.6**	**237.7**	**56.0**	**1,220.3**
Impairment	(1.3)	(0.5)	-	(1.8)
Segment operating expense	(428.2)	(71.4)	(48.1)	(547.7)
Segment result - EBITDA (i)	**497.1**	**165.8**	**7.9**	**670.8**
Lease interest income	-	-	1.6	1.6
EBITDAaL (ii)	**497.1**	**165.8**	**9.5**	**672.4**
Depreciation and amortisation	(270.3)	(60.7)	(11.2)	(342.2)
Capital expenditure	454.1	113.0	18.4	585.5
2021				
Regulated revenue	849.5	214.6	-	**1,064.1**
Customer contributions	68.5	8.9	2.9	**80.3**
Service revenue	-	-	58.5	**58.5**
Other revenue	4.7	1.4	5.3	**11.4**
Total segment revenue	**922.7**	**224.9**	**66.7**	**1,214.3**
Impairment	(19.0)	-	(11.7)	(30.7)
Segment operating expense	(358.3)	(57.0)	(79.3)	**(494.6)**
Segment result - EBITDA (i)	**545.4**	**167.9**	**(24.3)**	**689.0**
Lease interest income	-	-	0.6	0.6
EBITDAaL (ii)	**545.4**	**167.9**	**(23.7)**	**689.6**
Depreciation and amortisation	(259.7)	(60.0)	(17.1)	(336.8)
Capital expenditure	405.8	100.2	19.4	525.4

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

(ii) EBITDA after lease interest income.

Note B.2 Revenue from customers with contracts

(a) 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 Services' reportable segments (Note B.1) by including income items not in the scope of AASB 15 *Revenue from Contracts with Customers*.

31 March 2022	**Electricity distribution**	**Gas distribution**	**Development & Future Networks**	**Total**
	$M	**$M**	**$M**	**$M**
Timing of recognition				
At a point in time	90.0	27.1	34.9	152.0
Over time	835.0	210.6	21.1	1066.7
Revenue from contracts with customers	**925.0**	**237.7**	**56.0**	**1218.7**
Other income not in scope of AASB 15				
Operating lease income	0.2	-	-	0.2
Income from government grants (i)	1.4	-	-	1.4
Total revenue	**926.6**	**237.7**	**56.0**	**1,220.3**

31 March 2021	**Electricity distribution**	**Gas distribution**	**Development & Future Networks**	**Total**
Timing of recognition				
At a point in time	90.4	13.8	43.2	147.4
Over time	830.7	211.1	23.5	1,065.3
Revenue from contracts with customers	**921.1**	**224.9**	**66.7**	**1,212.7**
Other income not in scope of AASB 15				
Operating lease income	0.1	-	-	0.1
Income from government grants (i)	1.5	-	-	1.5
Total revenue	**922.7**	**224.9**	**66.7**	**1,214.3**

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

Key estimates and judgements – Variable consideration and satisfaction of performance obligations

Variable consideration in relation to volume variances and CPI escalation are constrained to the period to which they occur.

For performance obligations satisfied over time, we typically use the output method, with the passage of time used as the measure of satisfaction of performance obligations. This is because our performance obligations satisfied over time are based on a fixed fee for the use of or access to an asset. In these scenarios, volumes or other activity do not impact the amount or timing of revenue recognition. The period over which the performance obligations are satisfied can be the contract term (in the case of unregulated revenues) or the period to the next regulatory reset period (in the case of regulated revenues).

Note B.3 Working capital

Working capital are assets and liabilities that are utilised as part of the day-to-day operations of the Group and are not used for investing purposes.

Key estimates and judgements - Accrued revenue estimates

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

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

	Assets		Liabilities	
	2022	2021	**2022**	2021
	$M	$M	**$M**	$M
Accounts receivable/payable	8.8	31.7	(15.5)	(20.3)
Related party receivables/payables	115.1	72.3	(65.9)	(198.1)
Accrued revenue - other/accrued expenses	7.5	5.3	(89.5)	(94.5)
Accrued revenue - contract assets (i)	91.6	78.7	-	-
Deferred revenue - contract liabilities (ii)	-	-	(48.2)	(37.1)
Deferred revenue - government grants	-	-	(2.4)	(2.0)
Other receivables/payables	-	4.0	(9.8)	-
Interest receivables/payables	0.1	0.4	(37.6)	(43.1)
Total current receivables/payables and other liabilities	223.1	192.4	(268.9)	(395.1)
Current other assets	20.0	24.7	-	-
Non-current other assets (iii)	86.1	62.8	-	-
Non-current accounts receivable	0.1	0.3	-	-
Non-current related party receivables/payables	-	37.5	-	-
Current inventory	36.9	39.5	-	-
Current provisions	-	-	(73.4)	(67.6)
Non-current provisions	-	-	(40.9)	(43.3)
Non-current deferred revenue - contract liabilities (ii)	-	-	(39.9)	(32.0)
Non-current deferred revenue - government grants	-	-	(74.1)	(80.7)
Working capital	366.2	357.2	(497.2)	(618.7)

(i) Contract assets primarily relate to unbilled regulated distribution revenue from AEMO market participants (retailers). Invoices are raised on 30-day billing cycles for distribution and on 60-day cycles for gas.

(ii) Contract liabilities primarily relate to funds received in advance for customer contributions, telecommunications services and software maintenance fees. Revenue is recognised over the transaction period and contract term. Revenue recognised in FY2022 that was included in the contract liability balance at 1 April 2022 was $29.7 million (2021: $24.4 million). Of the total contract liabilities of $88.4 million we expect that approximately 54.8 per cent (2021: 53.7 per cent) of these performance obligations will be satisfied in the next twelve months, with the remainder satisfied over the long term.

(iii) Includes $76.7 million (2021: $61.7 million) defined benefit surplus, refer to Note F.2 for further details.

Note B.3 Working capital (continued)

(a) Accounts receivable

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. An allowance for impairment is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of the receivables.

Accounts receivable are non-interest bearing and the average credit period is 15 business days (10 days for regulated retailers, 30 days for customer contracts).

The following table provides information about the exposure to credit risk for trade receivables grouped by different revenue segment:

	Gross 2022 $M	Allowance 2022 $M	Gross 2021 $M	Allowance 2021 $M
Electricity Distribution	2.7	-	7.4	(0.2)
Gas Distribution	4.9	-	16.0	-
Development & Future Networks (formerly known as Growth & Future Networks)	2.8	(1.6)	12.2	(2.3)
Total	**10.4**	**(1.6)**	35.6	(2.5)

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	2022 $M	2021 $M
Opening loss allowance as at 1 April	(2.5)	(2.5)
(Increase) / decrease in loss allowance recognised in profit or loss during the year	0.7	(0.4)
Receivables written off during the year as uncollectible	0.2	0.4
Closing loss allowance as at 31 March	**(1.6)**	**(2.5)**

Of those debts that are past due, the majority are receivable from high credit quality counterparties.

Receivables relating to regulated revenue streams (which account for approximately 88 per cent of revenues) are owed by retailers in the industry. There are strict regulatory requirements regarding who can obtain a retail licence and the Essential Service Commission has minimum prudential requirements which must be met before a participant can be registered as a distributor. The Australian Energy Market Operator (AEMO) also has high prudential requirements for retailers who participate in the market. Retailers must provide guarantees as requested by AEMO to minimise the risk of exposure by other participants to any defaults.

Growth & Future Networks receivables primarily relate to large telecommunications, electricity and gas retail businesses and other utilities such as water and transport companies. Allowances are required to cover potential contractual disputes over services provided as well as delinquent customers.

(b) Trade and other payables

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

Note B.3 Working capital (continued)

(c) Provisions

	2022 $M	2021 $M
Current provisions		
Employee benefits (i)	60.5	54.7
Sundry provisions (ii)	2.6	2.1
Redundancy provision	5.8	3.3
Make good provision	4.1	5.3
Environmental provision	1.5	2.2
Total current provisions	**74.5**	**67.6**
Non-current provisions		
Employee benefits (i)	4.7	4.0
Make good provision	4.3	4.8
Environmental provision	31.9	34.5
Total non-current provisions	40.9	43.3
Total provisions	**115.4**	**110.9**

(i) Employee benefits provisions represent provisions for annual and long service leave for our employees as well as provisions for employee bonuses and other accrued entitlements. Liabilities for annual leave and long service leave are measured at the present value of expected future payments for services provided by employees up to the reporting date, including on costs. Consideration is given to expected future wage and salary levels, experience of employee, departures and periods of service. Expected future payments are discounted using interest rates on corporate bonds with a term to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Sundry provisions mostly include uninsured losses and provisions for cross boundary charges.

Key estimates and judgements – Measurement of environmental provision

The environmental provision represents an estimate of the costs of rehabilitating sites, including the estimated costs to remediate soil and water contamination on gas sites which were previously used as coal gas production facilities. 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 are exploring a number of strategies for future land use options for the three sites, with the estimation of the provision at year 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 actual costs incurred may significantly exceed the provision at 31 March 2022.

Key estimates and judgements – Measurement of employee wages remediation

Included within the employee benefits provision is the employee wages remediation provision of $14.3 million, raised for costs associated with potential underpayment of wages to certain employees of the Group under the current Enterprise Agreement. The provision recognised represents various scenarios based on estimates of the difference in salaries paid to past and current employees and payments they would be entitled to under the terms of the Enterprise Agreement, plus interest and gratuity payments to be agreed with parties involved. The review process is ongoing and the calculation is subject to change based on further assessment and discussions with the Fair Work Ombudsman and the Unions. Actual costs may exceed the provision raised at 31 March 2022.

Note B.4 Taxation

Key estimates and judgements – Timing and availability of tax deductions

AusNet Services Ltd, the Company's current parent and former ultimate Australian parent, was the head entity in a tax consolidated group comprising itself and its wholly owned subsidiaries up to 16 February 2022, when it was acquired by Australian Energy Holdings No 4 Pty Limited. Following the acquisition, the Company and AusNet Services Ltd Group has joined a newly formed tax consolidated group and a new tax funding arrangement headed by Australian Energy Holdings No 1 Pty Limited. A final tax return for the former tax consolidated group will be prepared for the tax 'stub' period ended 16 February 2022.

For the sole purpose of reporting in these financial statements, AusNet Services Ltd has continued to account for and present their own current and deferred tax amounts as the head of the previous tax consolidation group for the year ended 31 March 2022.

The tax expense and deferred tax balances assume certain tax outcomes and values of assets in relation to the application of tax legislation as it applies to AusNet Services Ltd. 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 of the AusNet Services Group that are being reviewed by the ATO, including but not limited to an objection lodged by AusNet Services Group in relation to certain tax consolidation and capital allowances positions arising from the corporate restructure completed in June 2015.

In relation to the tax consolidation element of the 2015 corporate restructure objection, the potential uplift in tax bases has not been recognised in the financial statements of AusNet.

The matters being considered by the ATO are at various stages and include items that could have both a positive or negative impact on the currently recognised tax positions.

(a) Effective tax rate reconciliation

	2022 **$M**	2021 $M
Profit before income tax	89.7	154.8
Tax at the Australian tax rate of 30.0% (2021: 30.0%)	26.9	46.4
Tax effect of amounts which are not (taxable)/ deductible in calculating taxable income:		
Prior year under provisions	0.1	0.2
Tax risk provision (i)	6.6	-
Impact of amended assessments (ii)	(6.9)	(13.3)
Non-deductible impairment	(0.9)	7.1
Sundry items	0.5	-
Income tax expense	26.3	40.4
Consists of:		
Current tax	(39.3)	(18.3)
Prior year under/(over) provision – current tax	(21.7)	(36.4)
Deferred tax	65.7	58.5
Prior year (over)/under provision – deferred tax	21.6	36.6
Income tax expense	26.3	40.4

i. During the current and prior year, 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 tax consolidation event and as such, they increase the reset tax base amount under the consolidation event. A $6.9 million credit (2021: $13.3 million credit) to tax expense has been recognised as a result of this higher reset tax base amount and is based on the amended assessments.

Note B.4 Taxation (continued)

(a) Effective tax rate reconciliation (continued)

ii. As noted above, the acquisition on 16 February 2022 resulted in the forming of a new tax consolidated group. The formation of this group resolved the uncertainty with respect to the tax risk provision for the capital allowances from the 2015 corporate restructure. As a result, a $6.6 million income tax expense was recognised for the year ended 31 March 2022, representing the increase of the provision recognised within deferred tax liabilities from its probability weighted balance to the full balance.

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill. Both our current income tax and deferred tax are calculated using tax rates that have been enacted or substantively enacted at reporting date.

(b) Current tax

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

(c) Deferred tax

	1 April 2021	Impact of amended assessments	Prior year (under)/overs	(Charged) /credited to income statement	Charged/ (credited) directly in equity	31 March 2022
2022	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Employee benefits	17.7	-	-	(0.2)	-	17.5
Other accruals and provisions	59.7	-	(2.2)	4.1	-	61.6
Derivative financial instruments and fair value adjustments on borrowings	119.1	-	0.5	12.8	(216.2)	(83.8)
Defined benefit funds	(18.7)	-	-	0.4	(4.9)	(23.2)
Intangibles	(26.7)	-	-	-	-	(26.7)
Property, plant and equipment	(463.1)	(21.8)	1.9	(82.8)	-	(565.8)
Net deferred tax liabilities	**(312.0)**	**(21.8)**	**0.2**	**(65.7)**	**(221.1)**	**(620.4)**

	1 April 2020	Impact of amended assessments	Prior year (under)/overs	(Charged)/ credited to income statement	Charged/ (credited) directly in equity	31 March 2021
2021	**$M**	**$M**	**$M**	**$M**	$M	**$M**
Employee benefits	13.6	-	-	4.1	-	17.7
Other accruals and provisions	59.6	-	0.5	0.3	(0.7)	59.7
Derivative financial instruments and fair value adjustments on borrowings	271.6	-	-	(4.0)	(148.5)	119.1
Defined benefit funds	(10.4)	-	-	0.7	(9.0)	(18.7)
Intangibles	(26.7)	-	-	-	-	(26.7)
Property, plant and equipment	(366.4)	10.7	(37.1)	(70.3)	-	(463.1)
Net deferred tax liabilities	**(58.7)**	**10.7**	**(36.6)**	**(69.2)**	**(158.2)**	**(312.0)**

Note B.4 Taxation (continued)

(c) Deferred tax (continued)

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

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

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and we intend to settle our tax assets and liabilities on a net basis.

(i) Tax consolidation

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

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

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

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

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, and provides a summary of our impairment assessment.

Note C.1 Property, plant and equipment

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Key estimates and judgements – Useful lives of property, plant and equipment

Management judgement is applied to estimate service lives and residual values of our assets and these are reviewed annually. If service lives or residual values need to be modified, the depreciation expense changes as from the date of reassessment until the end of the revised useful life (for both the current and future years). This assessment includes consideration of the regulatory environment and technological developments, including but not limited to asset condition and obsolescence, location of supply and demand and estimated transformation in the energy market, including the changing source of generation and the Gas Substitution Roadmap currently being developed by the Victorian Government (refer to note C.4). Any reassessment for useful lives in a particular year will affect the depreciation expense.

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

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

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

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

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

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

Included within this note are leases where the Group is a lessee, which are disclosed as right-of-use assets. The Group leases various offices, land and buildings that have lease terms that are typically for fixed periods, but certain lease arrangements have extension options. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended. The right-of-use assets (measured at cost comprising the amount if the initial measurement of the lease liability and any other initial direct costs) are depreciated over the shorter of the assets' useful life and the lease term on a straight-line basis (refer to Note D.5).

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Note C.1 Property, plant and equipment (continued)

	Freehold land	Buildings	Easements	Electricity distribution network	Gas distribution network	Other plant and equipment	Right-of- use asset (ii)	Capital work in progress	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Useful life (years)	Indefinite	40-99	Indefinite	5-70	15-80	3-12	1-47	n/a	
2022									
Carrying amount as at 1 April 2021	25.0	118.3	3.6	4,617.4	1,674.6	62.1	42.3	280.0	**6,823.3**
Lease modifications	-	-	-	-	-	-	(8.2)	-	**(8.2)**
Lessor transfers	-	-	-	-	-	-	-	(2.0)	**(2.0)**
Additions	-	-	-	-	-	-	-	482.5	**482.5**
Transfers	20.6	27.6	-	337.6	97.2	9.0	-	(492.0)	**-**
Impairments (i)	-	-	-	-	-	-	(1.8)	-	**(1.8)**
Reclassification from intangibles (ii)	-	-	-	-	-	-	-	(3.8)	**(3.8)**
Disposals	-	-	-	(6.0)	(3.5)	(0.5)	-	-	**(10.0)**
Depreciation expense	-	(2.4)	-	(205.6)	(52.1)	(23.1)	(6.2)	-	**(289.4)**
Carrying amount as at 31 March 2022	**45.6**	**143.5**	**3.6**	**4,743.4**	**1,716.2**	**47.5**	**26.1**	**264.7**	**6,990.6**
Cost	45.6	160.8	3.6	7,426.4	2,477.8	560.4	46.0	264.7	**10,985.3**
Accumulated depreciation	-	(17.3)	-	(2,683.0)	(761.6)	(512.9)	(19.9)	-	**(3,994.7)**
Carrying amount as at 31 March 2022	**45.6**	**143.5**	**3.6**	**4,743.4**	**1,716.2**	**47.5**	**26.1**	**264.7**	**6,990.6**

(i) During the year, the Group ceased using one of its leased office spaces as a result of our office transformation and refurbishment project. The Group is unable to terminate the lease arrangement and find an alternative use for the space at this time. As such, the Group has recognised impairment of $1.8 million relating to the right-of-use asset.

(ii) An impairment of $3.8 million in relation to the Geospatial business recognised in prior year was reclassified from software to capital works in progress (refer to Note C.2).

Note C.1 Property, plant and equipment (continued)

	Freehold land	Buildings	Easements	Electricity distribution network	Gas distribution network	Other plant and equipment	Right-of-use asset	Capital work in progress	Total
	$M	$M	$M	$M	$M	$M	$M	$M	$M
Useful life (years)	Indefinite	40-99	Indefinite	5-70	15-80	3-12	1-47	n/a	
2021									
Carrying amount as at 1 April 2020	24.5	89.0	4.6	4,405.5	1,641.5	63.3	48.4	368.5	6,645.3
Lease modifications	-	-	-	-	-	-	1.5	-	1.5
Lessor transfers	-	-	-	-	-	-	-	(1.6)	(1.6)
Additions	-	-	-	-	-	-	-	479.0	479.0
Transfers	0.5	32.0	(1.0)	421.3	85.9	27.2	-	(565.9)	-
Disposals	-	-	-	(7.7)	(2.1)	(0.4)	-	-	(10.2)
Depreciation expense	-	(2.7)	-	(201.7)	(50.7)	(28.0)	(7.6)	-	(290.7)
Carrying amount as at 31 March 2021	25.0	118.3	3.6	4,617.4	1,674.6	62.1	42.3	280.0	6,823.3
Cost	25.0	133.2	3.6	7,119.6	2,392.3	565.9	55.7	280.0	10,575.3
Accumulated depreciation	-	(14.9)	-	(2,502.2)	(717.7)	(503.8)	(13.4)	-	(3,752.0)
Carrying amount as at 31 March 2021	25.0	118.3	3.6	4,617.4	1,674.6	62.1	42.3	280.0	6,823.3

Note C.2 Intangible assets

	Distribution licences (i)	**Goodwill** (ii)	**Software** (iii)	**Total**
	$M	**$M**	**$M**	**$M**
Useful life (years)	Indefinite	Indefinite	3-10	
2022				
Carrying amount as at 1 April 2021	354.5	12.0	106.0	**472.5**
Additions	-	-	103.0	**103.0**
Impairment reclassified to capital works in progress (iv)	-	-	3.8	**3.8**
Amortisation expense	-	-	(51.5)	**(51.5)**
Carrying amount as at 31 March 2022	**354.5**	**12.0**	**161.3**	**527.8**
Cost	354.5	35.8	656.5	**1,046.8**
Accumulated impairment	-	(23.8)	(3.1)	**(26.9)**
Accumulated amortisation	-	-	(492.1)	**(492.1)**
Carrying amount as at 31 March 2022	**354.5**	**12.0**	**161.3**	**527.8**
2021				
Carrying amount as at 1 April 2020	354.5	35.8	112.4	502.7
Additions	-	-	46.6	46.6
Impairment loss (iv)	-	(23.8)	(6.9)	(30.7)
Amortisation expense	-	-	(46.1)	(46.1)
Carrying amount as at 31 March 2021	354.5	12.0	106.0	472.5
Cost	354.5	12.0	557.7	924.2
Accumulated amortisation	-	-	(451.7)	(451.7)
Carrying amount as at 31 March 2021	**354.5**	**12.0**	**106.0**	**472.5**

(i) The distribution licences held entitle us to distribute electricity and gas within our licensed region. Distribution licences are stated at cost and are considered to be indefinite life intangible assets, which are not amortised. The distribution licences are tested for impairment annually and are carried at cost less any accumulated impairment losses.

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

- the licences have been issued in perpetuity provided we comply with certain licence requirements;
- we monitor our performance against those licence requirements and ensure that they are met; and
- we intend to, and are able to continue to, maintain the networks for the foreseeable future.

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

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

Goodwill is not amortised but is reviewed for impairment at least annually. During the prior year $23.8 million of goodwill and $6.9 million of software was impaired in relation to the Geospatial business. Refer to note C.3 and C.4. The impairment of $6.9 million of software previously recognised was partially reclassified to capital works in progress in the current year to reflect the final apportionment of the impairment.

Note C.2 Intangible assets (continued)

(iii) Computer software, developed internally or acquired externally, is initially measured at cost and includes development expenditure. Subsequently, these assets are carried at cost less accumulated amortisation and impairment losses. Software assets are amortised on a straight-line over their estimated useful lives.

(iv) $3.8 million of the $6.9 million of impairment to software previously recognised was reclassified to capital works in progress in the current year to reflect the final apportionment of the impairment (refer to Note C.1).

Note C.3 Other financial assets

	Note	Lessor receivables	Short term investments	Investment in equity instrument	Total
		$M	$M	$M	$M
Carrying amount at 1 April 2021		7.8	669.8	-	677.6
Transfers from capital work in progress	C.1	2.0	-	-	2.0
Cash received		(0.3)	-	-	(0.3)
Short term investments transferred / matured		-	(669.8)	-	(669.8)
Investment in equity instruments		-	-	1.5	1.5
Carrying amount at 31 March 2022		**9.5**	**-**	**1.5**	**11.0**
Comprising of:					
Current assets		1.4	-	-	1.4
Non-current assets		8.1	-	1.5	9.6
Total other financial assets at 31 March 2022		**9.5**	**-**	**1.5**	**11.0**
Carrying amount at 1 April 2020		6.5	249.7	-	256.2
Transfers from capital work in progress	C.1	1.6	-	-	1.6
Principal repayments		(0.3)	-	-	(0.3)
Short term investments		-	420.1	-	420.1
Carrying amount at 31 March 2021		**7.8**	**669.8**	**-**	**677.6**
Comprising of:					
Current assets		-	669.8	-	669.8
Non-current assets		7.8	-	-	7.8
Total other financial assets at 31 March 2021		**7.8**	**669.8**	**-**	**677.6**

Lessor receivables

The Group has determined that its dedicated unregulated customer connection assets meet the definition of a finance lease, resulting in de-recognition of property, plant and equipment and the recognition of a financial asset. The financial asset is initially measured at the present value of remaining revenue receipts, discounted at the interest rate implicit in the lease. In order to calculate the interest rate implicit in the lease, the Group has determined that the construction costs of the asset are equivalent to its fair value.

Short term investments

Short term investments are term deposits greater than 90 days that mature within the next financial year. These short term deposits do not meet the definition of cash and cash equivalents as they cannot be utilised immediately without penalty. All term deposits outstanding at 31 March 2021 have matured during the current year

Investment in equity instrument

On 15 February 2022, the Group sold 80% of its Geospatial business and recognised a gain on sale of $6.0 million. Following the loss of control, the Group assessed that it does not have significant influence over the business and elected to account for the remaining 20% interest as a financial asset measured at fair value through other comprehensive income.

Note C.4 Impairment of non-current assets

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

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

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

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

Key estimates and judgements – Assessment of recoverable amount

Key estimates and judgements have also been applied in the discount rate and terminal value multiples used in the measurement of recoverable amount, the details of which are provided as follows. These assumptions have been determined with reference to historical information, current performance and expected changes and take into account external information such as input costs, supply and demand. Such estimates may change as new information becomes available.

We have considered the impact of climate change and the transition to renewable energy sources on impairment modelling assumptions and related risks. One of the underlying assumptions is that an appropriate regulatory response and framework will continue to exist throughout the forecast period so as to mitigate any potential risk of asset impairment or other financial outcomes that would otherwise act to materially reduce the net present value of future cash flows attached to our regulated businesses due to the impact of climate change and related Government policy response. This includes the risk of potential long term structural shifts to the energy industry, including the Gas Substitution Roadmap being developed by the Victorian Government, which under certain scenarios may result in lower gas demand and declining revenues in the gas distribution business and CGU. These scenarios have not been reflected in year-end impairment model assumptions given the Government's final Roadmap outcomes are yet to be released, and there is uncertainty regarding whether and when these outcomes will be implemented by way of Government policy in the future.

We will continue to closely monitor this as Government's policy response to the energy transition becomes more certain.

Note C.4 Impairment of non-current assets (continued)

The following CGUs have intangible assets with an indefinite life:

	Cash flow projection period (i)		**Post-tax discount rate** (ii)		**Perpetual growth rate (iii)**		**Carrying value**	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Regulated CGUs	**years**	**years**	**%**	**%**	**%**	**%**	**$M**	**$M**
Electricity distribution (distribution licence)	10	10	4.6	4.0	2.5	2.5	117.2	117.2
Gas distribution (distribution licence)	10	10	4.6	4.0	2.5	2.5	237.3	237.3
Unregulated CGUs								
Growth & Future Networks – field services (goodwill)	5	5	12.3	11.0	2.5	2.1	12.0	12.0

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

(i) Regulated cash flow forecasts are based on allowable returns on electricity and gas distribution assets as set out in the Victorian Electricity Supply Industry Tariff Order and the Victorian Gas Industries Tariff Order respectively, together with other information included in our five-year forecast. Cash flows after that period are based on an extrapolation of the forecast, taking into account inflation and expected customer connection growth rates. Due to the regulated nature of our industry and vast amount of historical information available, we are able to build detailed, explicit and reliable financial forecasts for periods longer than five years. Consequently, fair value less costs to sell for Regulated CGUs are determined using forecasted cash flows over a ten-year period.

(ii) The discount rate represents the post-tax discount rate applied to the cash flow projections. The discount rate reflects the market determined risk adjusted discount rate that is adjusted for specific risks relating to the CGU.

(iii) The perpetual growth rate represents the growth rate applied to extrapolate our cash flows beyond the forecast period. These growth rates are based on our expectations of the CGUs' long-term performance in their markets.

Appropriate terminal values were calculated using a range of both RAB multiples and perpetual growth rates. Fair value less costs to sell is measured using inputs that are not based on significant observable market data. Therefore, they are considered to be level three within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. Value in use for Growth & Future Networks CGUs is determined using forecasted cash flows over the five-year forecast period.

Note C.5 Capital Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	2022	2021
	$M	$M
Property, plant and equipment	137.4	135.4

Section D Financing our business

This section provides information relating to our capital structure and our exposure to financial risk, how they affect the Group's financial position and performance, and how those risks are managed.

Note D.1 Capital management

We manage our capital structure in order to maximise the long-term returns to shareholders. We achieve this by being disciplined in the pursuit of the following objectives:

- Targeting credit metrics over the medium term that maintain an ‘A’ range credit rating, thereby providing financial flexibility and a low cost of capital.
- Managing financial risk prudently to ensure net exposures are maintained within target settings.
- Funding capital expenditure efficiently through various sources to support organic growth and other investment opportunities, while covering 100 per cent of maintenance capital expenditure and a portion of growth capital expenditure from internal cash flows.

We review our capital structure and dividend policy regularly and do so in the context of our ability to continue as a going concern over the long term, to invest in opportunities that grow the business and to enhance shareholder value.

An important credit metric which assists management to monitor our capital structure is the net debt to Regulated and Contracted Asset Base (R&CAB) ratio, determined as indebtedness as a percentage of the R&CAB. Indebtedness is debt at face value (net of cash) excluding any derivative financial instruments. Refer to Note D.2 for more information. The R&CAB consists of the following items:

- Regulated Asset Base (RAB). The RAB is an economic measure used by the regulator based on regulated capital expenditure adjusted for CPI indexation and regulatory depreciation; and
- The value of contracted network assets, based on the carrying value of contracted assets in Note C.1 and other financial assets in Note C.3. The revenues and returns for contracted assets are set through a negotiated process. This includes the value of network assets that will form part of the RAB at the next regulatory period.

The movement of this metric over time demonstrates how the business is funding its capital expenditure in terms of debt versus income generating assets.

As at 31 March 2022, net debt includes financing associated with the purchase of the AusNet group by Australian Energy Holdings No.4 Pty Ltd, the AusNet group’s intermediate holding entity (Refer to Note D.2 for further details). Following the assumption of the debt, AusNet’s credit rating has been revised to BBB+ and Baa1 by S&P and Moody’s respectively.

The net debt to R&CAB ratio as at reporting date was as follows:

	2022	2021
	%	%
Net debt to R&CAB	84.5	66.6

This ratio does not include equity credits in relation to $1,731.9 million of hybrid securities.

Note D.2 Borrowings

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

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

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

Note D.2 Borrowings (continued)

	Maturity date	Carrying Value 2022 $M	Carrying Value 2021 $M	Face Value (i) 2022 $M	Face Value (i) 2021 $M
Current borrowings					
Domestic medium term notes	June 2022	338.3	250.0	335.0	250.0
Hong Kong dollar (HKD) senior notes	December 2021	-	68.4	-	51.4
Total current borrowings		**338.3**	**318.4**	**335.0**	**301.4**
Non-current borrowings					
Hong Kong dollar (HKD) senior notes	2026 - 2034	729.8	783.4	700.0	700.0
Domestic medium term notes	2024 - 2043	2,474.0	2,402.6	2,550.0	2,385.0
Bank debt facilities (iii)	2024	1,499.9	-	1,500.0	-
Euro (EUR) senior notes	2024 - 2030	2,217.0	2,528.7	2,426.2	2,426.2
Japanese yen (JPY) senior notes	2024	55.7	60.9	62.6	62.6
US dollar (USD) senior notes	2026	106.1	113.8	107.0	107.0
Norwegian kroner (NOK) senior notes	2027 - 2029	505.0	570.5	565.8	565.8
US dollar (USD) hybrid securities (ii)		-	495.8	-	505.7
Singapore dollar (SGD) hybrid securities (ii)		-	197.2	-	199.6
Australian dollar (AUD) hybrid securities (ii)	2080	649.5	645.7	650.0	650.0
Euro (EUR) hybrid securities (ii)	2081	946.2	1,070.2	1,081.9	1,081.9
Total non-current borrowings		**9,183.2**	**8,868.8**	**9,643.5**	**8,683.8**
Total borrowings		**9,521.5**	**9,187.2**	**9,978.5**	**8,985.2**
less:					
Cash and cash equivalents		270.8	826.3	270.8	826.3
Short term investments		-	669.8	-	669.8
Net debt		**9,250.7**	**7,691.1**	**9,707.7**	**7,489.1**

(i) Face value represents the principal amount that has to be repaid on maturity, excluding any adjustments for loan fees, discounts and interest cash flows. Foreign currency debt is translated at hedged FX rates, with 100 per cent of the debt hedged for foreign currency risk at draw down.

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

(iii) As a part of the financing for the acquisition of the AusNet Services Group, Australian Energy Holdings No 4 Pty Limited (the immediate holding entity of AusNet Services Ltd) entered into a $2.0 billion two year bridging loan facility. On 9 March 2022, AusNet 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. Subsequent to the novation, $0.5 billion of the loan was re-financed on 30 March 2022. The proceeds of $0.5 billion received from the refinancing was used to repay the counterparty, resulting in $1.5 billion remaining in non-current borrowings at 31 March 2022. Subsequent to year-end, the $1.5 billion outstanding bridging loan facility was repaid. $200.0 million was repaid in April 2022 using cash on hand. The remaining $1.35 billion was refinanced in June 2022 via a new debt facility.

Note D.2 Borrowings (continued)

(a) Foreign currency translation

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

The foreign currency risk associated with our foreign currency borrowings is hedged through the use of cross currency swaps. Refer to Note D.3.

(b) Fair values of financial instruments

We have 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 outlined above, the carrying amounts of these items are considered to be a reasonable approximation of their fair value as at 31 March 2021. The fair value of total borrowings as at 31 March 2022 was $10,245.0 million (2021: $10,043.7 million).

(c) Financial covenants

The terms of certain financing arrangements contain financial covenants that require maintenance of specified interest coverage ratios and gearing ratios. However, these covenants only apply if there are downward changes in credit ratings. In addition, there are change of control and/or ownership and cross default provisions. We monitor and report compliance with our financial covenants on a monthly basis. There have been no breaches during the year.

(d) Other bank guarantees

Certain entities within the Group are required to provide bank guarantees in the form of tender bid bonds or performance bonds for contractual obligations. The subsidiaries have guarantee facilities with a number of institutions amounting to $15.0 million, of which $7.3 million was provided to third parties at 31 March 2022 (2021: $5.8 million).

(e) Changes in liability arising from financing activities

The table below details the movements in the Group’s interest-bearing liabilities for the year ended 31 March 2022:

		Cash flow movements (financing activities)		**Non-cash flow movements**					
	1 April 2021	**Proceeds**	**Repay-ments**	**Reclass-ification**	**Assigned from parent**	**Foreign exchange move-ments**	**Fair value adjust-ment**	**Funding costs**	**31 March 2022**
	$M	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Current	318.4		(301.4)	338.3	-	(0.2)	(1.6)	(15.2)	338.3
Non-current	8,868.8	500.0	(1,205.4)	(338.3)	2,000.0	(150.5)	(510.4)	19.0	9,183.2
Total	**9,187.2**	**500.0**	**(1,506.8)**	-	**2,000.0**	**(150.7)**	**(512.0)**	**3.8**	**9,521.5**

Note D.3 Financial risk management

Our activities expose us to a number of financial risks, including:

- Interest rate risk – the risk that we suffer financial loss due to an adverse movement in interest rates on our borrowings or the impact changes in interest rates have on our regulated revenues.
- Currency risk – the risk that we suffer financial loss due to adverse exchange rate movements on our foreign currency denominated borrowings.
- Liquidity risk – the risk that an unforeseen event occurs which will result in us not being able to meet our payment obligations in an orderly manner.
- Credit risk – the risk that one or more of our counterparties will default on its contractual obligations resulting in financial loss to us and arises from our financial assets, comprising cash and cash equivalents, trade and other receivables and derivative financial instruments.

We manage our exposure to these risks in accordance with our Treasury Risk Policy which is approved by the Board. The policy is reviewed periodically. Any material changes are submitted to the Board for approval.

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

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

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

- The Authority Manual which sets out the approvals required for such things as investment of surplus funds, execution of hedging transactions, borrowings and issue of guarantees and indemnities;
- The Treasury Operations Manual which sets out the day-to-day Treasury front office processes such as cash management and the operations of the Treasury back office, such as settlement processes and bank account operations;
- The Refinancing and Hedging Strategy which set out the refinancing and hedging strategies over the relevant financial period; and
- The Credit Metrics Guidelines which sets out target ranges for the key credit metrics that determine the Group's credit strength, such as the percentage of debt to the value of the R&CAB at balance date.

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

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

(a) Interest rate risk

We are exposed to the risk of movements in interest rates on our borrowings. In addition, our regulated revenues for the distribution businesses are directly impacted by changes in interest rates. This is a result of the 'building block' approach where interest rates are a major input in the determination of the regulatory weighted average cost of capital and consequently regulated revenues. The AER uses a Trailing Average Portfolio approach to setting the weighted average cost of capital. This approach assumes that 10 per cent of the debt for each network is refinanced each year. As such, the average cost of capital is reset each year to take into account this assumed refinancing.

The objective of hedging activities carried out by us in relation to interest rate risk is to minimise the exposure to changes in interest rates by aligning the actual cost of debt with the cost of debt assumed by the regulator. The exposure is managed by maintaining the percentage of fixed rate debt to total debt at a level between 90 per cent and 100 per cent for the relevant business. We therefore consider net interest rate exposure, after hedging activities, to be minimal for the Group. The percentage of fixed rate debt to total debt (on a net debt basis) as at 31 March 2022 was 91.2 per cent (2021: 92.6 per cent).

Note D.3 Financial risk management (continued)

(a) Interest rate risk (continued)

We utilise interest rate swaps to manage our exposure to cash flow interest rate risk and achieve the targeted proportion of fixed rates on our debt portfolio. Under interest rate swaps, we agree to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable us to mitigate the risk of changing interest rates on debt held.

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

	2022	2021
	$M	$M
Financial assets		
Related party receivables (i)	3,351.5	2,459.6
Fixed rate instruments	220.0	1,419.5
Floating rate instruments	40.5	64.5
Financial liabilities (ii)		
Fixed rate instruments	(8,901.2)	(6,900.5)
Floating rate instruments	(1,077.3)	(2,084.8)

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

(ii) The financial liabilities above include the impact of derivative financial instruments used to manage the interest rate and foreign currency exposures on those liabilities. Therefore, they represent the post hedge position. It should be noted that some fixed rate borrowings (post hedge) as at reporting date are only fixed for a portion of their term. This is because the maturity profile of borrowings differs from the AER's assumed refinancing profile of the regulated businesses. The remaining portion of this debt will be fixed when the AER resets the cost of debt to cover these periods.

Our exposure to changes in interest rates is limited to exposures denominated in Australian dollars due to our policy of mitigating interest rate risk exposure on foreign currency debt. As a result, the sensitivity analysis below has only been performed based on movements in Australian interest rates. As at reporting date, if Australian interest rates had increased and decreased by 88 basis points as at 31 March 2022 (2021: 83 basis points), with all other variables held constant, post-tax profit and equity would have increased/(decreased) as follows:

	Net profit after tax		**Equity after tax (hedge reserve)**	
	2022	2021	**2022**	2021
	$M	$M	**$M**	$M
Increase in Australian interest rates with all other variables held constant	**-**	3.6	3.9	414.3
Decrease in Australian interest rates with all other variables held constant	**-**	(4.3)	(3.9)	(450.5)

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

Due to our interest rate risk management policies, the exposure to interest rate movements at any point in time is minimal. Therefore, the impact of a reasonably possible movement in interest rates on net profit after tax is minimal. The impact on equity due to any valuation change of derivative financial instruments in cash flow hedges will unwind to zero at maturity of the derivative.

Note D.3 Financial risk management (continued)

(b) Currency risk

We are exposed to currency risk due to funding activities in offshore debt markets as a means of providing cost effective and efficient funding alternatives, as well as a result of undertaking certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters. The objective of our currency risk management program is to eliminate all foreign exchange risk on funding activities and material foreign exchange related transaction risk by utilising various hedging techniques as approved by the Board. Therefore, we consider our currency risk exposure to be minimal and no sensitivity analysis is required.

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

(i) Accounting for financial instruments

The Group designates derivative financial instruments as either fair value hedges or cash flow hedges:

<table>
<tr><th></th><th>Fair value hedges</th><th>Cash flow hedges</th></tr>
<tr><td>Objective of the hedge</td><td>To mitigate the exposure to changes in fair value of certain borrowings. Fair value hedges are generally fixed rate designated for the terms of borrowings that fall outside of the price review periods for the regulated businesses.</td><td>To mitigate the variability in cash flows attributable to variable interest rate and/or foreign currency movements on borrowings or highly probable forecast transactions.</td></tr>
<tr><td>Treatment of changes in fair value of qualifying hedges</td><td>Recognised immediately in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.</td><td>The effective portion is recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve are recycled in the income statement when the hedged item affects the income statement (generally when the forecast transaction that is hedged takes place). However, when the forecast transaction results in the recognition of a non-financial asset, the gains and losses are transferred from the hedge reserve and included in the measurement of the initial carrying amount of the asset.</td></tr>
<tr><td>Documentation of the hedge relationship</td><td colspan="2">To ensure derivative financial instruments qualify for hedge accounting we document, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking various hedge transactions. We also document our assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.</td></tr>
<tr><td rowspan="2">Discontinuation of hedge accounting</td><td colspan="2">Hedge accounting is discontinued when the hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting.</td></tr>
<tr><td>After discontinuation, the previously hedged asset or liability is no longer revalued for changes in fair value.</td><td>At that time, any cumulative gain or loss existing in the hedge reserve remains in hedge reserve and is recognised when the forecast transaction is ultimately recognised in the income statement.

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

Note D.3 Financial risk management (continued)

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

(ii) Measurement and classification

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

At reporting date, our derivative financial instrument positions are as detailed below:

	Interest rate swaps	Forward foreign currency contracts	Cross- currency swaps	Total net derivative financial instruments
	$M	$M	$M	$M
2022				
Current assets	2.8	-	-	2.8
Non-current assets	344.2	0.2	55.8	400.2
Current liabilities	(19.3)	-	-	(19.3)
Non-current liabilities	(145.0)	(0.5)	(369.5)	(515.0)
Total derivative financial instruments	**182.7**	**(0.3)**	**(313.7)**	**(131.3)**
Consists of:				
- fair value hedges	(43.6)	-	(439.3)	(482.9)
- cash flow hedges	226.2	-	126.4	352.6
- not in a hedge relationship	0.1	(0.3)	(0.8)	(1.0)
Total derivative financial instruments	**182.7**	**(0.3)**	**(313.7)**	**(131.3)**
2021				
Current assets	0.1	0.5	17.1	17.7
Non-current assets	130.1	-	193.8	323.9
Current liabilities	(7.0)	(0.6)	(13.6)	(21.2)
Non-current liabilities	(418.6)	(0.4)	(90.9)	(509.9)
Total derivative financial instruments	**(295.4)**	**(0.5)**	**106.4**	**(189.5)**
Consists of:				
- fair value hedges	29.1	-	(74.6)	(45.5)
- cash flow hedges	(324.5)	(0.5)	182.0	(143.0)
- not in a hedge relationship	-	-	(1.0)	(1.0)
Total derivative financial instruments	**(295.4)**	**(0.5)**	**106.4**	**(189.5)**

Note D.3 Financial risk management (continued)

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

(ii) Measurement and classification (continued)

Derivative financial instruments are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative financial instrument is designated and effective as a hedging instrument, in which case the timing of the recognition in the income statement depends on the nature of the hedge relationship.

Credit risk is included in the fair value of derivative financial instruments based on a bilateral credit risk adjustment obtained using credit default swap curves. Credit risk is obtained directly from the observable Credit Default Swap curves within Bloomberg for each of the relevant counterparties, with the Bilateral Credit Risk applied uniformly across all asset and liability positions as at the reporting date. The difference between the fair value of derivatives and their transaction price at inception due to credit valuation adjustments is recognised progressively over the period to maturity. The unamortised value of the deferred credit risk adjustment for derivative financial instruments as at 31 March 2022 is $15.5 million (2021: $30.9 million).

Key estimates and judgements - Fair value of derivative financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

Derivative financial instruments are recognised at fair value and are measured using market observable data, and where appropriate, are adjusted for credit risk, liquidity risk and currency basis risk. Therefore, they are deemed level two within the fair value hierarchy as per AASB 13 *Fair Value Measurement*.

The fair value of derivative financial instruments is determined using valuation techniques and available market observable data as well as market corroboration based on active quotes. These include industry standard interest rates, foreign exchange and currency basis yield curves sourced directly from Bloomberg. Appropriate transaction costs and risk premiums are included in the determination of net fair value.

(iii) Offsetting derivative financial instruments

Derivative assets and liabilities are presented on a gross basis. Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparties if they were subject to default. Notwithstanding that these financial assets and liabilities do not meet the criteria for being presented on a net basis, if these netting arrangements were applied to the derivative portfolio as at 31 March 2022, derivative assets and liabilities would be reduced by $347.7 million respectively (2021: $262.6 million). Refer to the below table:

	Gross amounts in the financial statements	Amounts subject to master netting arrangements	Net amount
	$M	**$M**	**$M**
2022			
Derivative financial assets	403.0	(347.7)	55.3
Derivative financial liabilities	(534.3)	347.7	(186.6)
	(131.3)	**-**	**(131.3)**
2021			
Derivative financial assets	341.6	(262.6)	79.0
Derivative financial liabilities	(531.1)	262.6	(268.5)
	(189.5)	-	(189.5)

Note D.3 Financial risk management (continued)

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

(iv) Cash flow hedges

The following table summarises movements in the hedged items and hedging instruments that were designated in cash flow hedges during the year:

	Change in value of hedged item used to measure ineffectiveness (i)	**Change in value of hedging instrument used to measure ineffectiveness** (i)	**Nominal amounts of hedging instruments** (i)
	$M	**$M**	**$M**
Interest rate risk	(1,123.4)	1,123.8	15,591.2
Foreign currency risk – debt	609.8	(604.7)	8,058.5
Foreign currency risk – capital expenditure	(14.1)	7.0	48.9

(i) Nominal amounts represent the total principal in each hedging instrument (derivative) in cash flow hedges. For hedging purposes derivatives are split into multiple hedging components becoming hedging instruments in each hedge relationship. The nominal amounts in the table above are based on these multiple hedging components. The nominal value for all external derivatives in both cash flow and fair value hedges is $23,666.7 million.

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

	2022	**2021**
	$M	**$M**
Opening balance of cash flow hedge reserve	(293.2)	(639.6)
Amounts recognised in other comprehensive income, net of income tax:		
Changes in fair value of cash flow hedges (excluding foreign currency basis spreads)	554.6	369.6
Amounts reclassified to interest expense for effective hedges	192.1	192.1
Changes in foreign currency basis spreads	(24.1)	(66.9)
Tax effect	(218.3)	(148.4)
Total amounts recognised in other comprehensive income, net of income tax	504.3	346.4
Closing balance of cash flow hedge reserve	**211.1**	**(293.2)**

The following table summarises the net cashflows receivable/(payable) under our cash flow hedges:

	2022	**2021**
	$M	**$M**
Borrowings:		
Less than 1 year	(50.2)	(155.4)
1 – 2 years	(28.8)	(129.9)
2 – 5 years	236.0	(188.6)
Greater than 5 years	78.5	35.6
	235.5	(438.3)

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

Note D.3 Financial risk management (continued)

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

(v) Fair value hedges

The following table summarises the hedged items included in fair value hedges and their impact on the financial statements:

	Carrying amount of the hedged item	Accumulated amount of fair value adjustments on hedged items	Gain/(loss) on remeasurement of hedged item	Gain/(loss) on remeasurement of hedging instruments	Nominal amounts of hedging instruments (i)
	$M	$M	$M	$M	$M
AUD denominated borrowings	(4,960.8)	57.4	100.4	(60.2)	1,323.0
Foreign currency denominated borrowings	(4,559.8)	366.8	421.9	(439.6)	8,518.8

(i) Nominal amounts represent the total principal in each hedging instrument (derivative) in fair value hedges. For hedging purposes derivatives are split into multiple hedging components becoming hedging instruments in each hedge relationship. The nominal amounts in the table above are based on these multiple hedging components. The nominal value for all external derivatives in both cash flow and fair value hedges is $23,666.7 million.

(d) Liquidity risk

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

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

Our policy is that financing facilities are to be put in place at least six months before maturity of the debt being replaced or in the case of new debt at least six months before funding is required. "In place" is defined as meaning all documentation has been completed and settlement has occurred or if settlement has not occurred (e.g. committed but undrawn bank debt facilities) funding is committed and is not subject to a material adverse change in the market.

(i) Contractual cash flows

Liquidity risk is managed based on net contracted and forecast inflows and outflows from operating, financing and investing activities. The following table summarises the contractual cash flows of our non-derivative and derivative financial assets and liabilities based on the remaining earliest contractual maturities. The contractual cash flows are based on undiscounted principal and interest commitments, and foreign exchange rates at the reporting date.

Note D.3 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Contractual cash flows (continued)

2022	Notes	Principal at face value $M	Carrying amount $M	Total contractual cash flows $M	Less than 1 year $M	1 – 2 years $M	2 – 5 years $M	Greater than 5 years $M
Financial assets								
Cash and cash equivalents		270.8	270.8	270.8	270.8	-	-	-
Accounts and other receivables	B.3, E.3	3,567.3	3,567.3	3,567.3	227.8	-	-	3,339.5
Other financial assets	C.3	11.0	11.0	11.2	1.4	1.4	4.2	4.2
Derivative financial assets			403.0	447.3	(46.5)	39.2	183.3	271.3
			4,252.1	**4,296.6**	**453.5**	**40.6**	**187.5**	**3,615.0**
Financial liabilities								
Trade and other payables	B.3	269.7	269.7	269.7	269.7	-	-	-
Lease liability	D.5	34.1	34.1	49.5	7.4	5.8	18.4	17.9
Bi-lateral bank debt		1,500.0	1,499.8	1,500.6	-	1,500.6	-	-
Domestic medium term notes		2,885.0	2,812.3	3,719.0	443.6	88.2	419.1	2,768.1
Foreign senior notes		3,861.6	3,613.6	4,330.9	82.4	622.9	1,419.3	2,206.3
Hybrid securities (i)		1,731.9	1,595.7	1,900.7	39.2	39.7	1,821.8	-
Related party borrowings		6,645.8	6,645.8	6,645.8	-	-	-	6,645.8
Derivative financial liabilities			534.3	880.5	106.4	108.8	354.6	310.7
			17,005.3	**19,296.7**	**948.7**	**2,366.0**	**4,033.1**	**11,948.8**
Net cash outflow				**(15,000.1)**	**(495.2)**	**(2,325.4)**	**(3,845.7)**	**(8,333.8)**
2021								
Financial assets								
Cash and cash equivalents		826.3	826.3	826.3	826.3	-	-	-
Accounts and other receivables	B.3, E.3	2,633.3	2,633.3	2,633.3	173.7	-	-	2,459.6
Other financial assets	C.3	677.6	677.6	681.4	670.7	0.9	2.6	7.2
Derivative financial assets			341.6	216.9	47.5	9.5	(32.2)	192.1
			4,478.8	**4,357.9**	**1,718.2**	**10.4**	**(29.6)**	**2,658.9**
Financial liabilities								
Trade and other payables	B.3	374.4	374.4	374.4	374.4	-	-	-
Lease liability	D.5	47.3	47.3	47.7	6.6	6.6	16.3	18.2
Domestic medium term notes		2,635.0	2,652.6	3,446.1	356.1	422.1	350.5	2,317.4
Foreign senior notes		3,913.0	4,125.8	4,483.3	152.4	82.4	1,121.9	3,126.6
Hybrid securities (i)		2,437.3	2,408.7	2,633.0	738.1	37.9	758.8	1,098.2
Derivative financial liabilities			535.9	852.0	153.1	110.3	264.6	324.0
			10,144.7	**11,836.5**	**1,780.7**	**659.3**	**2,512.1**	**6,884.4**
Net cash outflow				**(7,478.6)**	**(62.5)**	**(648.9)**	**(2,541.7)**	**(4,225.5)**

(i) The table above assumes that the Group will exercise at the first call dates in October 2025 and September 2026. Full contractual cash flows continue until 2076, 2080 and 2081.

Note D.3 Financial risk management (continued)

(d) Liquidity risk (continued)

(ii) Financing facilities

We target a minimum net liquidity, defined as available short-term funds and committed financing facilities. As at reporting date, we had the following committed financing facilities available:

Financing facilities (face value)	**2022** Amount used	**2022** Amount unused	**2022** Total	2021 Amount used	2021 Amount unused	2021 Total
Unsecured bank overdraft facility, reviewed annually and payable at call	**-**	**2.5**	**2.5**	-	2.5	2.5
Unsecured working capital facility, reviewed annually	**-**	**100.0**	**100.0**	-	100.0	100.0
Unsecured bank loan facility with various maturity dates and which may be extended by mutual agreement	**-**	**700.0**	**700.0**	-	700.0	700.0
Total financing facilities	**-**	**802.5**	**802.5**	-	802.5	802.5

(e) Credit risk

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

We have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults (refer to Note D.3). Our exposure and the credit ratings of our counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. Therefore, we consider the credit risk exposure to be minimal.

Expected credit losses for our receivables and financial assets (including contract assets) measured at amortised cost are estimated using a simplified approach, i.e. lifetime expected credit loss which results from all possible default events over the expected life of a financial instrument.

In accordance with the Treasury Risk Policy, treasury counterparties each have an approved limit based on the lower of Standard & Poor's or Moody's credit rating. Counterparty limits are reviewed and approved by the Audit and Risk Committee and any changes to counterparties or their credit limits must be approved by the Chief Financial Officer and the Managing Director and must be within the parameters set by the Board as outlined in the Treasury Risk Policy. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. At balance date we had $1,419.5 million on term deposit and $309.0 million of cross currency and interest rate swaps with 'A' rated or higher Australian and international banks.

Credit risk is included in the fair value of derivative financial instruments based on a bilateral credit risk adjustment obtained using credit default swap curves. The difference between the fair value of derivatives and their transaction price at inception due to credit valuation adjustments is recognised progressively over the period to maturity. Except as detailed in the following table, the carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents our maximum exposure to credit risk. The values disclosed below represent the market values in the event of early settlement (in the money market values), which differ from the carrying values and as such do not align with the statement of financial position. The values below exclude any offsetting financial liabilities with the particular counterparty.

	2022 **$M**	2021 $M
Financial assets and other credit exposures		
Cross currency swaps	**55.7**	213.3
AUD interest rate swaps	**372.5**	146.3

Note D.4 Net finance costs

	2022	2021
	$M	$M
Finance income (i)		
Interest income	2.2	5.5
Interest income – related parties	96.6	111.2
Lease interest income	1.6	0.6
Total finance income	100.4	117.3
Finance costs (ii)		
Interest expense	337.8	335.9
Interest expense – leases	2.3	2.2
Interest expense – related parties	-	3.1
Other finance charges – cash	2.7	4.8
Other finance charges – non cash	7.1	6.0
Loss on fair value hedges	(9.0)	7.2
Loss on transactions not in a hedge relationship	7.7	(0.2)
Loss/(gain) on ineffective portion of cash flow hedges	(0.1)	(32.1)
Unwind of discount on provisions	(0.9)	(1.7)
Defined benefit net interest income	(1.2)	(1.2)
Capitalised finance charges (iii)	(7.1)	(9.3)
Total finance costs	**339.3**	314.7
Net finance costs	**238.9**	197.4

(i) Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

(ii) All borrowing costs are recognised in the income statement using the effective interest rate method, other than borrowing costs directly attributable to a qualifying asset which are capitalised into the cost of that asset.

(iii) The capitalisation rate used to determine the amount of borrowing costs to be included in the cost of qualifying assets is the average interest rate of 4.0 per cent (2021: 4.4 per cent) applicable to our outstanding borrowings at the end of the period.

Note D.5 Lease liabilities

	2022 $M	2021 $M
Opening carrying value at 1 April	47.3	50.8
Lease modifications	(8.2)	1.5
Principal repayments	(5.0)	(5.0)
Closing carrying value at 31 March	**34.1**	47.3
Comprising of:		
Current liability	5.0	5.0
Non-current liability	29.1	42.3
Total lease liabilities	**34.1**	47.3

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by the lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate (including reassessment of extension options).

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received with overlay adjustments specific to the lease term.

Payments associated with short-term leases and low-value assets are recognised on a straight-line basis as an expense within "Other expenses" in the consolidated income statement. Short-term leases are leases with a contractual term of 12 months or less. Furthermore, certain tax and insurance reimbursements to landlords do not convey a good or service to the Group and therefore are not included in the lease liability (non-lease payments). For the year ended 31 March 2022, $2.6 million of short-term or low value lease and non-lease payments have been recognised directly within the consolidated income statement (2021: $2.5 million).

Key estimates and judgements – Lease terms and incremental borrowing rate

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options, as well as economic considerations including the value of leasehold improvements, impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

The Group has estimated its incremental borrowing rate with reference to recently issued debt, quoted rates, and pricing information from debt investors for leases with terms longer than our average debt tenor.

Note D.6 Equity

Share capital	Notes	**2022** **$M**	2021 $M
Ordinary shares – fully paid	(a), (b)	2,678.1	1,625.1

(a) Ordinary shares

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

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

(b) Movements in ordinary share capital

Date	Details	Number of shares	$M
1 April 2021	Opening balance	1,621,288,406	**1,625.1**
30 September 2021	Contribution from AusNet Services Ltd (i)	-	0.6
16 February 2022	Contribution from AusNet Services Ltd (i)	-	3.0
31 March 2022	Equity injection (ii)	49,419,286	49.4
31 March 2022	Equity injection (iii)	1,000,000,000	1,000.0
31 March 2022	**Closing balance**	**2,670,707,692**	**2,678.1**
1 April 2020	Opening balance	1,433,162,958	1,436.4
30 September 2020	Equity injection (ii)	54,467,362	54.5
31 March 2021	Equity injection (ii)	133,658,086	133.7
31 March 2021	Contribution from AusNet Services Ltd (i)	-	0.5
31 March 2021	**Closing balance**	**1,621,288,406**	**1,625.1**

(i) This represents the accounting for the AusNet Services Group's share-based payment arrangements where the Group grants awards to its employees that were settled in the shares of the former parent, AusNet Services Ltd.
(ii) Equity injection to apply excess funds from AusNet Services Ltd Dividend Reinvestment Plan.
(iii) Equity injection to cure the impact of the Company assuming novated debt of $2.0 billion from Australian Energy Holdings No.4 Pty Ltd, relating to the financing for the acquisition of AusNet Services Group. Refer to Note D.2.

Note D.7 Dividends

FY2022 Dividend	Date declared	Cents per share	Total dividend $M
Funding for AusNet Services Ltd interim FY2022 dividend	30 September 2021	11.2	181.9
Total dividend		**11.2**	**181.9**

FY2021 Dividend	Date declared	Cents per share	Total dividend $M
Funding for AusNet Services Ltd interim FY2021 dividend	30 September 2020	12.0	178.3
Funding for AusNet Services Ltd final FY2021 dividend	31 March 2021	11.1	180.6
Total dividend		**23.1**	**358.9**

Section E Group Structure

The following section provides information on our structure and how this impacts the results of the Group as a whole, including details of controlled entities and related party transactions.

Note E.1 Subsidiaries

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

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

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

The Group's financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of entity	Country of incorporation	Class of shares	Equity holding 2022	Equity holding 2021
AusNet Services Holdings Pty Ltd	**Australia**	**Ordinary**	**%**	**%**
AusNet Electricity Services Pty Ltd	Australia	Ordinary	100.0	100.0
AusNet Asset Services Pty Ltd	Australia	Ordinary	100.0	100.0
AusNet Gas Services Pty Ltd	Australia	Ordinary	100.0	100.0
Mondo Power Pty Ltd (i)	Australia	Ordinary	100.0	100.0

(i) On 15 February 2022, the Group sold 80% of its Geospatial business. The sale was implemented via a transfer of all assets and liabilities from Mondo Power Pty Ltd to a newly formed subsidiary, Geospatial.AI Pty Ltd, held by AusNet Electricity Services Pty Ltd. Immediately following the transfer, the Group sold 80% of its interest in Geospatial.AI Pty Ltd to an external party which resulted in a loss of control event. We determined that the group does not have significant influence over the entity and accounted for the remaining 20% interest as a financial asset measured at fair value through other comprehensive income. (Refer to Note C.3).

Note E.2 Parent entity information

(a) Statement of financial position

	2022	2021
	$M	$M
Current assets	208.3	1,240.4
Non-current assets	10,956.3	10,013.2
Total assets	11,164.6	11,253.6
Current liabilities	346.5	574.2
Non-current liabilities	9,837.8	9,257.7
Total liabilities	10,184.3	9,831.9
Contributed equity	2,670.7	1,621.3
Reserves	(1,784.1)	(293.3)
Retained profits	93.7	93.7
Total equity	980.3	1,421.7

The parent's current liabilities exceed current assets by $138.2 million at 31 March 2022. The Group is, and is expected to continue trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 31 March 2022, the Group has available a total of $800.0 million of undrawn but committed bank debt facilities and $270.8 million of cash and short term investments.

(b) Statement of comprehensive income

	2022	2021
	$M	$M
Profit/(loss) for the year	138.2	241.5
Total comprehensive profit/(loss) for the year	647.5	587.9

(c) Contingent liabilities

Except for the contingent liabilities relating to the Group, disclosed in Note F.4, there are no additional contingent liabilities associated with the parent entity as at 31 March 2022 (2021: $0).

Note E.3 Related party transactions

(a) Major shareholders

The immediate parent of the Company is AusNet Services (Distribution) Pty Ltd.

Up until the 16 February 2022, the ultimate parent of the Company is AusNet Services Limited, a company incorporated in Australia, which was part of a group trading as AusNet Services with ordinary equity securities listed on the ASX. AusNet Services Ltd had two shareholders with a significant investment and board representation, being Singapore Power International Pte Ltd (SPI) and State Grid Corporation of China (State Grid). SPI's ultimate parent is Temasek Holdings (Private) Ltd (Temasek). State Grid has a controlling stake in Jemena Asset Management Pty Ltd (referred to as Jemena).

Under applicable accounting standards, Temasek and its subsidiaries (including SPI) and State Grid and its subsidiaries (including Jemena) are considered to be related parties of AusNet Services. These entities are not considered related parties under the *Corporations Act 2001.*

On 16 February 2022, AusNet Services Ltd was acquired by a consortium led by Brookfield Asset Management, via Australian Energy Holdings No 4 Pty Ltd, the Group's new immediate holding entity. The Group's new ultimate parent in Australia is Australian Energy Holdings No 1 Pty Ltd.

Note E.3 Related party transactions (continued)

(b) Key management personnel

	2022	2021
	$	$
Short-term employee benefits	5,160,776	5,157,020
Post-employment benefits	127,727	134,348
Equity-based payments	3,287,748	620,607
Other long-term benefits	78,100	108,834
	8,654,351	6,020,809

The Remuneration Report within the Directors' report contains details of the remuneration paid or payable to each member of the Group’s key management personnel for the year ended 31 March 2022.

(c) Transactions with related parties

Subsequent to 16 February 2022

Related party transactions between the Group and its new shareholders and their subsidiaries from 16 February 2022 to 31 March 2022 include the following:

- the novation of debt from Australian Energy Holding No.4 Pty Ltd to the Group disclosed in the Statement of Note D.2
- certain property leases that the Group has entered into as a lessee prior to 16 February 2022, of which the lessors are a subsidiary or an associate of Brookfield Asset Management.
- certain services provided by suppliers, which the Group has engaged with prior to 16 February 2022, where the suppliers are a subsidiary or an associate of Brookfield Asset Management

For the period from 16 February 2022 to 31 March 2022, expenses of $2,100 was incurred. For transactions with lessors and suppliers described above, all transactions were made on terms at arm’s length.

Prior to 16 February 2022

We engage in a wide variety of transactions with entities in the Temasek Group, State Grid via Jemena in the normal course of business on terms similar to those available to other customers. Such transactions include but are not limited to telecommunication services and leasing of properties. All related party transactions are carried out on terms negotiated between the parties which reflect an arm's length basis. As a result, transactions with Temasek interests other than the Singapore Power Group have been excluded from the disclosures below.

We also provide electricity distribution and electricity transmission services to Jemena. AusNet Services earns a regulated return from the provision of these services as these services are regulated by the AER.

Zinfra (a subsidiary of Jemena) is one of a number of installation service providers that performs construction services under competitive tender processes. AusNet Services outsource a large portion of construction expenditure and the procurement function manages competitive tender processes for all contracts.

The following transactions occurred with related parties within the Singapore Power and State Grid groups and other entities within the Ausnet Services Group for the financial year:

	2022	2021
	$'000	$'000
Sales of goods and services		
Regulated revenue (i)	3,387	5,002
Services revenue	2,035	1,712
Purchases of goods and services		
Other expenses	10,503	13,363
Property, plant and equipment (construction services)	10,629	18,420
Dividends	181,923	358,828

(i) Represents revenues from the provision of electricity distribution services which are regulated by the AER.

Note E.3 Related party transactions (continued)

(c) Transactions with related parties (continued)

The following balances are outstanding at reporting date in relation to transactions with related parties within the AusNet Services Limited group:

	2022 $'000	2021 $'000
Current receivables (sale of goods and services)		
Other entities in the AusNet Services Group	115,127	53,078
Non-current receivables		
Other entities in the AusNet Services Group	3,351,529	2,528,555
Current payables and other liabilities (purchase of goods)		
Other entities in the AusNet Services Group	66,325	139,030

No allowance for impairment loss has been raised in relation to any outstanding balances due from related parties.

Section F 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 F.1 Remuneration of auditors

During the year the following fees were paid or payable for services provided by KPMG and its related practices:

	2022	2021
	$'000	**$'000**
Audit and review services		
Audit and review of financial statements	1,246	974
Total remuneration for audit and review services	**1,246**	974
Assurance services		
Regulatory assurance services (i)	444	597
Total remuneration for assurance services	**444**	597
Other services		
Taxation services	**-**	10
Other services	301	158
Total remuneration for other services	**301**	168
Total remuneration of auditors	**1,991**	1,739

(i) It is our policy to employ KPMG to perform the audit of regulatory returns as these returns represent an extension of statutory audit services and we gain efficiencies when the services are performed by the same audit firm.

Note F.2 Defined benefit obligations

We make contributions as required to a defined benefit superannuation plan that is managed by Equipsuper. The fund provides defined benefit amounts to employees or their dependants upon retirement, death, disablement or withdrawal. Benefits are mostly in the form of a lump sum based on the employee's final average salary, although, in some cases, defined benefit members are also eligible for pension benefits.

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

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

Note F.2 Defined benefit obligations (continued)

	2022 $M	2021 $M
Total amount included in the statement of financial position in respect of the defined benefit plan is as follows:		
Present value of defined benefit obligations	(105.4)	(134.5)
Fair value of plan assets	182.1	196.2
Net asset arising from defined benefit obligations	**76.7**	**61.7**
Amounts recognised in the income statement in respect of the defined benefit plan are as follows:		
Current service cost	2.5	3.6
Net interest income on defined benefit obligation	(1.2)	(1.2)
Total	1.3	2.4
Remeasurement (loss)/gains recognised during the year in other comprehensive income	**16.3**	**30.0**

Each year we engage an independent actuary to perform an actuarial review of the defined benefit fund. Our net obligation in respect of the defined benefit superannuation fund is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and recognised after deducting the fair value of any plan assets.

The discount rate is the yield at the balance date on corporate bonds that have maturity dates approximating the terms of our obligations. A qualified actuary performs the calculation using the projected unit credit method. Remeasurements comprise actuarial gains and losses and the return on plan assets (excluding interest). They are recognised in full directly in retained profits in the period in which they occur and are presented in other comprehensive income.

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

(a) Movement in defined benefit plan assets and obligations

	Asset 2022 $M	**Obligation 2022 $M**	**Net 2022 $M**	Asset 2021 $M	Obligation 2021 $M	Net 2021 $M
Movements in the fair value of plan assets/present value of defined benefit obligations were as follows:						
Opening fair value of plan assets/(defined benefit obligations)	196.2	(134.5)	61.7	207.8	(173.7)	34.1
Current service cost	-	(2.5)	(2.5)	-	(3.6)	(3.6)
Interest income/(cost)	4.3	(3.1)	1.2	6.0	(4.8)	1.2
Actuarial gain/(loss)	2.3	14.0	16.3	18.0	12.0	30.0
Contributions by plan participants	0.8	(0.8)	-	1.0	(1.0)	-
Benefits, taxes and premiums paid	(21.5)	21.5	-	(36.6)	36.6	-
Closing fair value of plan assets/(defined benefit obligations)	182.1	(105.4)	76.7	196.2	(134.5)	61.7

The actual return on plan assets was a gain of $6.6 million (2021: gain of $24.0 million).

Note F.2 Defined benefit obligations (continued)

From 1 July 2018, AusNet Services ceased to make contributions to the defined benefit plans. This contribution holiday is expected to continue during the next financial year under the Target Funding method used to determine the contribution rates. Under the Target Funding method, the employer contribution rate is set at a level which is expected to result in plans' assets equalling 104 per cent of plan liabilities within five years. The defined benefit superannuation plans expose us to additional actuarial, interest rate and market risk.

(b) Analysis of plan assets

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

	2022	2021
	%	**%**
Investments quoted in active markets:		
Australian equities	17	14
International equities	20	16
Fixed interest securities	11	14
Unquoted investments:		
Property	**6**	6
Growth alternative	19	11
Defensive alternative	17	15
Cash	**10**	24
	100	**100**

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

Note F.2 Defined benefit obligations (continued)

(c) Actuarial assumptions

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

	Defined benefit expense		Defined benefit obligation	
	2022	2021	**2022**	2021
	%	%	**%**	%
Key assumptions				
Discount rate	2.3	3.1	3.5	2.3
Expected salary increase rate	2.0	3.0	2.0	2.0

As at 31 March 2022, the weighted average duration of the defined benefit obligation was 8 years (2021: 8 years).

Key estimates and judgements – Valuation of defined benefit assets and obligations

A number of estimates and assumptions are used in determining defined benefit assets, obligations and expenses. These estimates include salary increases, future earnings and rates of return. Any difference in estimates will be recognised in other comprehensive income and not through the income statement. The net liability from defined benefit obligations recognised in the consolidated statement of financial position will be affected by any significant movement in investment returns and/or interest rates.

(d) Sensitivity analysis

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

	Increase	Decrease
	$M	**$M**
Defined benefit obligation		
Discount rate (0.5 per cent movement)	(4.7)	5.1
Expected salary increase rate (0.5 per cent movement)	2.1	(2.0)

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

(e) Defined contribution expense

During the year, we contributed $18.6 million of defined contribution benefit to employees (2021: $16.5 million).

Note F.3 Share-based payments

Prior to the implementation of the scheme of arrangement resulting in the acquisition of AusNet Services Ltd by Australian Energy Holding No.4 Pty Ltd and the de-listing of AusNet Services Ltd shares from the ASX on 16 February 2022, our parent, AusNet Services Limited, provided Long-Term Incentive benefits to some of its employees (including key management personnel) in the form of share-based payments, whereby part of an employee’s remuneration was provided in exchange for performance rights (PRs) that vest into ordinary shares at no cost to the employee (equity settled transactions) in order to align to shareholder outcomes. The granting of such shares was subject to satisfaction of certain conditions and performance hurdles (refer to the Remuneration Report for further detail.

Typically, the cost of equity settled transactions (grant date fair value) is recognised over the period in which the conditions are fulfilled (the vesting period), ending on the date that relevant employees become entitled to the award (the vesting date). However, effective 16 February 2022, the Board approved immediate vesting of all grants on foot, with the remaining grant date fair value recognised immediately at that date.

Note F.3 Share-based payments (continued)

(a) Long term incentive plan (continued)

Immediately prior to equity de-listing, the AusNet Services Group had the following grants on foot at 16 February 2022.

Plan	Grant date	Vesting date	PRs granted	Value of PRs at grant date $
LTIP 2021	9 June 2021	31 March 2024	2,945,235	3,431,191
LTIP 2020	6 August 2020	31 March 2023	2,904,314	3,379,784
MD LTIP 2019	1 November 2019	31 March 2022	260,459	309,946
LTIP 2019	24 May 2019	31 March 2022	3,247,055	3,863,995

AusNet Services Ltd's performance rights are granted to employees of subsidiary companies within the Group. The fair value of each performance right is estimated on the grant date using the Black-Scholes model. This model used the following inputs for each tranche of rights:

	LTIP 2021	LTIP 2020	MD LTIP 2019	LTIP 2019
Share price at grant date ($)	1.80	1.80	1.87	1.81
Exercise price ($)	0.00	0.00	0.00	0.00
Expected volatility (%)	17.5	17.5	17.5	17.5
Risk-free interest rate (%)	0.37	0.26	1.10	1.10
Dividend yield (%)	5.26	5.11	5.59	5.59
Expected life of performance rights (months)	36	36	36	36

The expected volatility is based on the AusNet Services Group's historical volatility.

Reconciliation of equity rights on issue:

	2021 LTI	2020 LTI	2019 LTI (including MD)	FY2022 Total	FY2021 Total
Opening balance	-	2,725,122	2,227,337	4,952,459	5,440,580
Granted during the year	2,945,235	-	-	2,945,235	2,904,314
Lapsed during the year	(32,367)	(121,513)	(73,371)	(227,251)	(2,544,726)
Vested during the year (i)	(2,912,868)	(2,603,609)	(2,153,966)	(7,670,443)	(847,709)
Closing balance	-	-	-	**-**	**4,952,459**

(i) Upon the acquisition of AusNet Services Ltd by Australian Energy Holding No.4 Pty Ltd on 16 February 2022, the Board approved immediate 100% vesting of all grants on foot.

An expense of $4.1 million has been recognised for the year ended 31 March 2022 (2021: $1.4 million) in relation to equity-settled share-based payments as a result of accelerated vesting.

Note F.4 Contingent liabilities and contingent assets

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

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

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

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

This program presents several other risks, which continue to be present and are being actively managed. The risk of penalties under the regime remains possible until the program is completed.

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

(b) Other matters

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

In addition, there are several tax positions of AusNet that are currently being reviewed by the ATO. Further details are contained in Note B.4.

Other than as listed above, we are not aware of any contingent liabilities or assets as at 31 March 2022 (2021: $0)

Note F.5 New accounting standards

(a) New accounting standards effective

During the year ended 31 March 2020, we had early adopted AASB 2019-3 Amendments to Australian Accounting Standards ("AAS") – Interest Rate Benchmark Reform issued by the AASB. In the current year, we have applied AASB 2020-8 Amendments to AASs – Interest Rate Benchmark Reform – Phase 2, effective for us from 1 April 2021. These amendments provide a practical expedient when accounting for changes in the basis for determining contractual cash flows of financial assets and liabilities, to allow the effective interest rate to be adjusted, and also provide certain relief from discounting hedge relationships as a result of the reform.

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.

(b) 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:

- *AASB 2020-3 Amendments to AAS – Annual Improvements 2018-2020 and Other Amendments*
- *AASB 2014-10 Amendments to AAS – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture*
- *AASB 17 Insurance Contracts*
- *AASB 2020-1 Amendments to AASs – Classification of Liabilities as Current or Non-current*
- *AASB 2021-2 Amendments to AASs – Disclosure of Accounting Policies and Definition of Accounting Estimates*
- *AASB 2021-5 Amendments to AAS – Deferred Tax related to Assets and Liabilities arising from a Single Transaction was issued*

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.

Note F.6 Events occurring after the balance sheet date

(a) Refinancing of bridging loan facility

Subsequent to year-end, the $1.5 billion outstanding bridging loan facility was repaid. $200.0 million was repaid in April 2022 using cash on hand. The remaining $1.35 billion was refinanced in June 2022 via a new debt facility.

(b) Distribution

On 24 June 2022, the Board of AusNet Services Holdings Pty Ltd approved a dividend of $329.0 million to AusNet Services Ltd.

(c) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 31 March 2022 up to the date of issue of this financial report that has significantly affected or may significantly affect:

(a) the operations in financial years subsequent to 31 March 2022 of the Group;

(b) the results of those operations; or

(c) the state of affairs, in financial years subsequent to 31 March 2022, of the Group.

Directors' declaration

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

(a) the financial statements and notes set out on pages 24 to 75, and the remuneration disclosures that are contained in the Remuneration report set out on pages 10 to 19 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 March 2022 and of its performance for the financial year ended on that date;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Section A; and

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

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.

Tony Narvaez
Director

Melbourne
27 June 2022

Independent Auditor's Report

To the shareholders of AusNet Services Holdings Pty Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of AusNet Services Holdings Pty Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 31 March 2022 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 31 March 2022
- Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of non-current assets including property, plant and equipment and intangible assets
- Valuation and accounting for derivatives

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of non-current assets including property, plant and equipment ($6,990.6m) and intangible assets ($527.8m)

Refer to Note C.1 Property, plant and equipment, C.2 Intangible assets, and C.4 Impairment of non-current assets to the Financial Report.

The key audit matter	How the matter was addressed in our audit
Valuation of non-current assets including property, plant and equipment and intangible assets is a key audit matter due to the: • Size of the balance (being 63% of total assets); • Inherent estimation uncertainty in assessing the relevant forward-looking assumptions the Group applied in their discounted cash flow models for each CGU, including terminal values, expected capital and operating expenditure, expected returns from regulatory determinations, inflation, growth rates, terminal growth rates and discount rates; • Extent of audit effort and challenges associated with assessing the Group's long-term forecast cash flow models and assumptions having regard to the impact of future transition to renewable energy sources, potential government policy and regulatory changes, market changes and accounting standard requirements; and • Complex modelling, using forward-looking assumptions tend to be prone to greater risk for potential bias, error and inconsistent application. These conditions necessitate additional scrutiny by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members	Our procedures included: • Considering the appropriateness of the methods applied by the Group to perform the annual test of non-current assets for impairment against the requirements of the accounting standards; • Assessing the integrity of the discounted cash flow models used, including the accuracy of the underlying calculations and formulas; • Assessing the sensitivity of the models by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures; • Challenging the Group's relevant forecast assumptions, including expected capital and operating expenditure, expected returns from regulatory determinations, growth rates, terminal growth rates and inflation utilising our knowledge of the Group and our industry experience. This included consideration of past performance, and the regulatory environment including the future transition to renewable energy sources, potential government policy and regulatory changes, and market changes. We compared key information to the Board approved plan and strategy; • Comparing significant regulated cash flow assumptions to regulatory determinations

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in assessing this key audit matter.	relevant to the forecast cash flow period;
	• Comparing the relevant cash flow forecasts contained in the discounted cash flow models to the Board approved 5-year Financial Plan;
	• Working with our valuation specialists to:
	  • Independently develop a discount rate range considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Group and the industry it operates in.
	  • Compare the implied multiples from comparable market transactions to the implied multiple from the Group's discounted cash flow models, including assessment of terminal value, carrying value and recoverable value multiples.
	• Assessing the appropriateness of using a long-term cash flow forecast against accounting standard requirements for regulated assets. We considered industry practice and the long-term nature of the Group's regulated asset base;
	• Assessing the accuracy of previous forecasts of the Group to inform our evaluation of forecasts incorporated in the discounted cash flow models; and
	• Assessing the disclosures in the financial report using understanding obtained from our testing and against the requirements of the accounting standards.

Valuation and accounting for derivatives ($403.0m total assets, $534.3m total liabilities)

Refer to Note D.3 Financial risk management to the Financial Report.

The key audit matter	How the matter was addressed in our audit
Valuation and accounting for derivatives is a key audit matter due to the: • Size and complexity of the Group's derivative portfolio, in particular cross currency and interest rate swaps hedging foreign currency and Australian dollar denominated fixed and floating rate debt; • Capital management activities undertaken by the Group during the year through the issuance of securities, which impacted the Group's derivative portfolio	Working with our Financial Instrument and Treasury specialists, our procedures included: • Evaluating the appropriateness of the Group's valuation methodologies and accounting for derivatives and related hedging activities, against accounting standard requirements and industry practice; • Assessing and challenging the Group's market inputs and assumptions underlying the valuation of a selection of derivatives. We compared market inputs and assumptions to

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and created new hedge relationships; and • Inherent complexity and judgment in applying accounting principles in the Group's valuation and disclosure of derivatives and related hedging activities, requiring additional scrutiny by us. In assessing this key audit matter, we involved our Financial Instrument and Treasury specialists, who have industry specific experience and detailed knowledge of the complex accounting requirements.	independently sourced market and credit data sets including spot foreign exchange rates, currency interest rate curves, currency basis spreads and credit pricing curves; • Performing our own valuation of a selection of derivatives using independently sourced market and credit data and assumptions, and industry accepted valuation techniques. We compared these valuations to the Group's recorded valuations; • Evaluating the adequacy of hedge designation documentation for a selection of new hedges in accordance with the Group's Treasury Risk Management policy and accounting standard requirements; • Obtaining independent confirmations from counterparties with which the Group has borrowings or derivative financial instruments and comparing the key terms of these to the Group's accounting records; and • Evaluating the appropriateness of the classification and presentation of derivative financial instruments and related financial risk management disclosures using our understanding obtained from our testing and against accounting standard requirements.

Other Information

Other Information is financial and non-financial information in AusNet Services Holdings Pty Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives

a true and fair view and is free from material misstatement, whether due to fraud or error

- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of AusNet Services Holdings Pty Ltd for the year ended 31 March 2022, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 10 to 19 of the Directors' report for the year ended 31 March 2022.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

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BW Szentirmay

Partner

Melbourne

27 June 2022