

# ASX & SGX-ST Release



17 November 2015

**TO:** ASX Limited  
Singapore Exchange Securities Trading Limited

## Results for Announcement to the Market AusNet Services Half Year 2016 Results

The following documents are attached:

1. Appendix 4D – Half Year Report for the half year ended 30 September 2015; and
2. AusNet Services Ltd Interim Financial Report for the financial period ended 30 September 2015.

**Susan Taylor**  
Company Secretary



AusNet Services Ltd  
 ABN: 45 603 317 559

Appendix 4D  
 Half year report  
 Half Year Ending 30 September 2015

1. The current reporting period is the half year ended 30 September 2015. The previous corresponding period is the half year ended 30 September 2014.
2. Results for announcement to the market

	30 September 2015 \$M	30 September 2014 \$M	% change	Up / down
2.1 Revenue from ordinary activities	1,068.9	971.3	10.0	Up
2.2 Profit/(loss) from ordinary activities after tax attributable to shareholders comprises: Profit from continuing operations	374.5	(4.9)	N/A	Up
2.3 Net profit/(loss) for the half year attributable to shareholders	374.5	(4.9)	N/A	Up

The 30 September 2015 profit from ordinary activities after tax includes one-off tax benefit of \$159.6 million comprising of:

- tax benefit arising from the restructure of the Group of \$131.5 million (reset of tax bases, offset by loss cancellation and deferred tax on derivatives reversal); and
- tax benefit of \$28.1 million arising from the settlement of the IP dispute with the Australian Taxation Office (ATO);

The 30 September 2014 loss from ordinary activities after tax includes a settlement with the (ATO) in relation to the stapled structure audit of \$142.6 million and AMI rebates and write-offs of \$36.8 million.

## 2.4 Dividends for the half year ended 30 September 2015:

	Cents per share
<b>Interim 2016 dividend:</b>	
Fully franked dividend	<u>4.265</u>
Total interim dividend	4.265
<b>Previous corresponding period interim 2015 distribution:</b>	
Fully franked dividend	2.200
Interest income	<u>1.980</u>
Total interim distribution	4.180

## 2.5 The record dates for determining entitlements to the dividends:

Record date	Payment date
24 November 2015	24 December 2015

## 2.6 Brief explanation of revenues, profits after income tax and dividends:

Refer to the Directors' report within the attached Interim Financial Report.

## 3. Net tangible assets per share

	30 September 2015	30 September 2014
Net tangible assets per stapled share	<b>\$0.84</b>	\$0.86

## 4. Gain or loss of control over entities

AusNet Services did not gain or lose control over any entities during the period.

On 18 June 2015, AusNet Services completed a restructure of the group which resulted in AusNet Services Limited becoming the parent entity of AusNet Services. The comparative information provided is of the previous stapled group, of which AusNet Services (Distribution) Ltd was deemed to be the parent. Refer to the Directors' Report within the attached Interim Financial Report for further information.

## 5. Dividends

Dividends paid during the interim period are:

	Cents per share	Total dividend \$M	Date paid
Franked dividend	2.508	86.9	26 June 2015
Unfranked dividend	1.672	58.0	26 June 2015
	<hr/> 4.180	<hr/> 144.9	

In relation to the final dividend paid on 26 June 2015 of \$144.9 million, \$57.7 million was utilised in the allotment of new securities issued under the Dividend Reinvestment Plan (DRP).

## 6. Dividend Reinvestment Plans

The AusNet Services Ltd DRP is in operation for the 2016 interim dividend and it is available for participation by shareholders with registered addresses in Australia, New Zealand, Singapore and Hong Kong.

Eligible shareholders participating in the DRP for the 2015/16 interim dividend will be issued fully paid ordinary shares in AusNet Services Ltd at a 2% discount to the average trading price of shares in AusNet Services Ltd. The average trading price will be the average of the volume weighted average price of shares in AusNet Services Ltd sold in ordinary market transactions on the ASX during the 10 trading days from 30 November 2015 to 11 December 2015 (inclusive).

The record date for the 2015/16 interim dividend is 24 November 2015. The deadline for the receipt of elections for participation in the DRP for the 2015/16 interim dividend is 5.00pm (Australian Eastern Daylight Time) on 30 November 2015.

Participation is subject to the DRP Rules - available at [www.ausnetservices.com.au](http://www.ausnetservices.com.au) (> Investors > Securities Information > Dividend Reinvestment Plan).

## 7. Details of associates/joint ventures

AusNet Services Ltd had no associates or joint ventures in operation as at or for the half year ended 30 September 2015.

## 8. Foreign Entities

Not Applicable

## 9. Status of review of accounts

The half year report is based on accounts which have been subject to an independent review. The AusNet Services Ltd accounts are not subject to dispute or qualification.

Date: 16 November 2015

**AusNet Services Ltd**  
**ABN 45 603 317 559**

**Interim Financial Report**

**For the financial period ended 30 September 2015**

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

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

Level 31, 2 Southbank Boulevard  
Southbank, Victoria 3006  
Australia

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Stapled Group for the year ended 31 March 2015, and any public announcements made by AusNet Services Ltd during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* (Cth).

The interim financial report was authorised for issue by the Directors on 16 November 2015.

## Directors' report

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The Directors of AusNet Services Ltd present their report on the general purpose interim financial report of the consolidated entity for the financial period ended 30 September 2015. The interim financial report is for AusNet Services Ltd and its controlled entities (AusNet Services or the Group).

The consolidated interim financial report is a continuation of the previously reported combined financial statements of the Stapled Group, which consisted of AusNet Services (Distribution) Ltd (AusNet Services Distribution) and its subsidiaries, AusNet Services (Transmission) Ltd (AusNet Services Transmission) and its subsidiaries, and AusNet Services Finance Trust.

### Corporate restructure and simplification of the Stapled Group

On 18 June 2015, AusNet Services completed a corporate restructure under which the existing stapled entities became wholly owned by a new listed entity (AusNet Services Ltd).

Shares and units in the Stapled Group were exchanged for shares in AusNet Services Ltd. AusNet Services Ltd formed a new consolidated group for quotation on the ASX and SGX-ST to replace the Stapled Group.

While this is the first interim financial report with AusNet Services Ltd as parent entity of the Group, the consolidated financial report is accounted for as a corporate reorganisation rather than a business combination. Accounting for a corporate reorganisation requires that the new group's financial statements reflect the financial position and performance of the new group as if the restructure had always been in place (i.e. retrospective application). Therefore, the corporate restructure is deemed to have been in place for the entire period and the Group accounting policies are consistent with the previous Stapled Group's accounting policies, except as disclosed in note 1(c).

### Directors

The persons listed below were Directors of AusNet Services Ltd and prior to the corporate restructure were Directors of AusNet Services Distribution, AusNet Services Transmission and AusNet Services (RE) Ltd (trustee of AusNet Services Finance Trust), during the whole of the financial period and up to the date of this report unless otherwise noted.

#### Non-executive Directors

**Ng Kee Choe** (Chairman)

Ralph **Craven**

Sally Marie **Farrier**

**Ho Tian Yee**

Antonino (Tony) Mario **Iannello** (ceased as a director effective 23 July 2015)

Robert **Milliner** (appointed 23 July 2015)

Tina Renna **McMeckan**

Ian Andrew **Renard** AM (retired effective 23 July 2015)

**Sun Jianxing**

#### Executive Director

Nino **Ficca** (Managing Director)

At the General Meeting on 26 October 2015, the Chairman announced that he will not seek re-election when his current term expires at the 2016 Annual General Meeting.

**Directors' report (continued)****Review of operations for the period ended 30 September 2015**

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

	30 September 2015	30 September 2014	Movement	%
	\$M	\$M	\$M	
Revenue	1,068.9	971.3	97.6	10.0
EBITDA	650.4	529.4	121.0	22.9
Net profit/(loss) after tax	374.5	(4.9)	379.4	N/M
Adjusted EBITDA <sup>1,3</sup>	650.4	566.9	83.5	14.7
Adjusted net profit after tax <sup>2,3</sup>	214.9	164.0	50.9	31.0

N/M: not meaningful

Notes:

- (1) Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) excludes the recognition of a provision for Advanced Metering Infrastructure (AMI) customer rebates of \$37.5 million in the 30 September 2014 period. There are no adjustments for the 30 September 2015 period.
- (2) The period ended 30 September 2015 adjusted net profit after tax excludes one-off tax benefits of \$159.6 million comprising of \$131.5 million tax benefit arising from the restructure of the Group and tax benefit of \$28.1 million arising from the settlement of the IP dispute with the Australian Taxation Office (ATO). The period ended 30 September 2014 adjusted net profit after tax excludes the after-tax impact of the items listed for adjusted EBITDA above and \$142.6 million in income tax expense for the settlement with the ATO in relation to the intra-group financing audit.
- (3) Adjusted EBITDA and adjusted net profit after tax are non-IFRS measures and have not been subject to audit or review.

AusNet Services achieved EBITDA for the period ended 30 September 2015 of \$650.4 million, an increase of \$121.0 million or 22.9 per cent over the previous corresponding period. This was largely due to revenue increases driven by price and volume changes in electricity and gas distribution as well as the prior year recognition of a provision for AMI customer rebates of \$37.5 million and impairment of AMI assets of \$15.0 million.

AusNet Services achieved a net profit after tax of \$374.5 million for the period, an increase of \$379.4 million compared to the previous corresponding period. This increase was largely due to the ATO settlements and restructure of the Stapled Group. On an adjusted basis net profit after tax was \$50.9 million higher, which was reflective of the after tax impact of the \$83.5 million increase in EBITDA, offset by \$7.8 million higher net finance costs due to higher borrowing levels and higher depreciation expense due to an increased asset base.



## Directors' report (continued)

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### Review of operations for the period ended 30 September 2015 (continued)

AusNet Services derives most of its earnings from three regulated energy network businesses, which include an electricity distribution network in eastern Victoria, a gas distribution network in western Victoria and Victoria's high voltage electricity transmission network. A summary of the Group's revenues and results by operating segment for the period ended 30 September 2015 is set out below:

#### Electricity distribution business

	30 September 2015	30 September 2014	Movement	%
Segment revenue (\$M)	530.6	447.7	82.9	18.5
Segment result - EBITDA (\$M)	332.6	213.8	118.8	55.6
Volume (GWh)	4,067	3,860	207	5.4
Connections	685,435	673,254	12,181	1.8
Capital expenditure (\$M)	198.8	250.2	(51.4)	(20.5)

AusNet Services' electricity distribution revenue growth has been driven by a combination of regulated price increases for both electricity distribution and AMI revenues and a cooler six month period to 30 September 2015 compared to the previous period. Along with an increase in customer connections, this has driven the 5.4 per cent increase in volume.

The electricity distribution business contributed \$332.6 million in EBITDA for the period ended 30 September 2015, a \$118.8 million increase compared to the previous period. This increase is due to the revenue increase as well as \$52.5 million AMI adjustments for customer rebates and impairment recognised in the prior period. The current period also includes \$10 million of costs for the Yarram and Mickleham bushfire class actions.

The decline in electricity distribution capital expenditure is due to a number of factors, including benefits from lower unit rates and capital efficiency measures, prudent management of capex at the end of the existing EDPR period, lower customer demand for augmentation, the completion of a number of zone substation rebuild projects in the prior year, and lower IT spend due to the implementation of the enterprise-wide SAP solution. In addition, there has been a change in the spend profile for asset replacement, with the prior year including a greater proportion of the spend in the first half compared to the current year forecast. This decline is somewhat offset by a \$17 million increase in expenditure on the metering program.

#### *Metering Program Update*

The IT stabilisation works and rollout of a wireless mesh communications network under the AMI program is continuing. AusNet Services expects to complete work on its core systems by the end of calendar 2016 and finalise the conversion of meters to remotely provide data to market by early calendar 2017. Total capital expenditure incurred on the AMI program during the six months to 30 September 2015 was \$53.9 million vs \$36.7 million in the prior period.

In July 2015, AusNet Services made an administrative undertaking to the Essential Services Commission (ESC), setting out the timeframes by which the compliance targets under the Cost Recovery Order in Council (CROIC) will be met. In accordance with this undertaking, AusNet Services will regularly report to the ESC on progress against the key milestones of the AMI program. AusNet Services' progress in achieving the compliance targets will be subject to independent audits in August 2016 and February 2017.

**Directors' report (continued)****Review of operations for the period ended 30 September 2015 (continued)****Gas distribution business**

	30 September 2015	30 September 2014	Movement	%
Segment revenue (\$M)	130.9	117.5	13.4	11.4
Segment result - EBITDA (\$M)	104.8	92.0	12.8	13.9
Volume (PJ)	46.0	40.8	5.2	12.7
Connections	654,587	640,793	13,794	2.2
Capital expenditure (\$M)	46.8	44.0	2.8	6.4

The gas distribution business revenues for the period increased \$13.4 million largely due to the increase in volumes due to a cold winter in this period and a warmer winter in the comparative period. The gas distribution business contributed \$104.8 million in EBITDA, an increase of \$12.8 million over the previous period primarily as a result of the higher revenues.

**Electricity transmission business**

	30 September 2015	30 September 2014	Movement	%
Segment revenue (\$M)	335.1	330.7	4.4	1.3
Segment result - EBITDA (\$M)	207.6	213.9	(6.3)	(2.9)
Capital expenditure (\$M)	96.4	104.3	(7.9)	(7.6)

AusNet Services' electricity transmission business contributed \$335.1 million in total revenues for the period ended 30 September 2015. Transmission regulated revenue is not subject to volume risk. The 1.3 per cent increase in revenue is as a result of higher easement tax cost pass through along with favourable incentive scheme outcomes, offset by the negative price path in the Transmission Revenue Reset (TRR) Final Determination for the 2014-17 period.

The electricity transmission business contributed \$207.6m in EBITDA for the period ended 30 September 2015, a decrease of \$6.3 million over the previous corresponding period. Operating expenses increased due to higher easement tax and increased labour costs.

Capital expenditure has declined due to the completion of a number of replacement projects in the prior period including Ringwood and Dederang terminal station works. The major capital expenditure projects during the period were Brunswick terminal station upgrade (\$31.1 million) and Richmond terminal station rebuild (\$19.0 million). Both of these large projects are approximately 60 per cent complete and on track to be completed during FY17 and FY19 respectively.

## Directors' report (continued)

### Review of operations for the period ended 30 September 2015 (continued)

#### Select Solutions business

	30 September 2015	30 September 2014	Movement	%
Segment revenue (\$M)	78.2	81.1	(2.9)	(3.6)
Segment result - EBITDA (\$M)	5.4	9.7	(4.3)	(44.3)

Select Solutions provides asset intelligence and end to end metering services. Select Solutions' customers are primarily businesses operating in the essential infrastructure sector such as electricity, water and gas utility owners and telecommunications companies.

Select Solutions contributed \$78.2 million in total revenues for the period ended 30 September 2015. Revenue decreased compared to the prior period due to the negotiated cessation of cost pass-through gas meter procurement activity with a large customer from April 2015 (\$10 million) offset by new contracts and growth in existing contracts. Select Solutions contributed \$5.4 million in EBITDA for the period ended 30 September 2015, a decrease of \$4.3 million on the prior period as a result of higher mobilisation costs on new contracts and cost overruns on other contracts.

#### Material risks and uncertainties

AusNet Services is committed to understanding and effectively managing risk to provide greater certainty and confidence for its shareholders, employees, customers, suppliers and communities in which it operates. AusNet Services maintains oversight of its material business risks (financial and non-financial) at an enterprise-wide level and reports regularly to the Audit and Risk Management Committee and the Board of Directors on the effectiveness of the management of these risks. In its 31 March 2015 annual report, AusNet Services detailed the following principal risks which may materially impact the execution and achievement of its business strategy and financial prospects:

- AMI program risks;
- Taxation risks;
- Regulatory risks;
- Network risks;
- Funding and market risks; and
- Information and communication technology risks.

While these remain relevant risks and uncertainties to AusNet Services, an update is required in relation to taxation risks. During the period to 30 September 2015, AusNet Services concluded its Section 163AA matter with an unfavourable judgement in the High Court and a final payment of \$69.0 million (no income statement impact as previously provided for). In addition, AusNet Services settled with the ATO in relation to the Intellectual Property matter, with no further payments required and a \$28.1 million credit to income tax expense in the current period. The resolution of tax litigation matters, together with the Division 974 audit settlement in March 2015, resolves all disputes with the ATO and delivers a high degree of tax certainty for income years up to and including March 2014. As a large business taxpayer, AusNet Services will continue to support a cooperative compliance relationship with the ATO.

Judgements have been made regarding the application of tax laws and the valuation of assets in the calculation of the tax base reset arising from the corporate restructure and formation of a single tax consolidated group. This has resulted in a \$292.9 million tax benefit recognised in the income statement. The calculation is based on current tax law. There are pending amendments to the consolidation rules which if introduced with retrospective application could adversely impact the quantum of the tax base reset value.

#### Financial position as at 30 September 2015

Shareholders' equity was \$3,528.4 million as at 30 September 2015, an increase of \$279.6 million compared to 31 March 2015 largely as a result of the impact of the corporate restructure and operating profits for the period in excess of dividends paid.

## Directors' report (continued)

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### Financial position as at 30 September 2015 (continued)

AusNet Services' current liabilities exceeded current assets by \$316.9 million at 30 September 2015 due primarily to \$409.0 million of current borrowings. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations. The Group is, and is expected to, continue trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 30 September 2015 the Group had available a total of \$450 million of undrawn but committed non-current bank debt facilities and \$33 million cash on deposit. The current borrowings of \$409 million do not mature until 14 September 2016.

### Capital management

AusNet Services manages its capital structure to ensure that it continues as a going concern while maximising the return 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 to AusNet Services. Through its cash flows from operations and by maintaining an appropriate and prudent mix of debt and equity, AusNet Services ensures that it achieves its targeted credit metrics that support an 'A' range credit rating.

At present, AusNet Services is unable to raise further equity (other than a DRP) unless approved at a general meeting by shareholders. In the event that further funding is required, AusNet Services will evaluate its options and proceed in a way that supports its targeted credit metrics, including a potential issue of hybrid securities.

### Debt funding

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

In line with AusNet Services' Treasury Risk Policy, AusNet Services maintains a diversified debt portfolio by maturity and source. AusNet Services has an A- credit rating from Standard and Poor's and A3 from Moody's Investor Services.

### Dividends

The final 2015 dividend paid to shareholders on 26 June 2015 was as follows:

	Cents per share	Total dividend \$M
Fully franked dividend paid by AusNet Services Ltd	2.508	86.9
Unfranked dividend paid by AusNet Services Ltd	1.672	58.0
	<b>4.180</b>	<b>144.9</b>

In relation to the final dividend paid on 26 June 2015 of \$144.9 million, \$57.7 million was utilised in the allotment of new securities issued under the Dividend Reinvestment Plan (DRP).

Since the end of the financial period, the Directors have approved an interim dividend for 2016 of \$149.7 million (4.265 cents per share) to be paid on 24 December 2015, comprised as follows:

	Cents per share	Total dividend \$M
Fully franked dividend payable by AusNet Services Ltd	4.265	149.7
	<b>4.265</b>	<b>149.7</b>

## Directors' report (continued)

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### Environmental regulation and climate change

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

Under the *National Greenhouse and Energy Reporting (NGER) Act 2007*, corporations that meet or exceed thresholds are required to report greenhouse gas emissions and energy usage by 31 October each year. AusNet Services meets these thresholds and has lodged its NGER reporting with the Clean Energy Regulator for the period from 1 July 2014 to 30 June 2015.

### Significant changes in the state of affairs

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

### Matters subsequent to the end of the financial period

#### Dividend

Since the end of the financial period, the Directors have approved an interim dividend for 2016 of \$149.7 million (4.265 cents per share) to be paid on 24 December 2015.

#### General Meeting results

On 26 October 2015, AusNet Services held a general meeting. The general meeting had one resolution, which was passed by shareholders with 98.4 per cent support, to enable the DRP to continue to run for FY16. As a result, the DRP will be available on the Interim and Final FY16 dividends.

#### Preliminary Electricity Distribution Price Review (EDPR) decision

On 29 October 2015, the Australian Energy Regulator (AER) released its preliminary decision on AusNet Services' 2016-20 EDPR. The preliminary decision is as follows:

Regulatory period	Current period 2011-15 \$M	AusNet Services 2016-20 proposal \$M	AER draft decision \$M
Net Capex (Nominal)	1,579	1,866	1,614
Opex (Nominal)	928	1,260	1,191
Revenue (Nominal)	2,533	3,461	2,887

The preliminary decision also outlines metering revenues of \$443 million, a 12 per cent reduction from AusNet Services' proposal. A large part of this reduction relates to the AER rejecting replacement capital expenditure for metering.

AusNet Services is reviewing the preliminary decision and will provide further information to the AER to challenge these outcomes. The final decision is expected by the end of April 2016.

With the exception of the matters outlined above, the Directors are not aware of any circumstances that have arisen since 30 September 2015 that have significantly affected, or may significantly affect, the operations, and the results of those operations, or the state of affairs of the Group in the financial period subsequent to 30 September 2015.

## Directors' report

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### Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 11 and forms part of the Directors' report for the period ended 30 September 2015.

### Rounding of amounts

AusNet Services is a company of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off to the nearest hundred thousand dollars.

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



Ng Kee Choe  
Chairman



Nino Ficca  
Managing Director

Melbourne  
16 November 2015



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

To: the directors of AusNet Services Ltd

I declare that, to the best of my knowledge and belief, in relation to the review for the interim period ended 30 September 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Paul McDonald  
*Partner*

Melbourne

16 November 2015

**Consolidated interim income statement**

For the period ended 30 September 2015

		<b>30 September</b>	30 September
		<b>2015</b>	2014
	<b>Notes</b>	<b>\$M</b>	<b>\$M</b>
Revenue	2	<b>1,068.9</b>	971.3
Expenses, excluding finance costs		<b>(613.8)</b>	(631.0)
<b>Profit from operating activities</b>		<b>455.1</b>	340.3
Finance income	4	<b>15.3</b>	15.1
Finance costs	4	<b>(170.0)</b>	(162.0)
<b>Net finance costs</b>		<b>(154.7)</b>	(146.9)
<b>Profit before income tax</b>		<b>300.4</b>	193.4
Income tax benefit/(expense)	5	<b>74.1</b>	(198.3)
<b>Profit/(loss) for the period</b>		<b>374.5</b>	(4.9)
<b>Earnings per share attributable to the ordinary equityholders of AusNet Services</b>			
Basic and diluted earnings per share (cents per share)	7	<b>10.73</b>	(0.14)

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



**Consolidated interim statement of comprehensive income**

For the period ended 30 September 2015

	<b>30 September</b>	30 September
	<b>2015</b>	2014
	<b>\$M</b>	\$M
Profit/(loss) for the period	<b>374.5</b>	(4.9)
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to profit or loss in subsequent periods</b>		
Movement in defined benefit fund	<b>50.2</b>	(16.8)
Income tax on movement in defined benefit fund	<b>(15.1)</b>	5.1
	<b>35.1</b>	(11.7)
<b>Items that may be reclassified to profit or loss in subsequent periods</b>		
Movement in hedge reserve	<b>(28.0)</b>	20.1
Income tax on movement in hedge reserve	<b>(15.9)</b>	(6.0)
	<b>(43.9)</b>	14.1
<b>Other comprehensive income for the period, net of income tax</b>	<b>(8.8)</b>	2.4
<b>Total comprehensive income for the period</b>	<b>365.7</b>	(2.5)

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

**Consolidated interim statement of financial position**

As at 30 September 2015

	Notes	30 September 2015 \$M	31 March 2015 \$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		33.0	883.1
Receivables		281.9	488.9
Inventories		47.7	37.5
Derivative financial instruments		50.4	129.3
Other assets		26.5	24.3
<b>Total current assets</b>		<b>439.5</b>	<b>1,563.1</b>
<b>Non-current assets</b>			
Receivables		202.8	207.2
Inventories		18.6	19.4
Property, plant and equipment		9,308.5	9,253.8
Intangible assets		570.9	481.0
Derivative financial instruments		829.8	535.2
Tax receivable		15.4	-
Other assets		8.4	3.6
<b>Total non-current assets</b>		<b>10,954.4</b>	<b>10,500.2</b>
<b>Total assets</b>		<b>11,393.9</b>	<b>12,063.3</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and other liabilities		234.0	497.7
Current tax payable		3.3	138.6
Borrowings	8	409.0	776.7
Provisions		97.6	122.3
Derivative financial instruments		12.5	46.6
<b>Total current liabilities</b>		<b>756.4</b>	<b>1,581.9</b>
<b>Non-current liabilities</b>			
Payables and other liabilities		32.7	28.1
Non-current tax payable		-	5.4
Borrowings	8	6,433.2	6,439.4
Provisions		40.8	78.5
Derivative financial instruments		158.8	209.1
Deferred tax liabilities		443.6	472.1
<b>Total non-current liabilities</b>		<b>7,109.1</b>	<b>7,232.6</b>
<b>Total liabilities</b>		<b>7,865.5</b>	<b>8,814.5</b>
<b>Net assets</b>		<b>3,528.4</b>	<b>3,248.8</b>
<b>EQUITY</b>			
<b>Equityholders of AusNet Services</b>			
Contributed equity	9	5,015.4	3,456.6
Reserves		(1,563.1)	(19.2)
Retained profits		1,171.2	906.5
Other equity		(1,095.1)	(1,095.1)
<b>Total equity</b>		<b>3,528.4</b>	<b>3,248.8</b>

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

**Consolidated interim statement of changes in equity**

For the period ended 30 September 2015

	Notes	Contributed equity \$M	Restructure reserve (i) \$M	Hedge reserve (ii) \$M	Asset revaluation reserve (iii) \$M	Shared based payment reserve \$M	Other equity component (iv) \$M	Retained profits \$M	Total equity \$M
<b>30 September 2015</b>									
Balance as at 1 April 2015	1(b)	3,456.6	-	(70.6)	51.4	-	(1,095.1)	906.5	3,248.8
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	374.5	374.5
Other comprehensive income		-	-	(43.9)	-	-	-	35.1	(8.8)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(43.9)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>409.6</b>	<b>365.7</b>
<b>Transactions with owners, recorded directly in equity</b>									
Dividends paid	6	-	-	-	-	-	-	(144.9)	(144.9)
DRP (net of transaction costs)	6	57.7	-	-	-	-	-	-	57.7
Share based payments		-	-	-	-	1.1	-	-	1.1
Impact of corporate restructure	9	1,501.1	(1,501.1)	-	-	-	-	-	-
<b>Total transactions with owners</b>		<b>1,558.8</b>	<b>(1,501.1)</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	<b>-</b>	<b>(144.9)</b>	<b>(86.1)</b>
<b>Balance as at 30 September 2015</b>		<b>5,015.4</b>	<b>(1,501.1)</b>	<b>(114.5)</b>	<b>51.4</b>	<b>1.1</b>	<b>(1,095.1)</b>	<b>1,171.2</b>	<b>3,528.4</b>
<b>30 September 2014</b>									
Balance as at 1 April 2014	1(b)	3,364.9	-	(57.0)	51.4	-	(1,095.1)	1,180.4	3,444.6
<b>Total comprehensive income for the period</b>									
Loss for the period		-	-	-	-	-	-	(4.9)	(4.9)
Other comprehensive income		-	-	14.1	-	-	-	(11.7)	2.4
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>14.1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16.6)</b>	<b>(2.5)</b>
<b>Transactions with owners, recorded directly in equity</b>									
Dividends paid	6	(13.8)	-	-	-	-	-	(127.8)	(141.6)
DRP (net of transaction costs)	6	51.4	-	-	-	-	-	-	51.4
<b>Total transactions with owners</b>		<b>37.6</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(127.8)</b>	<b>(90.2)</b>
<b>Balance as at 30 September 2014</b>		<b>3,402.5</b>	<b>-</b>	<b>(42.9)</b>	<b>51.4</b>	<b>-</b>	<b>(1,095.1)</b>	<b>1,036.0</b>	<b>3,351.9</b>

## **Consolidated interim statement of changes in equity (continued)**

For the period ended 30 September 2015

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- (i) Under the corporate restructure, AusNet Services Ltd shares were issued to shareholders in return for their stapled securities. AusNet Services Ltd share capital was measured at fair value on the date of the transaction, being the market capitalisation of AusNet Services Stapled Group on the date of implementation (\$4,957.7 million). The difference between the contributed equity of AusNet Services Ltd and the pre-restructure contributed equity of the Stapled Group at the date of the transaction was recognised as an equity reserve.
- (ii) The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. These gains or losses are transferred to the income statement when the hedged item affects income, except for highly probable forecast purchases of an asset where the gains or losses are included in the initial measurement of that asset.
- (iii) This amount represents the fair value uplift to the assets of the AusNet Services Transmission Group on the date that the previous Stapled Group was formed. The fair value uplift was applied to easements which are considered to have an indefinite useful life. The amount was carried into the asset revaluation reserve of the Group following the corporate restructure on 18 June 2015.
- (iv) The other equity component results from the application of reverse acquisition accounting and represents the difference between the net assets of AusNet Services Transmission and AusNet Finance Pty Ltd and the purchase price paid by the legal acquirer, AusNet Services Transmission.

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

**Consolidated interim statement of cash flows**

For the period ended 30 September 2015

	30 September 2015	30 September 2014
Notes	\$M	\$M
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	1,126.5	1,039.0
Payments to suppliers and employees (inclusive of goods and services tax)	(547.4)	(487.5)
Payment of MSA termination fee (inclusive of goods and services tax)	-	(39.3)
Income tax paid (i)	(141.6)	(27.8)
Finance income received	16.3	11.3
Finance costs paid	(170.3)	(160.9)
<b>Net cash inflow from operating activities</b>	<b>283.5</b>	<b>334.8</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(349.7)	(423.2)
Proceeds from sale of property, plant and equipment	-	3.6
Payment for acquisition of a subsidiary (net of cash acquired)	-	(0.4)
Repayment of desalination licence receivable	4.4	4.4
<b>Net cash outflow from investing activities</b>	<b>(345.3)</b>	<b>(415.6)</b>
<b>Cash flows from financing activities</b>		
Dividends paid (ii)	6 (87.2)	(90.2)
Proceeds from borrowings	146.0	799.3
Repayment of borrowings	(847.1)	(363.5)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(788.3)</b>	<b>345.6</b>
<b>Net (decrease)/increase in cash held</b>	<b>(850.1)</b>	<b>264.8</b>
Cash and cash equivalents at the beginning of the period	883.1	409.8
<b>Cash and cash equivalents at the end of the period</b>	<b>33.0</b>	<b>674.6</b>

(i) 2015 includes \$69.0 million tax paid in relation to the S163AA dispute and \$25.0 million ATO settlement in relation to the stapled structure.

(ii) Amounts shown represent dividends paid of \$144.9 million (2014: \$141.6 million) offset by proceeds from the DRP of \$57.7 million (2014: \$51.4 million), less transaction costs.

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

## Condensed notes to the consolidated interim financial statements

For the period ended 30 September 2015

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## Condensed notes to the consolidated interim financial statements (continued)

For the period ended 30 September 2015

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### Note 1 Summary of significant accounting policies

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

#### (a) Basis of preparation

The consolidated general purpose interim financial report, prepared by a for-profit entity for the period ended 30 September 2015, represents the consolidated financial statements of the Group, which comprises AusNet Services Ltd and its subsidiaries. The Group is also referred to as AusNet Services.

The consolidated financial report represents a continuation of the combined financial statements of the AusNet Services Stapled Group, which consisted of AusNet Services (Distribution) Ltd (AusNet Services Distribution) and its subsidiaries, AusNet Services (Transmission) Ltd (AusNet Services Transmission) and its subsidiaries, and AusNet Services Finance Trust.

On 18 June 2015, AusNet Services completed a corporate restructure under which the existing stapled entities became wholly owned by a new entity (AusNet Services Ltd). Shares and units in the Stapled Group were exchanged for shares in AusNet Services Ltd which are listed on the Australian Stock Exchange (ASX) and the Singapore Exchange Securities Trading Limited (SGX-ST).

While this is the first interim financial report with AusNet Services Ltd as parent entity of the Group, the consolidated financial report is accounted for as a corporate reorganisation rather than a business combination. Accounting for a corporate reorganisation requires that the new group's financial statements reflect the financial position and performance of the new group as if the restructure had always been in place (i.e. retrospective application).

The consolidated general purpose interim financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001* (Cth).

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Stapled Group for the year ended 31 March 2015 and any public announcements made by AusNet Services during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act*.

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

The interim financial statements were approved by the Board of Directors on 16 November 2015.

AusNet Services' current liabilities exceeded current assets by \$316.9 million at 30 September 2015 due primarily to \$409.0 million of current borrowings. The financial report has been prepared on a going concern basis, which contemplates the continuity of normal trading operations. The Group is, and is expected to, continue trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 30 September 2015 the Group had available a total of \$450 million of undrawn but committed non-current bank debt facilities and \$33 million cash on deposit. The current borrowings of \$409 million do not mature until 14 September 2016.

#### (b) Corporate restructure

As a result of the corporate restructure, the financial statements of the Group are now presented as the consolidated group of AusNet Services Ltd and its subsidiaries. Amounts previously presented as equity balances in relation to non-controlling interest now form part of the Group's consolidated equity balances. The historical balances of non-controlling interest have been reallocated within equity as follows:

**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 1 Summary of significant accounting policies (continued)****(b) Corporate restructure (continued)**

	1 April 2014 \$M	30 September 2014 \$M	31 March 2015 \$M
Non-controlling interests as per Stapled Group financial statements	(2,788.0)	(2,800.4)	(2,751.1)
<b>Reallocation of non-controlling interests in AusNet Services Ltd financial statements</b>			
Contributed equity	3,364.4	3,402.0	3,456.1
Reserves	51.4	51.4	51.5
Retained profits	467.3	442.1	338.6
Other equity	(1,095.1)	(1,095.1)	(1,095.1)
	<b>(2,788.0)</b>	<b>(2,800.4)</b>	<b>(2,751.1)</b>

The issuing of shares by AusNet Services Ltd in order to effect the corporate restructure was measured at the market capitalisation of AusNet Services stapled securities at the date of the restructure, resulting in the recognition of \$4,957.7 million of contributed equity. The difference between this value and the pre-restructure contributed equity of the Stapled Group (\$3,456.6 million) of \$1,501.1 million is recognised as an equity reserve.

The consolidated statement of financial position and consolidated statement of changes in equity have been adjusted to reflect these changes. There were no restatements of the consolidated income statement, consolidated statement of comprehensive income or consolidated statement of cash flows.

In November 2015, ASIC cancelled the AFSL held by AusNet Services (RE) Ltd as this is no longer required to be held following the 18 June 2015 restructure of the Group.

**(c) Significant accounting policies**

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Stapled Group in its consolidated financial report as at and for the year ended 31 March 2015. There have been no new accounting standards relevant to the Group adopted during the period except as follows:

*(i) Early adoption of AASB 9 Financial Instruments*

AASB 9 *Financial Instruments* was issued in December 2014 and replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 simplifies the classification and recognition of financial instruments, introduces a new expected credit loss model for calculating impairment of financial assets, and aligns hedge accounting more closely with an entity's risk management practices.

AusNet Services has early adopted AASB 9 from 1 April 2015. The new hedge accounting requirements have been applied prospectively from this date, while the remainder of the requirements of AASB 9 have been applied retrospectively.



**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 1 Summary of significant accounting policies (continued)****(c) Significant accounting policies (continued)**

The following is a summary of the key accounting policy changes for AusNet Services as a result of adopting AASB 9, as well as a description of their ongoing impact on the financial statements.

<b>Item</b>	<b>Accounting policy change</b>	<b>Impact of change</b>
Hedge relationships	<p>Existing hedges under AASB 139 can only continue if they satisfy the requirements for continuing hedge relationships under AASB 9.</p> <p>Risk components that are separately identifiable and reliably measurable are eligible as hedged items, including aggregated exposures.</p> <p>Effectiveness measurement testing is required only on a prospective basis and new criteria include the existence of an economic relationship between the hedged item and the hedging instrument.</p>	<p>AusNet Services had certain existing cash flow hedges that didn't satisfy the requirements of continuing hedge relationships under AASB 9. These hedges have been de-designated on 1 April 2014, with the associated derivative instruments and underlying borrowings re-designated in new cash flow hedges. Certain foreign currency debt previously de-designated under AASB 139 has also been included in these cash flow hedges.</p> <p>The cumulative loss in the hedge reserve on 1 April 2014 has remained in the hedge reserve and will unwind over the life of the hedges. There is no material impact on the income statement as a result of this de-designation and re-designation.</p> <p>It is anticipated that these changes will reduce in future the circumstances under which AusNet Services recognises hedge ineffectiveness, or discontinues hedge accounting and recognises a de-designation gain or loss.</p>
Foreign currency basis	AASB 9 specifically allows for foreign currency basis spreads to be separated and excluded from the designation of a financial instrument as the hedging instrument.	A number of existing hedge relationships under AASB 139 included foreign currency basis. AusNet Services has elected to restructure these hedge relationships and separately account for foreign currency basis spreads. The cumulative change in the fair value of foreign currency basis spreads is recognised in other comprehensive income. The currency basis charge included in the original cost of the derivative instrument is recognised in the income statement over the life of the instrument. There is no material impact to the income statement as a result of this change.
Impairment of financial assets	Impairment of financial assets, including trade receivables, is recognised based on the expected credit losses of the assets. These are determined by discounting the weighted average expected future cash flows and comparing to the carrying value of the asset. There is no change in the classification of financial assets as a result of applying AASB 9.	There is no material impact on the income statement or statement of financial position as a result of this change.

**(ii) Change in discount rates for employee liabilities**

From 30 June 2015, Australian entities are required to use corporate bond rates, rather than Government bond rates to discount their post-employment benefits and other long-term employee liabilities. This is a change in accounting estimate rather than a change in accounting policy and as such is applied prospectively by AusNet Services. The impact of this change was not material to the profit and loss of AusNet Services, however the impact on the defined benefit obligation resulted in a \$38.4 million (\$26.9 million after tax) increase in other comprehensive income and the net assets of the Group.

## Condensed notes to the consolidated interim financial statements (continued)

For the period ended 30 September 2015

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### Note 1 Summary of significant accounting policies (continued)

#### (d) Other presentation changes

Following the completion of several major software projects, AusNet Services has reclassified software assets to intangible assets (previously property, plant & equipment). The change in accounting policy has resulted in the restatement of the 31 March 2015 statement of financial position, reducing the value of property, plant and equipment by \$88.1 million and increasing intangible assets by the same amount. In addition, the useful life of software assets has been changed from 3-5 years to 3-10 years.

#### (e) Rounding of amounts

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

### Note 2 Segment information

#### (a) Description of reportable segments

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

##### (ii) Gas distribution

The gas distribution network carries natural gas to commercial and residential end users. The Group charges retailers and some large customers regulated rates for the use of the gas distribution network. The gas distribution segment does not purchase or sell gas. The Group's gas distribution network covers central and western Victoria.

##### (iii) Electricity transmission

The Group owns and manages the vast majority of the electricity transmission network in Victoria. The Group's electricity transmission network consists of the transmission lines and towers which carry electricity at high voltages from power stations to electricity distributors around Victoria, forming the backbone of the Victorian electricity network. The network is centrally located amongst the five eastern states of Australia that form the National Electricity Market, and provides key links between the electricity transmission networks of Victoria, South Australia, New South Wales and Tasmania. The Group charges the Australian Energy Market Operator (AEMO), distribution network service providers and electricity generators for connections and use of the electricity transmission network.

The electricity transmission segment includes both regulated and unregulated electricity transmission assets and revenues. The electricity transmission segment does not purchase or sell electricity.

##### (iv) Select Solutions

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

**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 2 Segment information (continued)****(b) Reportable segment financial information**

	Electricity distribution	Gas distribution	Electricity transmission	Select Solutions	Inter-segment eliminations	Combined
	\$M	\$M	\$M	\$M	\$M	\$M
<b>30 September 2015</b>						
Regulated revenue	522.6	128.6	316.6	-	(5.9)	961.9
Customer contributions	6.4	1.1	-	-	-	7.5
Service revenue	-	-	7.2	77.2	-	84.4
Other revenue	1.6	1.2	11.3	1.0	-	15.1
<b>Total segment revenue</b>	<b>530.6</b>	<b>130.9</b>	<b>335.1</b>	<b>78.2</b>	<b>(5.9)</b>	<b>1,068.9</b>
Segment expense before depreciation and amortisation	(198.0)	(26.1)	(127.5)	(72.8)	5.9	(418.5)
<b>Segment result - EBITDA (i)</b>	<b>332.6</b>	<b>104.8</b>	<b>207.6</b>	<b>5.4</b>	<b>-</b>	<b>650.4</b>
Depreciation and amortisation	(112.4)	(28.4)	(50.4)	(4.1)	-	(195.3)
Net finance costs						(154.7)
Income tax benefit						74.1
<b>Profit for the period</b>						<b>374.5</b>
<b>30 September 2014</b>						
Regulated revenue	433.9	112.6	312.7	-	(5.7)	853.5
Customer contributions	10.3	4.4	-	-	-	14.7
Service revenue	-	-	6.2	70.7	-	76.9
Other revenue	3.5	0.5	11.8	10.4	-	26.2
<b>Total segment revenue</b>	<b>447.7</b>	<b>117.5</b>	<b>330.7</b>	<b>81.1</b>	<b>(5.7)</b>	<b>971.3</b>
Segment expense before depreciation and amortisation (ii)	(233.9)	(25.5)	(116.8)	(71.4)	5.7	(441.9)
<b>Segment result - EBITDA (i)</b>	<b>213.8</b>	<b>92.0</b>	<b>213.9</b>	<b>9.7</b>	<b>-</b>	<b>529.4</b>
Depreciation and amortisation	(109.3)	(30.2)	(47.2)	(2.4)	-	(189.1)
Net finance costs						(146.9)
Income tax expense						(198.3)
<b>Loss for the period</b>						<b>(4.9)</b>

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

(ii) Electricity distribution segment for the period ended 30 September 2014 includes \$37.5 million of Advanced Metering Infrastructure (AMI) customer rebates, and \$15.0 million of AMI asset impairment.

**(c) Notes to and forming part of the segment information***(i) Accounting policies*

Segment information is prepared in conformity with the accounting policies of the Group and AASB 8 *Operating Segments*. Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. The Cost Allocation Methodology as approved by the Australian Energy Regulator (AER) is used as the basis for allocating expenses to the relevant segment.

*(ii) Inter-segment revenue*

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

**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 3 Seasonality of operations****(a) Electricity distribution**

Electricity distribution volumes display some seasonal variation with increased volumes in winter due to higher demand for heating and increased volumes in summer as a result of higher demand for air conditioning. However, the impact of seasonal volume variation on electricity distribution revenue is limited due to the tariff structure, which includes a fixed component and a contract demand capacity component. The high proportion of process-related consumption of commercial and industrial customers also limits seasonal variation in electricity distribution revenue.

**(b) Gas distribution**

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

**(c) Electricity transmission**

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

**(d) Select Solutions**

Select Solutions revenue is not seasonal. Select Solutions revenue is earned as the services are rendered.

**Note 4 Net finance costs**

	<b>30 September</b>	30 September
	<b>2015</b>	2014
	<b>\$M</b>	\$M
<b>Finance income</b>		
Interest income	<b>0.1</b>	0.1
Investment income	<b>8.7</b>	8.0
Return on desalination licence receivable	<b>6.5</b>	7.0
<b>Total finance income</b>	<b>15.3</b>	15.1
<b>Finance costs</b>		
Interest expense	<b>184.9</b>	172.8
Other finance charges - cash	<b>1.5</b>	1.7
Other finance charges - non-cash	<b>2.5</b>	2.6
(Gain)/loss on accounting for hedge relationships	<b>(7.7)</b>	(4.7)
Unwind of discount on provisions	<b>1.1</b>	1.2
Capitalised finance charges	<b>(12.3)</b>	(11.6)
<b>Total finance costs</b>	<b>170.0</b>	162.0
<b>Net finance costs</b>	<b>154.7</b>	146.9

**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 5 Taxation****Numerical reconciliation of income tax expense to prima facie tax payable**

	<b>30 September</b>	30 September
	<b>2015</b>	2014
	<b>\$M</b>	\$M
Profit before income tax expense	<b>300.4</b>	193.4
Tax at the Australian tax rate of 30.0% (2014: 30.0%)	<b>90.1</b>	58.0
<b>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</b>		
ATO settlement cash payment (i)	-	24.6
ATO settlement - cancellation of tax losses (i)	-	118.0
Impact of entry into new tax consolidated group (ii)	<b>(131.5)</b>	-
ATO settlement - Intellectual Property matter (iii)	<b>(28.1)</b>	-
Prior year (over)/under provision	<b>(4.6)</b>	(1.5)
Sundry items	-	(0.8)
<b>Income tax (benefit)/expense</b>	<b>(74.1)</b>	198.3

- (i) On 4 March 2015 the Group and the ATO executed a binding Settlement Deed regarding all matters concerning intra-group financing arrangements and rights to future income issues. This settlement resulted in:
- making a primary tax payment of \$23.5 million and an interest payment (deductible) of \$1.5 million;
  - cancelling \$506.5 million of carried-forward tax losses of which, \$393.2 million were previously recognised in the statement of financial position and as such have been written off; and
  - ceasing to take interest deductions in respect of AusNet Services Finance Trust loans from 1 April 2014.
- (ii) Under the new corporate structure, AusNet Services Ltd has formed a single tax consolidated group that replaces the previous two tax consolidated groups of AusNet Services (Distribution) Ltd and AusNet Services (Transmission) Ltd. As a result of this change:
- the tax bases of the assets of the Distribution Group have been reset with a valuation uplift of \$976.3 million recognised. As a result, deferred tax liabilities have been reduced by \$292.9 million (being the tax effect of the valuation uplift);
  - the change to a new tax consolidated group triggered the cancellation of certain historical tax losses under the Same Business Test and an increase in deferred tax liabilities of \$153.0 million; and
  - the change to a new tax consolidated group required the reversal of historical deferred tax on derivative financial instruments (\$8.4 million).
- (iii) On 8 September 2015, the Group and the ATO executed a binding Settlement Deed to settle the dispute relating to intellectual property deductions claimed by AusNet Services (and its predecessors) in the 1998 to 2010 tax years. As at 31 March 2015, the Group recognised an \$84.1 million tax charge in relation to the total disputed amounts. As a result of the settlement, \$28.1 million of prior period tax expense has been credited to income tax expense.

**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 6 Dividends**

The following dividend was approved and paid by AusNet Services to shareholders during the current interim financial period:

	<b>Paid by</b>	<b>Date paid</b>	<b>Cents per security</b>	<b>Total dividend \$M</b>
<b>Dividends</b>				
Fully franked dividend	AusNet Services Ltd	26 June 2015	2.508	86.9
Unfranked dividend	AusNet Services Ltd	26 June 2015	1.672	58.0
<b>Total dividends</b>			<b>4.180</b>	<b>144.9</b>

The following distribution was approved and paid by AusNet Services Transmission and AusNet Services Finance Trust to stapled securityholders during the previous interim financial period:

<b>Distributions</b>				
Fully franked dividend	AusNet Services Transmission	27 June 2014	1.393	47.2
Interest income	AusNet Services Finance Trust	27 June 2014	2.379	80.6
Return of capital	AusNet Services Finance Trust	27 June 2014	0.408	13.8
<b>Total distributions</b>			<b>4.180</b>	<b>141.6</b>

In relation to the dividend paid in the current financial period of \$144.9 million (2014: \$141.6 million), \$57.7 million (2014: \$51.4 million) less transaction costs was utilised in the allotment of new securities issued under the DRP.

**Note 7 Earnings per share****(a) Basic earnings per share**

	<b>30 September 2015</b>	30 September 2014
Profit/(loss) attributable to the ordinary shareholders of AusNet Services (\$M)	<b>374.5</b>	(4.9)
Weighted average number of shares (million)	<b>3,489.1</b>	3,406.9
Basic earnings per share (cents)	<b>10.73</b>	(0.14)

**(b) Diluted earnings per share**

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

**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 8 Borrowings**

	<b>Maturity date</b>	<b>30 September 2015</b> \$M	31 March 2015 \$M
<b>Current borrowings</b>			
Commercial paper		-	94.6
Swiss franc (CHF) senior notes (i)		-	646.1
US dollar (USD) senior notes (i)	Sep 2016	<b>409.0</b>	-
Bank debt facilities		-	36.0
<b>Total current borrowings</b>		<b>409.0</b>	<b>776.7</b>
<b>Non-current borrowings</b>			
US dollar (USD) senior notes (i)	Dec 2016	<b>151.1</b>	518.5
Bank debt facilities	2017-2019	<b>422.4</b>	472.1
Swiss franc (CHF) senior notes (i)	2017-2019	<b>781.4</b>	718.6
Domestic medium term notes	2017-2024	<b>1,414.2</b>	1,414.2
Pound sterling (GBP) senior notes (i)	2018	<b>589.9</b>	540.9
Floating rate notes	2020	<b>99.8</b>	99.7
Euro (EUR) senior notes (i)	2020-2027	<b>2,333.9</b>	2,076.1
Hong Kong dollar (HKD) senior notes (i)	2020-2028	<b>410.6</b>	376.6
Japanese yen (JPY) senior notes (i)	2024	<b>61.4</b>	55.9
Norwegian kroner (NOK) senior notes (i)	2029	<b>168.5</b>	166.8
<b>Total non-current borrowings</b>		<b>6,433.2</b>	<b>6,439.4</b>
<b>Total borrowings (ii)</b>		<b>6,842.2</b>	<b>7,216.1</b>

- (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 fair value of total borrowings as at 30 September 2015 was \$7,328.2 million (31 March 2015: \$7,817.7 million). This fair value measurement uses significant market observable data, and therefore is a level two measurement within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. The valuation techniques applied are consistent with those applied by the Stapled Group in its combined financial report as at and for the year ended 31 March 2015.

AusNet Services had \$450 million of undrawn but committed non-current bank debt facilities and \$33 million cash on deposit as at 30 September 2015. AusNet Services has an A- credit rating from Standard and Poor's and an A3 credit rating from Moody's Investor Services.

**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 9 Equity****Movements in ordinary share capital**

<b>Date</b>	<b>Details</b>	<b>Notes</b>	<b>Number of shares</b>	<b>\$M</b>
1 April 2015	Opening balance		3,466,913,009	3,456.6
18 June 2015	Impact of corporate restructure	(i)	-	1,501.1
26 June 2015	Dividend reinvestment plan	(ii)	41,801,443	57.7
30 September 2015	Closing balance		3,508,714,452	5,015.4

(i) Refer to note 1(b).

(ii) On 26 June 2015, 41.8 million new shares were issued under the DRP. The new shares were issued at a price of \$1.38 per share providing approximately \$57.7 million.

**Note 10 Financial risk management**

The Directors and other key management personnel of AusNet Services are engaged to provide services to the Group and are not exclusive to any particular entity within the Group. Accordingly, funding and other policy matters are managed for the whole of the Group and not on an individual entity basis.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives. The internal audit department periodically reviews compliance with financial risk management policies and exposure limits.

The objective of hedging activities carried out by the Group is to minimise the exposure to changes in interest rates and foreign exchange rates. Changes in interest rates are hedged by matching the actual cost of debt with the cost of debt assumed by the regulator when setting the rate of return for the relevant regulated business for each regulatory reset period.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group's financial risk management objectives and policies are consistent with those disclosed in the Stapled Group's combined financial report as at and for the year ended 31 March 2015.



## Condensed notes to the consolidated interim financial statements (continued)

For the period ended 30 September 2015

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### Note 11 Fair value measurement

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

The valuation techniques applied by the Group are consistent with those applied and disclosed by the Stapled Group in its combined financial report as at and for the year ended 31 March 2015.

The Group also has a number of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position. With the exception of borrowings, the carrying amounts of these items are considered to be a reasonable approximation of their fair value at 30 September 2015.

### Note 12 Critical accounting estimates and judgements

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

In preparing this consolidated interim financial report, the key sources of estimation uncertainty were the same as those that applied to the Stapled Group in its combined financial report as at and for the year ended 31 March 2015. Some of the critical judgements and estimates used by management in applying the Group's accounting policies for the period ended 30 September 2015 have been updated to reflect the latest available information. These updates have not had a significant impact on the financial performance or financial position of the Group for the period ended 30 September 2015.

Judgements have been made regarding the application of tax laws and the valuation of assets in the calculation of the tax base reset arising from the corporate restructure and formation of a single tax consolidated group. This has resulted in a \$292.9 million tax benefit being recognised in the income statement. The calculation is based on current tax law. There are pending amendments to the consolidation rules which if introduced with retrospective application could adversely impact the quantum of the tax base reset value. AusNet Services has applied for a binding private ruling from the ATO in relation to the process and methodology of this reset, which is expected to be received before the end of calendar 2015. If the ruling is not in AusNet Services favour or if the ATO forms a different view on the valuations applied, then this may result in an adjustment to the tax benefit recognised.

**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 13 Contingent liabilities**

AusNet Services is involved in various legal and administrative proceedings and various claims on foot, including two bushfire class actions relating to fires that occurred in February 2014. In the opinion of AusNet Services, the ultimate resolution of these matters should not have a material effect on the consolidated financial position, results of operations or cash flows.

Other than listed above, the Directors are not aware of any contingent liabilities as at 30 September 2015.

**Note 14 Events occurring after the balance sheet date****(a) Dividend**

Since the end of the financial period, the Directors have approved an interim dividend for 2016 of \$149.7 million (4.265 cents per share) to be paid on 24 December 2015, comprised as follows:

	<b>Cents per share</b>	<b>Total dividend \$M</b>
Fully franked dividend payable by AusNet Services Ltd	4.265	149.7
	<b>4.265</b>	<b>149.7</b>

**(b) General Meeting results**

On 26 October 2015, AusNet Services held a general meeting. The general meeting had one resolution, which was passed by shareholders with 98.4 per cent support, to enable the DRP to continue to run for FY16. As a result, the DRP will be available on the Interim and Final Dividend declared.

**Condensed notes to the consolidated interim financial statements (continued)**

For the period ended 30 September 2015

**Note 14 Events occurring after the balance sheet date (continued)****(c) Preliminary Electricity Distribution Price Review (EDPR) decision**

On 29 October 2015, the Australian Energy Regulator (AER) released its preliminary decision on AusNet Services' 2016-20 EDPR. The preliminary decision is as follows:

Regulatory period	Current period 2011-15 \$M	AusNet Services 2016-20 proposal \$M	AER draft decision \$M
Net Capex (Nominal)	1,579	1,866	1,614
Opex (Nominal)	928	1,260	1,191
Revenue (Nominal)	2,533	3,461	2,887

The preliminary decision also outlines metering revenues of \$443 million, a 12 per cent reduction from AusNet Services' proposal. A large part of this reduction relates to the AER rejecting replacement capital expenditure for metering.

AusNet Services is reviewing the preliminary decision and will provide further information to the AER to challenge these outcomes. The final decision is expected by the end of April 2016.

**(d) Other matters**

Other than outlined above, there has been no matter or circumstance that has arisen since 30 September 2015 up to the date of issue of this financial report that has significantly affected or may significantly affect:

- (a) the operations in financial periods subsequent to 30 September 2015 of the Group;
- (b) the results of those operations; or
- (c) the state of affairs, in financial periods subsequent to 30 September 2015, of the Group.

AusNet Services Ltd  
**Directors' declaration**

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

- (a) the interim financial statements and notes set out on pages 12 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 September 2015 and its performance for the six month period ended on that date; and
- (iii) 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.



**Ng Kee Choe**  
Chairman



**Nino Ficca**  
Managing Director

Melbourne  
**16 November 2015**



## **Independent auditor's review report to the members of AusNet Services Ltd**

### **Report on the financial report**

We have reviewed the accompanying interim financial report of AusNet Services Ltd, which comprises the consolidated interim statement of financial position as at 30 September 2015, consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the interim period ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

#### *Directors' responsibility for the interim financial report*

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

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim 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 September 2015 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of AusNet Services Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

#### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of AusNet Services Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 September 2015 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

A handwritten signature in black ink, appearing to read 'Paul McDonald', written in a cursive style.

Paul McDonald  
*Partner*

Melbourne

16 November 2015