

**AusNet Pty Ltd**  
**ACN 603 317 559**

**Unaudited Interim Financial Report**

**For the financial period ended 30 September 2022**

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

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

Level 31, 2 Southbank Boulevard  
Southbank, Victoria 3006  
Australia

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Group for the year ended 31 March 2022.

**Consolidated interim income statement**

For the period ended 30 September 2022

		<b>30 September</b>	30 September
		<b>2022</b>	2021
	<b>Notes</b>	<b>\$M</b>	<b>\$M</b>
<b>Revenue</b>	B.2	<b>1,063.2</b>	1,031.8
Use of system and associated charges		<b>(64.9)</b>	(61.5)
Easement and land tax		<b>(103.3)</b>	(91.7)
Employee benefit expenses		<b>(76.5)</b>	(90.3)
External maintenance and contractors' services		<b>(73.1)</b>	(73.9)
Materials		<b>(6.7)</b>	(7.5)
Information technology and communication costs		<b>(28.8)</b>	(27.6)
Administrative expenses		<b>(21.6)</b>	(19.8)
Service level payments		<b>(2.9)</b>	(3.1)
Disposal of property plant and equipment		<b>(4.2)</b>	(6.7)
Other costs		<b>(19.7)</b>	(13.3)
<b>Total expenses excluding depreciation, amortisation, interest and tax</b>		<b>(401.7)</b>	(395.4)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>661.5</b>	636.4
Depreciation and amortisation		<b>(238.8)</b>	(234.4)
<b>Profit from operating activities</b>		<b>422.7</b>	402.0
Finance income	D.2	<b>17.7</b>	19.1
Finance costs	D.2	<b>(180.3)</b>	(177.0)
<b>Net finance costs</b>		<b>(162.6)</b>	(157.9)
<b>Profit before income tax</b>		<b>260.1</b>	244.1
Income tax expense	B.6	<b>1,463.7</b>	(66.6)
<b>Profit for the period</b>		<b>1,723.8</b>	177.5

*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 2022

	<b>30 September</b>	30 September
	<b>2022</b>	2021
	<b>\$M</b>	\$M
Profit for the period	<b>1,723.8</b>	177.5
<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>0.7</b>	5.3
Income tax on movement in defined benefit fund	<b>(0.2)</b>	(1.6)
	<b>0.5</b>	3.7
<b>Items that may be reclassified to profit or loss in subsequent periods</b>		
Movement in hedge reserve	<b>451.4</b>	(88.4)
Income tax on movement in hedge reserve	<b>(135.3)</b>	26.5
	<b>316.1</b>	(61.9)
<b>Other comprehensive loss for the period, net of income tax</b>	<b>316.6</b>	(58.2)
<b>Total comprehensive income for the period</b>	<b>2,040.4</b>	119.3

*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 2022

	Notes	30 September 2022 \$M	31 March 2022 \$M
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		68.4	272.8
Receivables	B.4	249.1	177.8
Other financial assets	B.5	14.7	14.1
Inventories		39.5	41.0
Derivative financial instruments		15.8	3.4
Other assets		36.2	25.7
<b>Total current assets</b>		<b>423.7</b>	<b>534.8</b>
<b>Non-current assets</b>			
Inventories		26.9	22.7
Property, plant and equipment	C.1	11,747.8	11,603.7
Intangible assets	C.2	561.9	560.4
Other financial assets	B.5	464.0	468.7
Derivative financial instruments		934.9	416.9
Deferred tax assets	B.6	318.1	-
Other assets		95.6	93.6
<b>Total non-current assets</b>		<b>14,149.2</b>	<b>13,166.0</b>
<b>Total assets</b>		<b>14,573.0</b>	<b>13,700.8</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables and other liabilities		328.4	309.9
Lease liabilities		8.6	6.1
Provisions	E.2	80.9	108.0
Borrowings	D.1	56.0	338.3
Tax payable		-	6.0
Derivative financial instruments		0.7	22.8
<b>Total current liabilities</b>		<b>474.6</b>	<b>791.1</b>
<b>Non-current liabilities</b>			
Deferred revenue		213.4	216.8
Lease liabilities		59.3	68.3
Provisions	E.2	47.0	49.8
Borrowings	D.1	9,613.3	9,183.2
Derivative financial instruments		718.3	515.0
Deferred tax liabilities		-	1,007.6
<b>Total non-current liabilities</b>		<b>10,651.3</b>	<b>11,040.7</b>
<b>Total liabilities</b>		<b>11,125.9</b>	<b>11,831.8</b>
<b>Net assets</b>		<b>3,447.1</b>	<b>1,869.0</b>
<b>EQUITY</b>			
Contributed equity	D.3	5,228.1	5,557.1
Reserves		(2,917.3)	(3,233.4)
Retained profits		2,231.4	640.4
Other equity		(1,095.1)	(1,095.1)
<b>Total equity</b>		<b>3,447.1</b>	<b>1,869.0</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 2022

	Notes	Share capital \$M	Restructure reserve (i) \$M	Hedge reserve (ii) \$M	Asset revaluation reserve (iii) \$M	Share based payment reserve (iv) \$M	Other equity (v) \$M	Retained profits \$M	Total equity \$M
<b>30 September 2022</b>									
Balance as at 1 April 2022		5,557.1	(3,501.9)	215.6	52.9	-	(1,095.1)	640.4	1,869.0
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	1,723.8	1,723.8
Other comprehensive income		-	-	316.1	-	-	-	0.5	316.6
<b>Total comprehensive income for the period</b>									
		-	-	<b>316.1</b>	-	-	-	<b>1,724.3</b>	<b>2,040.4</b>
<b>Transactions with owners, recorded directly in equity</b>									
Dividends paid (vi)	D.4	-	-	-	-	-	-	(133.3)	(133.3)
Return of capital (vi)	D.3	(329.0)	-	-	-	-	-	-	(329.0)
<b>Total transactions with owners</b>									
		<b>(329.0)</b>	-	-	-	-	-	<b>(133.3)</b>	<b>(462.3)</b>
<b>Balance as at 30 September 2022</b>									
		<b>5,228.1</b>	<b>(3,501.9)</b>	<b>531.7</b>	<b>52.9</b>	-	<b>(1,095.1)</b>	<b>2,231.4</b>	<b>3,447.1</b>
<b>30 September 2021</b>									
Balance as at 1 April 2021		5,487.8	(1,501.9)	(294.8)	51.4	0.9	(1,095.1)	786.6	3,434.9
<b>Total comprehensive income for the period</b>									
Profit for the period		-	-	-	-	-	-	177.5	177.5
Other comprehensive income		-	-	(61.9)	-	-	-	3.7	(58.2)
<b>Total comprehensive income for the period</b>									
		-	-	<b>(61.9)</b>	-	-	-	<b>181.2</b>	<b>119.3</b>
<b>Transactions with owners, recorded directly in equity</b>									
Dividends paid	D.4	-	-	-	-	-	-	(180.6)	(180.6)
Dividend Reinvestment Plan (net of transaction costs)	D.3	49.4	-	-	-	-	-	-	49.4
Shares purchased as part of employee share plans	D.3	(1.7)	-	-	-	-	-	-	(1.7)
Share based payment reserve	D.3	1.6	-	-	-	0.2	-	-	1.8
<b>Total transactions with owners</b>									
		<b>49.3</b>	-	-	-	<b>0.2</b>	-	<b>(180.6)</b>	<b>(131.1)</b>
<b>Balance as at 30 September 2021</b>									
		<b>5,537.1</b>	<b>(1,501.9)</b>	<b>(356.7)</b>	<b>51.4</b>	<b>1.1</b>	<b>(1,095.1)</b>	<b>787.2</b>	<b>3,423.1</b>

## Consolidated interim statement of changes in equity

For the period ended 30 September 2022

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- (i) Under the 2015 corporate restructure, former AusNet Services Ltd shares were issued to shareholders in return for their stapled securities. The former AusNet Services Ltd share capital was measured at fair value on the date of the transaction, being the market capitalisation of the AusNet Services Stapled Group on the date of implementation of 18 June 2015 (\$4,957.7 million). The difference (\$1,501.9 million) between the contributed equity of AusNet Pty Ltd and the pre-restructure contributed equity of the Stapled Group at the date of the transaction was recognised as a restructure reserve.
- As a part of the financing for the acquisition of AusNet Pty Ltd (formerly AusNet Services Ltd), Australian Energy Holdings No 4 Pty Ltd (the new immediate holding entity of AusNet Pty Ltd) entered into a \$2.0 billion two year bridging loan facility. On 9 March 2022, AusNet Services Holdings Pty Ltd assumed all liabilities of this facility. As a result, there was no cash proceeds received for the novated facility and an entry to restructure reserves of \$2.0 billion was recognised as an equity transaction with owners. \$0.5 billion of the loan was repaid on 30 March 2022, and the remaining \$1.5 billion was repaid during the half year ended 30 September 2022.
- (ii) The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. These gains or losses are transferred to the income statement when the hedged item affects income, except for highly probable forecast purchases of an asset where the gains or losses are included in the initial measurement of that asset.
- (iii) The balance of \$52.9 million includes \$51.4 million representing the fair value uplift to the assets of the AusNet Services Transmission Group on the date that the previous Stapled Group was formed. The fair value uplift was applied to easements which are considered to have an indefinite useful life. The amount was carried into the asset revaluation reserve of the Group following the corporate restructure on 18 June 2015.
- The remaining \$1.5 million in the asset revaluation reserve represents a fair value adjustment relating to recognition of an equity investment measured at fair value through other comprehensive income, arising from the Group's remaining 20% interest of the Geospatial business sold on 15 February 2022.
- (iv) The share based payment reserve represents the tax-effected fair value of the performance rights granted under the long term incentive plan as well as the difference between the vested cost and expense recognised. All outstanding rights granted were vested on 16 February 2022. Following the vesting, the remaining balance in share-based payment reserves was transferred to retained profits.
- (v) The other equity component results from the application of reverse acquisition accounting and represents the difference between the net assets of AusNet Services (Transmission) Ltd and AusNet Finance Pty Ltd and the purchase price paid by the legal acquirer, AusNet Services (Transmission) Ltd on 20 October 2005.
- (vi) In the current half year period, dividends of \$133.3 million were paid and a return of capital of \$329.0 million made from AusNet Pty Ltd to Australian Energy Holdings No 4 Pty Ltd. For the half year ended 30 September 2021, dividends of \$180.6 million were paid to shareholders of AusNet Services Ltd.

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

**Consolidated interim statement of cash flows**

For the period ended 30 September 2022

	<b>30 September 2022</b>	30 September 2021
	<b>\$M</b>	\$M
<b>Cash flows from operating activities</b>		
Profit for the period	1,723.8	177.5
Add back interest, tax, depreciation and amortisation	(1,062.3)	458.9
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>661.5</b>	636.4
Non-cash gifted assets revenue	(26.8)	(22.4)
Other non-cash items	4.2	6.7
Working capital movement	(98.4)	(34.4)
Income tax paid	-	(25.5)
Net interest paid	(193.0)	(157.8)
<b>Net cash inflow from operating activities</b>	<b>347.5</b>	403.0
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment (i)	(370.9)	(385.4)
Proceeds from sale of property, plant and equipment	2.3	0.8
Proceeds from short term investments (ii)	-	569.8
Receipts from financial assets	5.0	5.3
<b>Net cash inflow/(outflow) from investing activities</b>	<b>(363.6)</b>	190.5
<b>Cash flows from financing activities</b>		
Payments for employee share plans	-	(1.7)
Payments for lease liabilities	(4.3)	(2.7)
Dividends Paid	(131.0)	(131.2)
Payment of return of capital	(329.0)	-
Proceeds from borrowings (iii)	2,111.0	-
Repayments of borrowings (iv)	(1,835.0)	(955.4)
<b>Net cash (outflow) from financing activities</b>	<b>(188.3)</b>	(1,091.0)
<b>Net (decrease)/ increase in cash held</b>	<b>(204.4)</b>	(497.5)
Cash and cash equivalents at beginning of the period	272.8	827.9
<b>Cash and cash equivalents at the end of the period</b>	<b>68.4</b>	330.4

- (i) Payments for property, plant and equipment include \$8.3 million (HY2022: \$10.0 million) for capitalised finance charges.
- (ii) There were no (HY2022: \$569.8 million) short term deposits with a maturity date more than 3 months were redeemed as cash during the period.
- (iii) Proceeds from borrowings include \$2.1 billion drawn from new syndicated facilities entered into during the half year ended 30 September 2022 and \$56.0 million drawn from working capital facilities.
- (iv) Repayments of borrowings includes a \$1.5 billion repayment of the bridging loan facility that was used for financing for the acquisition of AusNet group taken by Australian Energy Holdings No 4 Pty Limited, assumed by AusNet Services Holdings Pty Ltd in the year ended 31 March 2022, and a \$335.0 million repayment of domestic medium-term notes.

*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

30 September 2022

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## Condensed notes to the consolidated interim financial statements

30 September 2022

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### Section A Overview

#### (a) Basis of preparation

The consolidated unaudited interim financial report, prepared by a for-profit entity for the period ended 30 September 2022, represents the consolidated financial statements of the Group, which comprises AusNet Pty Ltd (the Company) and its subsidiaries. AusNet Pty Ltd was previously named AusNet Services Ltd. The ultimate Australian parent of the Company is Australian Energy Holdings No 1 Pty Ltd. The Group is also referred to as “we”, “us”, “our” or “AusNet”.

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

AusNet Pty Ltd is not required to prepare and submit an interim financial report for the period ended 30 September 2022 under the *Corporations Act 2001 Cth*. The unaudited interim financial report has been prepared to assist the Group in meeting the reporting and compliance requirements of various debt facility agreements and may not be suitable for any other purpose.

The financial report has been prepared:

- in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting*;
- on a going concern basis, which contemplates the continuity of normal trading operations. The Group’s current liabilities exceed current assets by \$50.9 million at 30 September 2022, primarily due to the classification of the working capital facility maturing in the next 12 months as a current liability. 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 2022 we have available a total of \$864.0 million of undrawn but committed bank debt facilities, as well as \$68.4 million of cash and short-term deposits;
- under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) measured at fair value; and
- with amounts rounded off to the nearest hundred thousand dollars, unless otherwise stated, in accordance with Instrument 2016/191 issued by the Australian Securities and Investments Commission.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report of the Group for the year ended 31 March 2022 and any public announcements made by AusNet Services Holdings Pty Ltd during the interim reporting period.

This interim financial report is presented in Australian dollars.

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 March 2022.

#### (b) Critical accounting estimates and judgements

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

The Group has identified a new critical accounting estimate in relation to the determination of a deferred tax asset. This arises from the increase in the tax base of depreciable assets following the acquisition of the Company and the Group joining a new tax consolidated group. Management judgement has been applied to determine the amount of Deferred Tax Asset that can be recognised based on forecast taxable income. A level of uncertainty is associated with the estimation of forecast future taxable income.

In addition, the increase in the tax base due to the tax consolidation even represents an estimate, as the tax consolidation calculations are not final. The final quantum of the asset base uplift, and unrecognised deferred tax asset, may change upon finalisation of the tax consolidation calculations. Refer to B.6.

## **Condensed notes to the consolidated interim financial statements**

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### **(b) Critical accounting estimates and judgements (continued)**

Other than estimate noted above, the key sources of estimation uncertainty were the same as those applied by the Group in its consolidated financial report as at end of the year ended 31 March 2022.

Some of the critical judgement and estimates used by management in applying the Group's accounting policies for the period ended 30 September 2022 have been updated to reflect the latest available information. Aside from tax matters referred to above in Note B.6, these updates have not had a significant impact on the financial performance or financial position of the Group as at end of the period ended 30 September 2022.

## Condensed notes to the consolidated interim financial statements

30 September 2022

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### Section B Operating our business

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

#### Note B.1 Segment information

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

## Condensed notes to the consolidated interim financial statements

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### Note B.1 Segment information (continued)

#### (a) Description of reportable segments (continued)

##### (ii) Gas distribution

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

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

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

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

##### (iii) Electricity transmission

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

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

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

##### (iv) Development & Future Networks

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

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

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

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

**Condensed notes to the consolidated interim financial statements**

30 September 2022

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

	Electricity distribution	Gas distribution	Electricity transmission	Development & Future Networks	Inter-segment eliminations	Consolidated
	\$M	\$M	\$M	\$M	\$M	\$M
<b>30 September 2022</b>						
Regulated revenue	495.7	138.8	295.2	0.3	(4.7)	925.3
Excluded prescribed transmission revenue	-	-	-	0.6	-	0.6
Excluded negotiated transmission revenue	-	-	-	10.7	-	10.7
Unregulated infrastructure revenue	-	-	-	32.2	-	32.2
Customer contributions	43.7	6.2	-	1.0	-	50.9
Service revenue	-	-	-	33.3	-	33.3
Other revenue	3.6	0.9	0.5	5.6	(0.4)	10.2
<b>Total segment revenue</b>	<b>543.0</b>	<b>145.9</b>	<b>295.7</b>	<b>83.7</b>	<b>(5.1)</b>	<b>1,063.2</b>
Segment operating expense	(195.0)	(34.5)	(134.5)	(42.8)	5.1	(401.7)
<b>Segment result - EBITDA (i)</b>	<b>348.0</b>	<b>111.4</b>	<b>161.2</b>	<b>40.9</b>	-	<b>661.5</b>
Lease interest income	-	-	-	17.7	-	17.7
<b>EBITDAaL (ii)</b>	<b>348.0</b>	<b>111.4</b>	<b>161.2</b>	<b>58.6</b>	-	<b>679.2</b>
Depreciation and amortisation	(138.1)	(30.6)	(62.3)	(7.8)	-	(238.8)
Capital expenditure	193.4	50.9	79.3	67.1	-	390.7
<b>30 September 2021</b>						
Regulated revenue	458.8	139.9	289.6	-	(4.6)	883.7
Excluded prescribed transmission revenue	-	-	14.8	8.2	-	23.0
Excluded negotiated transmission revenue	-	-	-	10.0	-	10.0
Unregulated infrastructure revenue	-	-	-	28.4	-	28.4
Customer contributions	34.6	4.7	-	0.8	-	40.1
Service revenue	-	-	-	39.9	-	39.9
Other revenue	2.3	0.2	0.7	3.7	(0.2)	6.7
<b>Total segment revenue</b>	<b>495.7</b>	<b>144.8</b>	<b>305.1</b>	<b>91.0</b>	<b>(4.8)</b>	<b>1,031.8</b>
Segment operating expense	(193.1)	(31.6)	(129.3)	(46.2)	4.8	(395.4)
<b>Segment result - EBITDA (i)</b>	<b>302.6</b>	<b>113.2</b>	<b>175.8</b>	<b>44.8</b>	-	<b>636.4</b>
Lease interest income	-	-	-	17.3	-	17.3
<b>EBITDAaL (ii)</b>	<b>302.6</b>	<b>113.2</b>	<b>175.8</b>	<b>62.1</b>	-	<b>653.7</b>
Depreciation and amortisation	(131.3)	(30.0)	(52.8)	(20.3)	-	(234.4)
Capital expenditure	215.5	57.8	60.0	59.2	-	392.5

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

(ii) EBITDA after lease income

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**Note B.1 Segment information (continued)****(c) Notes to and forming part of the segment information***(i) Accounting policies*

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

*(ii) Inter-segment eliminations*

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

**Note B.2 Revenue from contracts with customers****Disaggregated revenue**

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

<b>30 September 2022</b>	<b>Electricity distribution</b>	<b>Gas distribution</b>	<b>Electricity transmission</b>	<b>Development &amp; Future Networks</b>	<b>Inter- segment eliminations</b>	<b>Total</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>Timing of recognition</b>						
At a point in time	58.1	10.4	0.1	23.7	(0.4)	91.9
Over time	484.0	135.5	295.3	59.2	(4.7)	969.3
<b>Revenue from contracts with customers</b>	<b>542.1</b>	<b>145.9</b>	<b>295.4</b>	<b>82.9</b>	<b>(5.1)</b>	<b>1,061.2</b>
<b>Other income not in scope of AASB 15</b>						
Operating lease income	0.1	-	0.3	-	-	0.4
Income from government grants (i)	0.8	-	-	0.8	-	1.6
<b>Total segment revenue</b>	<b>543.0</b>	<b>145.9</b>	<b>295.7</b>	<b>83.7</b>	<b>(5.1)</b>	<b>1,063.2</b>
<b>30 September 2021</b>						
<b>Timing of recognition</b>						
At a point in time	46.9	8.3	0.5	27.8	(0.2)	83.3
Over time	447.9	136.5	304.4	62.4	(4.6)	946.6
<b>Revenue from contracts with customers</b>	<b>494.8</b>	<b>144.8</b>	<b>304.9</b>	<b>90.2</b>	<b>(4.8)</b>	<b>1,029.9</b>
<b>Other income not in scope of AASB 15</b>						
Operating lease income	0.1	-	0.2	-	-	0.3
Income from government grants (i)	0.8	-	-	0.8	-	1.6
<b>Total segment revenue</b>	<b>495.7</b>	<b>144.8</b>	<b>305.1</b>	<b>91.0</b>	<b>(4.8)</b>	<b>1,031.8</b>

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

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### Note B.3 Seasonality of operations

#### (a) Electricity distribution

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

#### (b) Gas distribution

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

#### (c) Electricity transmission

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

Easement tax pass-through revenue (and the associated payments to the State Revenue Office) have a payment profile weighted towards the first half of the year. Under AASB 15 *Revenue from Contracts with Customers*, both the revenue and expense are recognised on a straight-line basis over the financial year. As such, at 30 September 2022 we have prepayment and deferred revenue balances representing this accounting treatment.

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

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



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**Note B.4 Receivables**

	<b>30 September 2022 \$M</b>	31 March 2022 \$M
<b>Current receivables</b>		
Accounts receivable	84.6	26.5
Allowance for impairment loss	(0.3)	(1.8)
Accrued revenue	164.6	153.0
Interest receivable	-	0.1
Related party receivables	0.2	-
<b>Total current receivables</b>	<b>249.1</b>	<b>177.8</b>

**Note B.5 Other financial assets**

	<b>30 September 2022 \$M</b>	31 March 2022 \$M
<b>Current other financial assets</b>		
Lessor receivable (i)	2.8	2.2
Desalination licence receivable	11.9	11.7
Cash held by employee share trust	-	0.2
<b>Total other current financial assets</b>	<b>14.7</b>	<b>14.1</b>
<b>Non-current other financial assets</b>		
Lessor receivable (i)	321.5	321.2
Desalination licence receivable	141.0	146.0
Equity investments measured at fair value (ii)	1.5	1.5
<b>Total non-current other financial assets</b>	<b>464.0</b>	<b>468.7</b>

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

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### Note B.6 Taxation

#### (a) Tax consolidation event

##### *Deferred taxes*

Following the acquisition of the Company on 16 February 2022, the Company joined a tax consolidated group headed by Australian Energy Holdings No 1 Pty Ltd and is subject to a new tax funding arrangement. Australian Energy Holdings No 1 Pty Limited will file its first tax return for the tax consolidated group for the period ending 31 December 2022.

This tax consolidation event resulted in a reset and increase in the tax base of depreciable assets of the Group, which has created an estimated deductible temporary difference of \$5.0 billion. The increase in the tax base of depreciable assets represents an estimate, as the tax consolidation calculations are not final and is subject to change upon finalisation of the tax consolidation calculations.

Recognition of an associated Deferred Tax Asset (DTA) for this deductible temporary difference was assessed under the requirements of AASB 112 Income Taxes, and an amount of \$318.1 million was recognised. This was based on the forecasted taxable income of the Group. A prima facie deferred tax asset of \$933.9 million relating to the step-up of the tax bases was not recognised at 30 September 2022, as it was assessed as not being probable of utilisation at the date of the interim financial report.

The DTA 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 forecasted taxable income.

##### *Tax payable*

The tax payable of \$6m relating to the tax period ended 16 February 2022 has been transferred to the head of the new tax consolidated group, Australian Energy Holdings No 1 Pty Ltd.

#### (b) Uncertain tax positions

At present there are several tax matters and tax positions of the former AusNet tax consolidated group that are being considered:

- In FY2021, an objection was filed with the ATO in relation to potential uplifts in tax bases in relation to the tax consolidation event in 2015. The ATO has provided notice to disallow this objection in May 2022 and the Group has initiated court proceedings, with a court ruling to be scheduled in 2024. No tax position has been recognised in the financial statements, as the tax base in historical tax returns had reflected ATO's position.
- On 17 October 2022, the ATO issued a tax position paper to the Group in relation to the deductibility of certain historical capital expenditure incurred in relation to the Powerline Replacement Fund programme. The Group is assessing its position but expects to file an objection against the ATO. The exposure of \$11.0m has been recognised in determining the current and deferred tax positions based on a probability weighted range of possible outcomes.

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**Section C Investing in our business**

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

**Note C.1 Property, plant and equipment**

	Freehold land \$M	Buildings \$M	Easements \$M	Transmission network (i) \$M	Electricity distribution network \$M	Gas distribution network \$M	Other plant and equipment \$M	Right- of-use asset \$M	Capital work in progress \$M	Total \$M
<b>30 September 2022</b>										
Cost	272.9	664.7	1,225.3	3,619.1	6,932.1	2,398.6	733.8	85.3	590.6	<b>16,522.4</b>
Accumulated depreciation	-	(145.2)	-	(1,159.2)	(2,191.0)	(650.9)	(604.8)	(23.5)	-	<b>(4,774.6)</b>
<b>Carrying amount as at 30 September 2022</b>	<b>272.9</b>	<b>519.5</b>	<b>1,225.3</b>	<b>2,459.9</b>	<b>4,741.1</b>	<b>1,747.7</b>	<b>129.0</b>	<b>61.8</b>	<b>590.6</b>	<b>11,747.8</b>
<b>31 March 2022</b>										
Cost	273.6	659.1	1,225.4	3,573.8	6,808.8	2,352.1	736.0	86.2	504.9	<b>16,219.9</b>
Accumulated depreciation	-	(138.8)	-	(1,119.5)	(2,101.9)	(627.4)	(601.6)	(27.0)	-	<b>(4,616.2)</b>
<b>Carrying amount as at 31 March 2022</b>	<b>273.6</b>	<b>520.3</b>	<b>1,225.4</b>	<b>2,454.3</b>	<b>4,706.9</b>	<b>1,724.7</b>	<b>134.4</b>	<b>59.2</b>	<b>504.9</b>	<b>11,603.7</b>

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

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**Note C.2 Intangible assets**

	<b>Distribution licences</b>	<b>Goodwill</b>	<b>Software</b>	<b>Total</b>
	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>	<b>\$M</b>
<b>30 September 2022</b>				
Cost	354.5	12.0	809.8	1,176.3
Accumulated amortisation	-	-	(614.4)	(614.4)
<b>Carrying amount as at 30 September 2022</b>	<b>354.5</b>	<b>12.0</b>	<b>195.4</b>	<b>561.9</b>
<b>31 March 2022</b>				
Cost	354.5	12.0	784.8	1,151.3
Accumulated impairment	-	-	(3.1)	(3.1)
Accumulated amortisation	-	-	(587.8)	(587.8)
<b>Carrying amount as at 31 March 2022</b>	<b>354.5</b>	<b>12.0</b>	<b>193.9</b>	<b>560.4</b>

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**Section D Financing our business**

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

**Note D.1 Borrowings**

		<b>30 September</b>	31 March
		<b>2022</b>	2022
	<b>Maturity date</b>	<b>\$M</b>	<b>\$M</b>
<b>Current borrowings</b>			
Working capital facility	November 2022	<b>56.0</b>	338.3
<b>Total current borrowings</b>		<b>56.0</b>	338.3
<b>Non-current borrowings</b>			
Euro (EUR) senior notes (i)	2024-2030	<b>2,176.5</b>	2,217.0
Domestic medium-term notes	2024-2043	<b>2,387.3</b>	2,474.0
Japanese Yen (JPY) senior notes (i)	2024	<b>54.5</b>	55.7
Bank debt facilities	2025-2032	<b>2,036.7</b>	1,499.9
Hong Kong dollar (HKD) senior notes (i)	2026-2034	<b>800.8</b>	729.8
US dollar (USD) senior notes (i)	2026	<b>121.4</b>	106.1
Norwegian Kroner (NOK) senior notes (i)	2027-2029	<b>439.8</b>	505.0
Australian dollar (AUD) hybrid (ii)	2080	<b>647.1</b>	649.5
Euro (EUR) hybrid securities (i), (ii)	2081	<b>949.2</b>	946.2
<b>Total non-current borrowings</b>		<b>9,613.3</b>	9,183.2
<b>Total borrowings</b>		<b>9,669.3</b>	9,521.5

- (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.

The Group had \$864.0 million of undrawn but committed bank debt facilities and \$68.4 million cash as at 30 September 2022.

**(a) Fair value measurement**

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

The Group also has a number of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position. With the exception of borrowings, the carrying amounts of these items are considered to be a reasonable approximation of their fair value at 30 September 2022.

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**Note D.1 Borrowings (continued)****(a) Fair value measurement (continued)**

The fair value of total borrowings as at 30 September 2022 is \$10,096.3 million (31 March 2022: \$10,245.0 million). This fair value measurement uses significant market observable data, and therefore is a level two measurement within the fair value hierarchy as per AASB 13 *Fair Value Measurement*. The valuation techniques applied are consistent with those applied in the consolidated financial report as at and for the year ended 31 March 2022.

**Note D.2 Net finance costs**

	<b>30 September</b>	30 September
	<b>2022</b>	2021
	<b>\$M</b>	\$M
<b>Finance income</b>		
Interest income	<b>0.1</b>	1.8
Lease interest income	<b>17.6</b>	17.3
<b>Total finance income</b>	<b>17.7</b>	19.1
<b>Finance costs</b>		
Interest expense	<b>189.9</b>	175.3
Interest expense – leases	<b>(0.5)</b>	2.4
Other finance charges – cash	<b>3.2</b>	1.5
Other finance charges - non-cash	<b>5.8</b>	3.6
(Gain)/loss on accounting for hedge relationships	<b>(6.3)</b>	3.7
Unwind of discount on provisions	<b>(2.4)</b>	1.1
Defined benefit net interest income	<b>(1.1)</b>	(0.6)
Capitalised finance charges	<b>(8.3)</b>	(10.0)
<b>Total finance costs</b>	<b>180.3</b>	177.0
<b>Net finance costs</b>	<b>162.6</b>	157.9

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**Note D.3 Equity**

		<b>30 September 2022 \$M</b>	31 March 2022 \$M
<b>Contributed equity</b>			
Ordinary share capital	(a)	<u>5,228.1</u>	5,557.1
<b>Total contributed equity</b>		<u>5,228.1</u>	5,557.1

**(a) Movements in ordinary share capital**

<b>Date</b>	<b>Details</b>	<b>Number of shares</b>	<b>\$M</b>
1 April 2022	Opening balance	3,835,799,900	5,557.1
24 June 2022	Return of capital (i)	-	(329.0)
<b>30 September 2022</b>	<b>Closing balance</b>	<b>3,835,799,900</b>	<b>5,228.1</b>
1 April 2021	Opening balance	3,801,232,373	5,492.6
25 June 2021	Dividend Reinvestment Plan (ii)	28,732,113	49.4
30 September 2021	Closing balance	3,829,964,486	5,542.0
16 February 2022	Issuance of new shares (iii)	5,835,414	15.1
<b>31 March 2022</b>	<b>Closing balance</b>	<b>3,835,799,900</b>	<b>5,557.1</b>

- (i) A return of capital of \$329.0 million was made from AusNet Pty Ltd to Australian Energy Holdings No 4 Pty Ltd during the half year ended 30 September 2022.
- (ii) The value of DRP is net of transaction costs.
- (iii) In relation to the equity-settled long-term incentive plan of the Company, 7,670,443 rights vested in FY2022. To satisfy the vesting of those, 5,430,962 new shares were issued, with the remainder transferred from the employee shares plan trust. In addition, 404,452 new shares were issued to satisfy deferred short term incentive rights.

**Note D.4 Dividends**

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

<b>Dividend</b>	<b>Date declared</b>	<b>Cents per share</b>	<b>Total dividend \$M</b>
<i>Current period</i>			
Q2 Group distribution	24 June 2022	N/A	1.2
Q3 Group distribution	19 September 2022	N/A	132.1
<i>Prior period</i>			
Final FY2021 dividend	30 September 2021	4.75	180.6

In the current half year period, dividends of \$133.3 million were paid from AusNet Pty Ltd to Australian Energy Holdings No 4 Pty Ltd. For the half year ended 30 September 2021, dividends of \$180.6 million were paid to shareholders.

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**Section E Other disclosures**

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

**Note E.1 Contingent liabilities and contingent assets****(a) Rapid Earth Fault Current Limiter (REFCL) penalty regime**

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

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

Compliance date	Completed		To be completed by		Total
	1 November 2021	1 November 2022	1 May 2023		
Zone substations	14	5	3		22
Compliance points	47	9	8		64

Subsequent to the half year period, the Group has demonstrated compliance to Energy Safe Victoria in relation to the 1 November 2022 deadlines indicated above and received official confirmation that compliance was achieved. The Group expects to meet final compliance deadlines of 1 May 2023. However, 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 Energy Safe Victoria (ESV) or the Minister, to apply to the Supreme Court of Victoria seeking the imposition of significant financial penalties if a distributor fails to achieve the number of points prescribed by the Regulations throughout the applicable period. The legislation provides that the Court can impose a maximum penalty of \$2 million per point for each station for which a distributor has not achieved compliance. Accordingly, penalties of up to \$10 million per zone substation can apply if AusNet fails to achieve the required capacity during the relevant compliance period. Additionally, the Court can impose a maximum daily penalty of \$5,500 for each day AusNet remains non-compliant.

**(b) Other**

AusNet is involved in various tax, legal and administrative proceedings and various claims on foot, the ultimate resolution of which, in the opinion of AusNet, will not have a material effect on the consolidated financial position, results of operations or cash flows. Other than as listed above and risk in relation to tax positions noted in B.6 and provisions noted in E.2, we are not aware of any contingent liabilities or assets as at 30 September 2022 (FY2022: \$0).

**Note E.2 Provisions****(a) Measurement of environmental provision**

Provisions include an environmental provision of \$36.2 million, which represents an estimate of costs to remediate soil and water contamination on gas sites which were previously used as coal production facilities. The provision is based on preliminary cost estimates and timing of remediation, considering current legal and regulatory requirements, the estimated extent of the contamination, the nature of the site and surrounding areas, and the technologies and methods available. Management is exploring a number of strategies for future land use options for the three sites, with 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 September 2022.

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



## **Note E.2 Provisions (continued)**

### **(b) Measurement of employee wages remediation provision**

Included within the employee benefits provision is the employee wages remediation provision of \$5.9 million, raised for costs associated with underpayment of wages to certain employees of the Group under the current Enterprise Agreement. The provision recognised represents the difference in salaries paid to past and current employees and payments they would be entitled to under the terms of the Enterprise Agreement, plus interest and gratuity payments agreed with parties involved.

In the current period, the review process was completed and engagement with Fair Work Ombudsman and the Unions finalised. As a result, the provision balance was reduced from \$16.0 million recognised at 31 March 2022 to \$11.0 million. The Company has made payments of \$5.1 million to past and current employees in the current half year period, with the provision balance of \$5.9 million representing remaining payments to be made.

## **Note E.3 Events occurring after the balance sheet date**

There has been no matter or circumstance that has arisen since 30 September 2022 up to the date of issue of this financial report that has significantly affected or may significantly affect:

- (a) the operations in the financial period subsequent to 30 September 2022 of the Group;
- (b) the results of those operations; or
- (c) the state of affairs, in the financial period subsequent to 30 September 2022, of the Group.