ASX Announcement

30 August 2023

Interim Financial Report

The interim financial report of AusNet Services Holdings Pty Ltd (Code: ANV) for the 6 months ended 30 June 2023 is enclosed.

Authorised by

Evan Holland
Company Secretary

AusNet Services Holdings Pty Ltd
ACN 086 006 859

Interim Financial Report

For the six months ended 30 June 2023

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This interim financial report covers the consolidated entity consisting of AusNet Services Holdings Pty Ltd and its subsidiaries. The interim 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

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial statements of AusNet Services Holdings Pty Ltd for the nine-month period ended 31 December 2022 and any public announcements made by AusNet Services Holdings Pty Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

The interim financial report was authorised for issue by the Directors on 29 August 2023.

Directors' Report

The Directors of AusNet Services Holdings Pty Ltd (the Company) present their report on the general purpose interim financial report of the consolidated entity for the six month ended 30 June 2023.

The financial report is for AusNet Services Holdings Pty Ltd and its controlled entities (the AusNet Services Holdings Group, the Group, us, our or we). The ultimate Australian parent of the Company is Australian Energy Holdings No 1 Pty Ltd (AEH), which is part of a consolidated group operating as AusNet (also referred to as the AusNet Group and the AEH Group).

Our Board of Directors

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

Tony **Narvaez** (Chief Executive Officer)

Mark **Ellul** (Chief Financial Officer)

Change in Reporting Period

Following the acquisition of the AusNet Pty Ltd Group by a consortium of investors including Brookfield (Brookfield consortium) on 16 February 2022, the AusNet Services Holdings Group changed its financial year end from 31 March to 31 December to align with the new ultimate Australian parent entity, AEH and Brookfield, a major shareholder. As a result, in the prior period, general purpose financial statements were prepared for the nine-month period from 1 April 2022 to 31 December 2022. Prior to the issuance of those financial statements, interim financial statements were prepared for the six-month period ended 30 September 2022.

As a result of this change, the financial statements presented in this interim financial report are for the period from 1 January 2023 to 30 June 2023 and the comparatives are for the six-month period ended 30 September 2022. Due to some seasonal variations in our operations, the prior period results are not entirely comparable (refer to Note B.3 in notes to the interim financial statements).

HY2023 operating environment

The six month period ended 30 June 2023 includes the following operating and financial highlights:

- Received the Australian Energy Regulator (AER) Final Decision for the Gas Access Arrangement Review (GAAR) for 2023-2028 in June 2023, which showed an improvement from the Draft Decision issued in December 2022. The final decision accepts much of our proposal, which includes consideration of the Victorian Government's Gas Roadmap and its impact on the regulated gas network. The final GAAR reflects a measured approach to manage the risks and uncertainties associated with the future of gas demand and the gas network. The Final Decision will allow the following:
    - $1,270.3 million of revenue
    - $427.6 million of capital expenditure
    - $349.8 million of operating expenditure.

- Completed the issuance of a $870.0 million of domestic medium term notes from our Australian Medium Term Note (AMTN) program, and repayment $705.0 million of our syndicated bank debt.

- Further works on Rapid Earth Fault Current Limiter (REFCL) projects to achieve a 1 November 2023 deadline for remaining compliance points and substations.

In addition, subsequent to 30 June 2023 the Victorian Government announced a ban on gas connections to new homes, residential subdivisions and all new public buildings. The proposed ban commences 1 January 2024, subject to enactment of legislative requirements. This announcement is noted in the Material risks and uncertainties section below, as well as in the Matters subsequent to the end of the financial period section.

Directors' Report

Interim review of financial results

This discussion and analysis is provided to assist readers in understanding the general purpose interim financial report. In addition to revenue and profit, we use Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and EBITDA after lease income (EBITDAaL) to measure our performance, which are non-IFRS measures. EBITDA is presented in the Consolidated Income Statement and EBITDAaL can be derived from adding EBITDA and lease interest income in Note B.1 of the interim financial statements. These measures are referred to below in our analysis.

The results below are for the period from 1 January 2023 to 30 June 2023 for the Group, with comparatives shown for the six-months ended 30 September 2022. Prior period results are not directly comparable due to seasonal variances in operations.

$M	30 June 2023	30 September 2022
Revenue	**647.8**	717.2
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**420.2**	459.1
Net profit after tax	**136.4**	1,044.4
Capital expenditure	**278.1**	257.1

Overall, Revenue and EBITDA in our regulated businesses are in line with our expectations. The 30 June 2023 results are not directly comparable to 30 September results with higher volumes in peak winter months being reflected in the prior period balances, due to seasonality in the Gas Distribution business.

The difference in net profit after tax across the two periods is largely driven by the one time income tax benefit recognised of $879.5 million in the prior period. The AusNet Services Holdings Group joined a new tax consolidated group following the acquisition of AusNet Group on 16 February 2022. The tax consolidation event resulted in the remeasurement of the tax base of assets and liabilities contributing to the recognition of the income tax benefit and net deferred tax assets of $148.0 million. We have remeasured the net deferred tax asset in the current period to $181.2 million based on updated depreciation profiling of assets, resulting in a further $33.2 million of income tax benefit recognised in the current period.

Capital expenditure in the current period is primarily driven by customer connections and further REFCL expenditure in the Electricity distribution business, and overall more digital spend across the business.

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

Electricity distribution business

	30 June 2023	30 September 2022
Segment revenue ($M)	**519.8**	543.0
Segment result - EBITDA ($M)	**343.2**	345.0
Capital expenditure ($M)	**217.9**	193.4

Electricity distribution regulated revenue for the six-months ended 30 June 2023 was slightly favourable to our expectations due to colder than expected weather. Revenue was less than the prior period ended 30 September 2022 as a result of higher volumes during peak winter months driven by demand for heating. Overall, regulated revenues in the segment was higher for the regulatory year ended 30 June 2023 (compared to regulatory year ended 30 June 2022) as we returned to the set revenue path per our price determination approved by the AER. There was also an increase in incentive scheme reward payments, higher than forecast inflation and approved cost-pass throughs.

Customer contributions revenue continues to be strong during the period due to customer connections demand, driving continued network growth.

Operating expenditures were lower than the prior period due to reduced labour costs, offset by higher IT contractor costs following the outsourcing of digital services to strategic delivery partners. Capital expenditure in the current period was driven by customer programs, replacement spend, digital spend and further spend on the REFCL program.

Gas distribution business

	30 June 2023	30 September 2022
Segment revenue ($M)	**106.1**	145.9
Segment result - EBITDA ($M)	**77.7**	110.4
Capital expenditure ($M)	**47.9**	50.9

Gas revenues, customer contributions and ancillary service revenues in the six-month period ended 30 June 2023 are in line with expectations. Regulated revenues reflect fairly consistent volumes to the same six-month period in prior year. The difference compared to the six-month period ended 30 September 2022 was due to higher gas volumes in the peak winter months.

Lower capital expenditure was due to reduced spend on augmentation works due to project delays, offset by increased digital spend.

Development & Future Networks business

This segment represents a subset of the total Development & Future Network business, with several business lines operating outside of the AusNet Services Holdings group.

	30 June 2023	30 September 2022
Segment revenue ($M)	**21.9**	28.3
Segment result – EBITDA ($M)	**(0.7)**	3.7
Capital expenditure ($M)	**12.3**	12.8

Revenue for the six months ended 30 June 2023 was lower compared to the prior period due to the divestment of our Corrosion Protection & SCADA business and a decrease in revenue in the plumbing and sewer business.

Operating expenses and capital expenditures are comparable to prior periods.

Financial position

Total equity of the Group was $1,682.7 million as at 30 June 2023, an increase of $18.1 million compared to 31 December 2022 ($1,664.6 million), primarily attributed to:

- Net profit of $136.3 million; offset by
- A loss on hedge accounting relating to fair value movement on hedges recognised in Other Comprehensive Loss of $62.8 million; and
- Payment of $56.7 million of dividends.

Our current liabilities exceed current assets by $474.7 million at 30 June 2023. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations. The Group is, and is expected to continue trading profitably, generating positive operating cash flows, and successfully refinancing maturing debt. In addition, at 30 June 2023 the Group had a total of $1,505.0 million of undrawn but committed bank debt facilities available, as well as $93.8 million of cash and short-term investments.

Capital management

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

Capital management (continued)

Debt raising and repayment

In line with our Treasury Risk Policy, we maintain a diversified debt portfolio by maturity and source. The AusNet Group, for whom the Company raises debt as its common or central funding vehicle, has a BBB+ credit rating from Standard and Poor's and Baa1 from Moody's Investor Services. During the period, $870.0 million of AUD medium-term notes were raised through our AMTN program and $705.0 million of the syndicated bank debt facilities were repaid.

Dividends

Following the acquisition by the Brookfield consortium (indirectly) of the AusNet Group, there has been an increase in overall dividends paid by the AusNet Services Holdings Group to its parent. Dividends paid:

	Total dividend
	$M
Dividends for Quarter 1 CY2023	3.9
Dividends for Quarter 2 CY2023	52.8
Total	**56.7**

Environmental regulation and climate change

We were subject to both Federal and State Government environmental legislation during the period, including compliance with the *Environment Protection Act 2017 (Vic)*, as amended by the *Environment Protection Act Amendment 2018*, from 1 July 2021 (the Act). The Act requires the protection of human health and the environment from pollution and waste and introduces proactive duties, including, among other obligations, a General Environmental Duty (GED), which is a duty to manage contaminated land and a duty to notify the Environmental Protection Authority (EPA) of contamination that meets or exceeds certain notifiable thresholds. AusNet maintains compliance with the requirements of this Act.

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 meet these thresholds and will lodge our current year NGER reporting with the Clean Energy Regulator for the period from 1 July 2022 to 30 June 2023 by 31 October 2023.

In addition, since 1 July 2016, a safeguard mechanism has applied to AusNet Gas Services Pty Ltd, a subsidiary of the Group. From 1 July 2023, it is a legislated requirement under the Safeguard Mechanism that will require a reduction in emissions of approximately 4.9% per year until 2030 and to net zero by 2050. As there are limited opportunities for AusNet Gas Services Pty Ltd to reduce emissions, it is expected that the reported emissions will be above the baseline almost immediately and will require the surrender of Australian Carbon Credit Units. This will increase operating costs to cover the costs of offsets, however these costs will be recovered through the regulatory regime.

Regulatory Update

Gas Access Arrangement Review – Final Decision for 2023 to 2028

The AER released its Final Decision for the Gas Access Arrangement Review (GAAR) for 2023-2028 in June 2023. This included consideration of the Victorian Government's Gas Roadmap and its impact on the regulated gas network.

Directors' Report

Gas Access Arrangement Review – Final Decision for 2023 to 2028 (continued)

The Final Decision allows the following:

- $1,270.3 million of revenue (a $65.1 million increase in revenue from the Draft Decision issued in December 2022)
- $427.6 million of capital expenditure and $349.8 million of operating expenditure (approval of all expenditures)
- $282.0 million of regulatory depreciation (an increase from $218.0 million) in relation to the regulated asset base (RAB), including $105.0 million of accelerated depreciation to be recognised over the 5 year period.

The Final Decision also included key risk mitigation arrangements for gas service abolishment, the recent introduction of a Safeguard Mechanism (carbon cost on leaks) and connections capital expenditure.

The Final Decision will also see the transition from a 31 December regulatory year-end to a 30 June regulatory year end (with the six months from 1 January 2023 to 30 June 2023 constituting a transition period).

Material risks and uncertainties

We are committed to understanding and effectively managing risk to enhance our ability to deliver on our strategic objectives and meet expectations of our shareholders, employees, customers, suppliers, and the communities in which we operate. We maintain oversight of our material business risks (financial and non-financial) at an enterprise-wide level, with regular reporting to the Audit and Risk Committee and the Board of Directors on the effectiveness of the management of these risks. This practice continues under new directorship following the acquisition by the Brookfield consortium.

In our 31 December 2022 Financial Report, we detailed the following principal risks, which may materially impact the execution and achievement of our business strategy and financial prospects:

- Health and safety risks;
- Industry and regulatory risks;
- Climate change and sustainability risks;
- Information technology and security risks;
- Network reliability and services delivery risks; and
- Taxation risks.

We provide the following update on our material risks since the 31 December 2022 Financial Report:

Industry and regulatory risks

Rapid Earth Fault Current Limiter (REFCL) update

On 1 May 2016, the *Electricity Safety (Bushfire Mitigation) Amendment Regulations 2016 (Amended Bushfire Mitigation Regulations)* came into effect in Victoria. The amended regulations require three Victorian 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 by 1 May 2023	To be completed by 1 November 2023	Total
Zone substations	21	1	22
Compliance points	62	2	64

Directors' Report

Industry and regulatory risks (continued)

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

As at 28 April 2023, REFCL compliance was achieved at 21 of the required 22 AusNet zone substations. With respect to the remaining zone substation and compliance points, an extension of time to 1 November 2023 has been granted by Energy Safe Victoria (ESV) to allow AusNet time to undertake additional works to mitigate unique network characteristics which are currently preventing the achievement of compliance with the prescribed REFCL performance specifications. The Group expects to meet the final compliance deadlines of 1 November 2023. This program presents several 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 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. The majority of work at zone substations and compliance points have been achieved by compliance date, but the ongoing risk of the project remains present.

Climate change and sustainability risks

In 2021 as part of our Taskforce on Climate-related Financial Disclosures (TCFD) report we undertook an exercise to identify and assess risks and opportunities specifically related to climate change. In 2023, climate related risks were reassessed. These risks are managed as part of AusNet's integrated risk management process under the Risk Management Framework. In 2023 we will publish an updated TCFD report and disclose further progress in our approach to managing climate-related risks across our governance, strategy, risk management and metrics & targets.

Government policy and legislative risks

Subsequent to 30 June 2023, the Victorian Government announced a ban on gas connections to new homes, residential subdivisions and all new public buildings commencing 1 January 2024. The announcement to reform policy has not yet been enacted. Refer to section Matters after the end of the financial period below.

Management will continue to monitor for any further updates to the Victorian Government's Gas Roadmap plan, which seeks to ultimately phase out household gas in favour of electrification. The AusNet Group continues to work collaboratively with Government and the AER to adapt to any future changes.

Significant changes in the state of affairs

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

Rounding of amounts

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

Matters subsequent to the end of the financial period

(a) Announcement to reform Government policy

On 28 July 2023, the Victorian Government announced a ban on gas connections to new homes and public buildings commencing 1 January 2024. From 1 January 2024, planning permits will only be issued for new homes and residential subdivisions that will connect to all-electric networks, and all new public buildings such as schools, hospitals police stations and government-owned buildings that are yet to reach a design stage must all be electric effective immediately. The policy has not yet been enacted.

This announcement is a non-adjusting subsequent event for the six months ended 30 June 2023. Based on a preliminary assessment of the Victorian Government announcement, the Company continues to believe that the carrying value of the gas distribution network assets will be recovered in future periods, noting that the regulatory framework provides a certain level of protections regarding asset recovery and that the announcement is only relevant for new residential connections and has no impact on the existing customer base or the regulatory value of existing assets. However, it is acknowledged that any changes in future government policy, the regulatory framework, or customer behaviour may have an impact on this assessment in future periods.

In addition, it is noted that under the recently approved GAAR, the AER allowed the possibility to re-open the decision in the event of a material change in government policy. AusNet is currently working with the AER and considering its options regarding a potential re-opening.

Once an assessment is completed, the impact, if any, will be reflected in the financial statements for the year ended 31 December 2023.

(b) Debt issuance

On 9 August 2023, the Company issued 10,000,000,000 JPY (or $105 million AUD) of debt under the US $5.0 Billion Medium Term Note Programme. The notes have a maturity date of 9 August 2038.

(c) Other matters

There has been no other matter or circumstance that has arisen since 30 June 2023 up to the date of issue of this financial report that has significantly affected or may significantly affect:

(a) the operations in the financial period subsequent to 30 June 2023 of the Group;

(b) the results of those operations; or

(c) the state of affairs, in the financial period subsequent to 30 June 2023, of the Group.

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

Tony Narvaez
Director

Melbourne
29 August 2023

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Auditor's independence declaration to the directors of AusNet Services Holdings Pty Ltd

As lead auditor for the review of the half-year financial report of AusNet Services Holdings Pty Ltd for the half-year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review;

b. No contraventions of any applicable code of professional conduct in relation to the review; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of AusNet Services Holdings Pty Ltd and the entities it controlled during the financial period.

Ernst & Young

Kester Brown
Partner
29 August 2023

Consolidated interim income statement
For the six months ended 30 June 2023

	Notes	**30 June 2023 $M**	30 September 2022 $M
Revenue	B.2	**647.8**	717.2
Use of system and associated charges		**(62.6)**	(69.5)
Employee benefit expenses		**(37.0)**	(59.8)
External maintenance and contractors' services		**(63.0)**	(61.3)
Materials		**(5.1)**	(5.1)
Information technology and communication costs		**(25.9)**	(24.3)
Lease expenses		**(1.1)**	(1.1)
Administrative expenses		**(11.2)**	(13.2)
Service level payments		**(4.3)**	(2.9)
Disposal of property plant and equipment		**(3.6)**	(3.7)
Other costs		**(13.8)**	(17.2)
Total expenses excluding depreciation, amortisation, interest and tax		**(227.6)**	(258.1)
Earnings before interest, tax, depreciation and amortisation		**420.2**	459.1
Depreciation and amortisation		**(185.5)**	(171.0)
Profit from operating activities		**234.7**	288.1
Finance income	D.2	**72.7**	63.5
Finance costs	D.2	**(226.2)**	(186.7)
Net finance costs		**(153.5)**	(123.2)
Profit before income tax		**81.2**	164.9
Income tax benefit	B.6	**55.2**	879.5
Profit for the period		**136.4**	1,044.4

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

Consolidated interim statement of comprehensive income

For the six months ended 30 June 2023

	30 June 2023 $M	30 September 2022 $M
Profit for the period	**136.4**	1,044.4
Other comprehensive income		
Items that will not be reclassified to profit or loss in subsequent periods		
Movement in defined benefit fund	**1.7**	0.8
Income tax on movement in defined benefit fund	**(0.5)**	(0.2)
	1.2	0.6
Items that may be reclassified to profit or loss in subsequent periods		
Movement in hedge reserve	**(89.7)**	444.3
Income tax on movement in hedge reserve	**26.9**	(133.3)
	(62.8)	311.0
Other comprehensive (loss) / profit for the period, net of income tax	**(61.6)**	311.6
Total comprehensive income for the period	**74.8**	1,356.0

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

Consolidated interim statement of financial position

As at 30 June 2023

	Notes	30 June 2023 $M	31 December 2022 $M
ASSETS			
Current assets			
Cash and cash equivalents		**93.8**	14.5
Receivables	B.4	**244.4**	200.9
Finance lease receivables	B.5	**0.4**	0.4
Inventories		**42.4**	44.7
Derivative financial instruments		**160.4**	104.3
Other assets		**16.8**	30.1
Total current assets		**558.2**	394.9
Non-current assets			
Receivables	B.4	**3,514.7**	3,517.2
Property, plant and equipment	C.1	**7,251.2**	7,136.2
Intangible assets	C.2	**493.3**	520.4
Other financial assets		**1.5**	1.5
Finance lease receivables	B.5	**8.9**	9.1
Deferred tax assets	B.6	**181.2**	148.0
Derivative financial instruments		**734.4**	814.5
Defined benefit asset		**67.5**	65.0
Other assets		**11.5**	12.6
Total non-current assets		**12,264.2**	12,224.5
Total assets		**12,822.4**	12,619.4
LIABILITIES			
Current liabilities			
Payables and other liabilities		**233.2**	266.8
Lease liabilities		**4.1**	4.3
Provisions		**50.2**	65.2
Borrowings	D.1	**570.3**	-
Derivative financial instruments		**175.1**	188.2
Total current liabilities		**1,032.9**	524.5
Non-current liabilities			
Contract liabilities		**107.8**	109.5
Lease liabilities		**22.7**	25.4
Provisions		**39.4**	37.3
Borrowings	D.1	**9,547.3**	9,802.1
Derivative financial instruments		**389.6**	456.0
Total non-current liabilities		**10,106.8**	10,430.3
Total liabilities		**11,139.7**	10,954.8
Net assets		**1,682.7**	1,664.6
EQUITY			
Contributed equity	D.3	**2,678.1**	2,678.1
Reserves		**(1,538.7)**	(1,475.9)
Retained profits		**543.3**	462.4
Total equity		**1,682.7**	1,664.6

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

Consolidated interim statement of changes in equity

For the 6 months ended 30 June 2023

	Notes	Contributed equity $M	Re-structure Reserve (i) $M	Asset revaluation reserve $M	Hedge reserve (ii) $M	Retained profits/ (loss) $M	Total equity $M
30 June 2023							
Balance as at 1 January 2023		2,678.1	(2,000.0)	1.5	522.6	462.4	1,664.6
Total comprehensive income for the period							
Profit for the period		-	-	-	-	136.4	136.4
Other comprehensive income/(loss)		-	-	-	(62.8)	1.2	(61.6)
Total comprehensive income for the period		**-**	**-**	**-**	**(62.8)**	**137.6**	**74.8**
Transactions with owners, recorded directly in equity							
Dividends (iii)		-	-	-	-	(56.7)	(56.7)
Total transactions with owners		**-**	**-**	**-**	**-**	**(56.7)**	**(56.7)**
Balance as at 30 June 2023		**2,678.1**	**(2,000.0)**	**1.5**	**459.8**	**543.3**	**1,682.7**
30 September 2022							
Balance as at 1 April 2022		2,678.1	(2,000.0)	1.5	211.1	(177.2)	713.5
Total comprehensive income for the period		-	-	-	-		
Profit for the period		-	-	-	-	1,044.4	1,044.4
Other comprehensive income		-	-	-	311.0	0.6	311.6
Total comprehensive income for the period		**-**	**-**	**-**	**311.0**	**1,045.0**	**1,356.0**
Transactions with owners, recorded directly in equity							
Dividends (iii)		-	-	-	-	(462.3)	(462.3)
Total transactions with owners		**-**	**-**	**-**	**-**	**(462.3)**	**(462.3)**
Balance as at 30 September 2022		**2,678.1**	**(2,000.0)**	**1.5**	**522.1**	**405.5**	**1,607.2**

(i) As a part of the financing for the acquisition of AusNet Pty Ltd (formerly AusNet Services Ltd), Australian Energy Holdings No 4 Pty Ltd (the new immediate holding entity of AusNet Pty Ltd) entered into a $2.0 billion two year bridging loan facility. On 9 March 2022, AusNet Services Holdings Pty Ltd assumed all liabilities of this facility. As there were no cash proceeds received for the novated facility, an entry to restructure reserves of $2.0 billion was recognised as an equity transaction with owners.

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

(iii) In the current half year period, dividends of $56.7 million were paid from AusNet Services Holdings Pty Ltd to AusNet Services (Distribution) Pty Ltd. For the six month period ended 30 September 2022, dividends of $462.3 million were paid from AusNet Services Holdings Pty Ltd to AusNet Services (Distribution) Pty Ltd.

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

Consolidated interim statement of cash flows

For the six months ended 30 June 2023

	Notes	**30 June 2023 $M**	30 September 2022 $M
Cash flows from operating activities			
Profit for the period		**136.4**	1,044.4
Add back interest, tax, depreciation and amortisation		**283.8**	(585.3)
Earnings before interest, tax, depreciation and amortisation		**420.2**	459.1
Non-cash gifted assets revenue		**(34.7)**	(26.7)
Other non-cash items		**3.6**	3.4
Working capital movement		**(65.9)**	(97.5)
Non-cash intercompany transactions		**47.1**	(8.1)
Net interest paid		**(208.7)**	(215.1)
Net cash inflow from operating activities		**161.6**	115.1
Cash flows from investing activities			
Payments for property, plant and equipment (i)		**(273.4)**	(217.9)
Proceeds from sale of property, plant and equipment		**0.8**	1.2
Receipts from financial assets		**0.2**	0.2
Net cash (outflow)/inflow from investing activities		**(272.4)**	(216.5)
Cash flows from financing activities			
Proceeds of loans with related parties		**78.8**	78.0
Payments for lease liabilities		**(2.2)**	(2.1)
Dividends paid (ii)		**(51.5)**	(457.0)
Proceeds from borrowings (iii)	**D.1**	**920.0**	2,111.0
Repayments of borrowings (iii)	**D.1**	**(755.0)**	(1,835.0)
Net cash inflow from financing activities		**190.1**	(105.1)
Net increase in cash held		**79.3**	(206.5)
Cash and cash equivalents at beginning of the period		**14.5**	270.8
Cash and cash equivalents at end of the period		**93.8**	64.3

(i) Payments for property, plant and equipment include $4.5 million (September 2022: $3.1 million) for capitalised finance charges.

(ii) Dividends paid exclude withholding tax.

(iii) During the period, $870.0 million of AUD medium-term notes were raised through our AMTN program and $705.0 million of the syndicated bank debt facilities were repaid. $50.0 million of bi-lateral bank debt facilities were drawn and repaid in the same period.

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

Condensed notes to the consolidated interim financial statements

30 June 2023

Contents

Section A Overview

(a) Basis of preparation

The consolidated interim financial statements of AusNet Services Holdings Pty Ltd (the Company) and its subsidiaries (the AusNet Services Holdings Group, the Group, us, our or we) for the period ended 30 June 2023 were approved by the Board of Directors on 29 August 2023. The ultimate Australian parent of the Company is Australian Energy Holdings No 1 Pty Ltd, which is part of a consolidated group operating as AusNet (also referred to as the AusNet Group and the AEH Group).

The Company's immediate parent, AusNet Pty Ltd (formerly AusNet Services Ltd), previously had ordinary equity securities trading on the ASX. On 16 February 2022, all shares in AusNet Services Ltd, the former ultimate Australian parent of the Company was acquired by Australian Energy Holdings No 4 Pty Ltd. Australian Energy Holdings No 4 Pty Ltd is wholly owned (indirectly) by Australian Energy Holdings No 1 Pty Ltd, which became the AusNet consolidated group's ultimate parent in Australia. Following the acquisition, the ordinary equity securities of AusNet Services Ltd were delisted from the ASX whilst the debt instruments issued by AusNet Services Holdings Pty Ltd continue to trade on the ASX. As such, the Company is deemed to be a disclosing entity.

To align with the financial year-end of its ultimate Australian parent, the Company's financial year end was changed from 31 March to 31 December. In prior period, the Company prepared consolidated interim financial statements for the period ended 30 September 2022 and general purpose financial statements for the nine-month period ended 31 December 2022.

Following this change, interim financial statements have been prepared for the six-month period from 1 January 2023 to 30 June 2023. Accordingly, the prior period amounts in the statement of profit and loss, statement of comprehensive income, and statement of cash flows relate to the six-month period ended 30 September 2022 are not entirely comparable. Adjustments have been made to certain items in the comparative period interim financial report and notes to align with presentation and classification in the current interim financial report.

The financial report has been prepared:

- in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth);
- on a going concern basis, which contemplates the continuity of normal trading operations. Our current liabilities exceed current assets by $474.7 million at 30 June 2023, primarily due to current borrowings maturing in the next 12 months. The Group is, and is expected to continue to trade profitably, generate positive operating cash flows, and successfully refinance maturing debt. In addition, at 30 June 2023 the Group had available a total of $1,505.0 million of undrawn but committed bank debt facilities and overdraft, and $93.8 million of cash and cash equivalents. On this basis, the Directors are of the opinion the going concern basis of preparation remains appropriate. The interim financial report does not contain any adjustments relating to the recoverability or classification of assets or the amounts and classification of liabilities that might be necessary should the Company not continue as a going concern.
- under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) measured at fair value; and
- with amounts rounded off to the nearest hundred thousand dollars, unless otherwise stated, in accordance with Instrument 2016/191 issued by the Australian Securities and Investments Commission.

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

The interim financial report does not include all the notes normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the financial statements of the Group for the nine-month period ended 31 December 2022 and any public announcements made by AusNet Services Holdings Pty Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the nine-month period ended 31 December 2022.

(b) Critical accounting estimates and judgements

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

The key sources of estimation uncertainty were the same as those applied by the Group in its consolidated financial report as at and for the nine-month period ended 31 December 2022.

The critical judgements and estimates used by management in applying the Group's accounting policies for the period ended 30 June 2023 reflect the latest available information. Other than the reassessment of deferred tax assets based on management's forecast of taxable income, any updates have not had a significant impact on the financial performance or financial position of the Group as at and for the period ended 30 June 2023.

(c) New accounting standards

(i) New accounting standards effective

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

(ii) New accounting standards issued but not yet effective

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

Section B Operating our business

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

Note B.1 Segment information

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

(a) Description of reportable segments

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

The Group is organised into the following segments:

(i) Electricity distribution

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

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

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

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

Customer Contributions

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

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

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

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

Note B.1 Segment information (continued)

(a) Description of reportable segments (continued)

(ii) Gas distribution

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

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

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

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

(iii) Development & Future Networks

The Development & Future Networks segment provides 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.

This segment represents a subset of the total Development & Future Network business of the AusNet Group, with several business lines operating outside of the AusNet Services Holdings Group.

Note B.1 Segment information (continued)

30 June 2023	Electricity distribution $M	Gas distribution $M	Development & Future Networks $M	Consolidated $M
Regulated revenue	469.4	99.7	-	569.1
Customer contributions	48.4	6.1	-	54.5
Service revenue	-	-	20.9	20.9
Other revenue	2.0	0.3	1.0	3.3
Total segment revenue	**519.8**	**106.1**	**21.9**	**647.8**
Segment operating expense	(176.6)	(28.4)	(22.6)	(227.6)
Segment result - EBITDA (i)	**343.2**	**77.7**	**(0.7)**	**420.2**
Lease interest income	-	-	0.5	0.5
EBITDAaL (ii)	**343.2**	**77.7**	**(0.2)**	**420.7**
Depreciation and amortisation	(144.8)	(36.1)	(4.6)	(185.5)
Capital expenditure	217.9	47.9	12.3	278.1
30 September 2022				
Regulated revenue	495.7	138.8	-	634.5
Customer contributions	43.7	6.2	-	49.9
Service revenue	-	-	25.3	25.3
Other revenue	3.6	0.9	3.0	7.5
Total segment revenue	**543.0**	**145.9**	**28.3**	**717.2**
Segment operating expense	(198.0)	(35.5)	(24.6)	(258.1)
Segment result - EBITDA (i)	**345.0**	**110.4**	**3.7**	**459.1**
Lease interest income	-	-	0.5	0.5
EBITDAaL (ii)	**345.0**	**110.4**	**4.2**	**459.6**
Depreciation and amortisation	(138.9)	(30.4)	(1.7)	(171.0)
Capital expenditure	193.4	50.9	12.8	257.1

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

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

(i) Accounting policies

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

Note B.2 Revenue from contracts with customers

Disaggregated revenue

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

30 June 2023	Electricity distribution $M	Gas distribution $M	Development & Future Networks $M	Total $M
Timing of recognition				
At a point in time	59.3	9.7	13.0	82.0
Over time	459.7	96.4	8.9	565.0
Revenue from contracts with customers	**519.0**	**106.1**	**21.9**	**647.0**
Other income not in scope of AASB 15				
Income from government grants (i)	0.8	-	-	0.8
Total segment revenue	**519.8**	**106.1**	**21.9**	**647.8**
30 September 2022				
Timing of recognition				
At a point in time	58.0	10.4	18.6	87.0
Over time	484.1	135.5	9.7	629.3
Revenue from contracts with customers	**542.1**	**145.9**	**28.3**	**716.3**
Other income not in scope of AASB 15				
Operating lease income	0.1	-	-	0.1
Income from government grants (i)	0.8	-	-	0.8
Total segment revenue	**543.0**	**145.9**	**28.3**	**717.2**

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

Note B.3 Seasonality of operations

(a) Electricity distribution

Electricity distribution volumes display some seasonal variation with increased volumes in winter due to higher demand for heating and increased volumes in summer as a result of higher demand for air conditioning. However, the impact of seasonal volume variation on electricity distribution revenue is limited due to the tariff structure, which includes a fixed component and a contract demand capacity component. The high proportion of consumption by commercial and industrial customers also limits seasonal variation. Electricity distribution revenue operates under a revenue cap, with the amount of total revenue fixed over the regulatory reset period. Any under/over recovery in a particular regulatory year will be built into subsequent years' tariffs. As such, whilst seasonality has an impact on distribution volume, the impact on revenue is not as pronounced.

Note B.3 Seasonality of operations (continued)

(b) Gas distribution

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

(c) Development & Future Networks

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

Note B.4 Receivables

	30 June 2023 $M	31 December 2022 $M
Current receivables		
Accounts receivable	**29.7**	10.8
Allowance for impairment loss	**(0.5)**	(0.2)
Contract assets (i)	**120.5**	98.1
Accrued revenue – other	**9.4**	7.9
Interest receivables	**0.1**	0.1
Related party receivables	**85.2**	84.2
Total receivables	**244.4**	200.9

(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.

	30 June 2023 $M	31 December 2022 $M
Non-current receivables		
Common Funding Vehicle loan receivable (i)	**3,514.7**	3,517.2

(i) As the common funding vehicle, AusNet Services Holdings Pty Ltd lends funds to other entities within the AusNet Services Group, including AusNet Transmission Group Pty Ltd. 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.

Note B.5 Finance lease receivables

	30 June 2023 $M	31 December 2022 $M
Lessor finance receivables – current (i)	**0.4**	0.4
Lessor finance receivables – non-current (i)	**8.9**	9.1
Total lessor finance receivables	**9.3**	9.5

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

Note B.6 Taxation

AusNet Services Holdings Pty Ltd is part of the tax consolidated group headed by Australian Energy Holdings No 1 Pty Ltd and is subject to a tax funding arrangement. Australian Energy Holdings No 1 Pty Ltd will file its first tax return for the tax consolidated group for the period ended 31 December 2022.

(a) Deferred tax assets

This tax consolidation event following the acquisition of AusNet Pty Ltd Group resulted in a reset and increase in the tax base of depreciable assets for the AusNet Services Holdings Group, which has created an estimated deductible temporary difference of $5.1 billion as at 31 December 2022. The increase in the tax base of depreciable assets represents an estimate, as the tax consolidation calculations are subject to change upon finalisation of the tax consolidation calculations for the submission of Australian Energy Holdings No 1 Pty Ltd's first tax return.

Recognition of an associated deferred tax asset for this deductible temporary difference was assessed under the requirements of AASB 112 Income Taxes. Based on the forecasted taxable income the AusNet Services Holdings Group, an amount of $181.2 million was recognised as at 30 June 2023 (31 December 2022: $148.0 million). The deferred tax asset (including changes in the current period) has been recognised against income tax expense, representing the uplift in future tax depreciation. This amount is subject to re-assessment in future periods based on management's forecast of taxable income. The full deferred tax assets relating to the step-up of the tax bases was not recognised at 30 June 2023 and 31 December 2022, as it was assessed as not being probable of utilisation at the date of the financial report. If the Group was able to recognise all unrecognised deferred tax assets, deferred tax asset would have increased by $780.1 million (31 December 2022: $676.7 million).

Management judgement has been applied to determine the amount of deferred tax assets that can be recognised based on forecast taxable income. A level of uncertainty is associated with the estimation of forecast future taxable income.

(b) Uncertain tax positions

At present there are several tax matters and tax positions of the former AusNet tax consolidation group that are being considered. Matters relating to the former AusNet Pty Ltd tax consolidated group include but are 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 and negative impact on the currently recognised tax positions. There have been no significant changes in these matters during the six months ended 30 June 2023.

Section C Investing in our business

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

Note C.1 Property, plant and equipment

	Freehold land $M	Buildings $M	Easements $M	Electricity distribution network $M	Gas distribution network $M	Other plant and equipment $M	Right-of-use asset $M	Capital work in progress $M	Total $M
30 June 2023									
Cost	44.6	173.6	3.6	7,798.8	2,579.0	529.6	38.2	325.9	**11,493.3**
Accumulated depreciation	-	(20.7)	-	(2,901.2)	(821.1)	(486.3)	(12.8)	-	**(4,242.1)**
Carrying amount as at 30 June 2023	**44.6**	**152.9**	**3.6**	**4,897.6**	**1,757.9**	**43.3**	**25.4**	**325.9**	**7,251.2**
31 December 2022									
Cost	44.6	163.8	3.6	7,607.0	2,542.8	553.9	46.8	332.8	**11,295.3**
Accumulated depreciation	-	(19.2)	-	(2,815.6)	(797.4)	(508.8)	(18.1)	-	**(4,159.1)**
Carrying amount as at 31 December 2022	**44.6**	**144.6**	**3.6**	**4,791.4**	**1,745.4**	**45.1**	**28.7**	**332.8**	**7,136.2**

Note C.2 Intangible assets

	Distribution licences $M	Goodwill $M	Software $M	Total $M
30 June 2023				
Cost	354.5	35.8	686.4	1,076.7
Accumulated amortisation	-	-	(556.5)	(556.5)
Accumulated impairment	-	(23.8)	(3.1)	(26.9)
Carrying amount as at 30 June 2023	**354.5**	**12.0**	**126.8**	**493.3**
31 December 2022				
Cost	354.5	35.8	675.1	1,065.4
Accumulated amortisation	-	-	(518.1)	(518.1)
Accumulated impairment	-	(23.8)	(3.1)	(26.9)
Carrying amount as at 31 December 2022	**354.5**	**12.0**	**153.9**	**520.4**

Section D Financing our business

This section provides information relating to our capital structure and our exposure to financial risks, how they affect the Group's financial position and performance, and how those risks are managed. The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's consolidated financial report as at and for the nine-month period ended 31 December 2022.

Note D.1 Borrowings

	Maturity date at 30 June 2023	**30 June 2023 $M**	31 December 2022 $M
Current borrowings			
Euro (EUR) senior notes (i)	2024	**570.3**	-
Total current borrowings		**570.3**	-
Non-current borrowings			
Hong Kong dollar (HKD) senior notes (i)	2026-2034	**772.5**	752.2
Domestic medium-term notes (iii)	2024-2043	**3,249.7**	2,386.6
Bank debt facilities (iii)	2025-2032	**1,454.2**	2,157.8
Euro (EUR) senior notes (i)	2026-2030	**1,789.2**	2,238.8
Japanese Yen (JPY) senior notes (i)	2024	**52.3**	56.3
US dollar (USD) senior notes (i)	2026	**115.9**	113.6
Norwegian Kroner (NOK) senior notes (i)	2027-2029	**427.8**	463.7
Australian dollar (AUD) hybrid (ii)	2080	**649.7**	649.6
Euro (EUR) hybrid securities (i), (ii)	2081	**1,036.0**	983.5
Total non-current borrowings		**9,547.3**	9,802.1
Total borrowings		**10,117.6**	9,802.1

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

(ii) The first call date for hybrid securities is in October 2025 for AUD hybrids and September 2026 for EUR hybrids. The Group has an option to make repayments at these call dates.

(iii) During the period, $870.0 million of AUD medium-term notes were raised through our AMTN program and $705.0 million of the syndicated bank debt facilities were repaid. $50.0 million of bi-lateral bank debt facilities were drawn and repaid in the same period.

The Group had $1,505.0 million of undrawn but committed bank debt facilities (31 December 2022: $800 million) and $93.8 million of cash and cash equivalents as at 30 June 2023 (31 December 2022: $14.5m).

(a) Fair value measurement

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

The Group also has a number of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position. With the exception of borrowings, the carrying amounts of these items are considered to be a reasonable approximation of their fair value at 30 June 2023.

Note D.1 Borrowings (continued)

(a) Fair value measurement (continued)

The fair value of total borrowings as at 30 June 2023 was $10,161.6 million (31 December 2022: $9,847.8 million). This fair value measurement uses significant market observable data, and therefore was a level two measurement within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. The valuation techniques applied are consistent with those applied in the consolidated financial report as at and for the nine-month period ended 31 December 2022.

Note D.2 Net finance costs

	30 June 2023 $M	30 September 2022 $M
Finance income		
Interest income	**1.0**	0.1
Interest income – related party	**71.2**	62.9
Lease interest income	**0.5**	0.5
Total finance income	**72.7**	63.5
Finance costs		
Interest expense	**217.5**	190.1
Interest expense – leases	**0.4**	(0.7)
Other finance charges - cash	**3.3**	3.2
Other finance charges - non-cash	**6.8**	6.0
Loss/(gain) on accounting for hedge relationships	**3.7**	(6.3)
Unwind of discount on provisions	**0.7**	(1.4)
Defined benefit net interest income	**(1.7)**	(1.1)
Capitalised finance charges	**(4.5)**	(3.1)
Total finance costs	**226.2**	186.7
Net finance costs	**153.5**	123.2

Note D.3 Equity

		30 June 2023 $M	31 December 2022 $M
Contributed equity			
Ordinary share capital	(a)	**2,678.1**	2,678.1
Total contributed equity		**2,678.1**	2,678.1

Note D.3 Equity (continued)

(a) Movements in ordinary share capital

Date	Details	Number of shares	$M
1 January 2023	Opening balance	2,670,707,692	2,678.1
30 June 2023	**Closing balance**	**2,670,707,692**	**2,678.1**
1 April 2022	Opening balance	2,670,707,692	2,678.1
31 December 2022	**Closing balance**	**2,670,707,692**	**2,678.1**

Section E Other disclosures

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

Note E.1 Contingent liabilities and contingent assets

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

On 1 May 2016, the *Electricity Safety (Bushfire Mitigation) Amendment Regulations 2016 (Amended Bushfire Mitigation Regulations)* came into effect in Victoria. The amended regulations require three Victorian 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:

	Completed by	**To be completed by**	
Compliance date	**1 May 2023**	**1 November 2023**	**Total**
Zone substations	21	1	22
Compliance points	62	2	64

To date, AusNet has successfully worked with Energy Safe Victoria (ESV) and the Victorian Government to obtain extensions as needed in relation to High Voltage (HV) Customer REFCL readiness delays and to resolve network characteristic-related technical issues.

Since 31 December 2022, further works have been completed at two zone substations and six compliance points by the 1 May 2023 compliance date. With respect to the remaining zone substation and compliance points, an extension to comply by 1 November 2023 has been granted by ESV. This will allow AusNet time to undertake additional works to mitigate unique network characteristics which are currently preventing the achievement of compliance with the prescribed REFCL performance specifications. The Group expects to meet final compliance deadlines of 1 November 2023. This program presents several 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 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

AusNet is involved in various tax, legal and administrative proceedings and claims on foot, the ultimate resolution of which, in the opinion of AusNet, will not have a material effect on the consolidated financial position, results of operations or cash flows. Other than as listed above and risk in relation to tax positions noted in Note B.6 and provisions noted in E.2, we are not aware of any additional contingent liabilities or assets as at 30 June 2023 (December 2022: nil).

Note E.2 Provisions

(a) Measurement of environmental provision

Provisions include an environmental provision of $42.8 million (December 2022: $42.8 million), which represents an estimate of costs to remediate soil and water contamination on gas sites which were previously used as coal processing facilities. The provision is based on preliminary cost estimates and timing of remediation, considering current legal and regulatory requirements, the estimated extent of the contamination, the nature of the site and surrounding areas, and the technologies and methods available. Management is exploring a number of strategies for future land use options for the three sites, with the estimation of the provision at period end being based on the current preferred option. The extent of remediation activities and associated costs may differ significantly depending on which option is ultimately chosen, and on other factors impacting the extent of ultimate remediation effort and underlying cost that are not known at balance date. As a result there is a risk that in the event of full remediation of all three sites, the cost may significantly exceed the provision at 30 June 2023.

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

Note E.3 Events occurring after the balance sheet date

(a) Announcement to reform Government policy

On 28 July 2023, the Victorian Government announced a ban on gas connections to new homes and public buildings commencing 1 January 2024. From 1 January 2024, planning permits will only be issued for new homes and residential subdivisions that will connect to all-electric networks, and all new public buildings such as schools, hospitals police stations and government-owned buildings that are yet to reach a design stage must all be electric effective immediately. The policy has not yet been enacted.

This announcement is a non-adjusting subsequent event for the six months ended 30 June 2023. Based on a preliminary assessment of the Victorian Government announcement, the Company continues to believe that the carrying value of the gas distribution network assets will be recovered in future periods, noting that the regulatory framework provides a certain level of protections regarding asset recovery and that the announcement is only relevant for new residential connections and has no impact on the existing customer base or the regulatory value of existing assets. However, it is acknowledged that any changes in future government policy, the regulatory framework, or customer behaviour may have an impact on this assessment in future periods.

In addition, it is noted that under the recently approved GAAR, the AER allowed the possibility to re-open the decision in the event of a material change in government policy. AusNet is currently working with the AER and considering its options regarding a potential re-opening.

Once an assessment is completed, the impact, if any, will be reflected in the financial statements for the year ended 31 December 2023.

(b) Debt issuance

On 9 August 2023, the Company issued 10,000,000,000 JPY (or $105 million AUD) of debt under the US $5.0 Billion Medium Term Note Programme. The notes have a maturity date of 9 August 2038.

(c) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 30 June 2023 up to the date of issue of this financial report that has significantly affected or may significantly affect:

(a) the operations in the financial period subsequent to 30 June 2023 of the Group;

(b) the results of those operations; or

(c) the state of affairs, in the financial period subsequent to 30 June 2023, of the Group.

Directors' declaration

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

(a) the interim financial statements and notes set out on pages 11 to 31, are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and its performance for the six-month period ended on that date; and

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

Signed in accordance with a resolution of the Directors.

Tony Narvaez
Director

Melbourne
29 August 2023

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Independent auditor's review report to the members of AusNet Services Holdings Pty Ltd

Conclusion

We have reviewed the accompanying half-year financial report of AusNet Services Holdings Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (*including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Kester Brown
Partner

Melbourne
29 August 2023