

ASX Announcement

31 March 2025

Financial Report for period ending 31 December 2024

The financial report of AusNet Services Holdings Pty Ltd (Code: ANV) for the period ending 31 December 2024 is enclosed.

Authorised by

Evan Holland

Company Secretary

AusNet Services Holdings Pty Ltd
ACN 086 006 859

Financial Report

For the financial year ended 31 December 2024

Directors' Report

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

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

Level 31, 2 Southbank Boulevard
Southbank, Victoria 3006
Australia

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

The financial report was authorised for issue by the Directors on 28 March 2025.

Directors' Report

The Directors of AusNet Services Holdings Pty Ltd (the Company) present their report on the general purpose financial report of the consolidated entity for the year ended 31 December 2024. The financial report is for AusNet Services Holdings Pty Ltd and its controlled entities (we, us, our, AusNet, the ASH Group, AusNet Services Holdings Group or the Group).

Our Board of Directors

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

Mark Ellul – Chief Financial Officer

Jon D'Sylva – Chief Development Officer

David Smales – Chief Executive Officer (Appointed 16 January 2024)

Operating & Financial Review

The 12-month period ended 31 December 2024 includes the following operating and financial highlights:

- Consistent with 2023 the business continued to be impacted by macro-economic factors including high levels of inflation (which saw increases to revenue and costs) and increased market interest rates (resulting in a higher cost of debt). The results of the business were impacted by significant weather events occurring in February 2024 and September 2024.
- Developments in policy and regulatory outcomes associated with the gas distribution business and the pathway to decarbonisation. In September 2024, AusNet submitted a variation request to the 2023-2028 Gas Access Arrangement Review (GAAR) to account for material policy developments, including the 2023 Victorian Government announcement to ban gas connections for new residential connections. Subsequent to year end the Australian Energy Regulator (AER) released its draft decision to not approve the proposal.
- In consultation with our customers and other stakeholders prepared our proposal for the 2026-2031 Electricity Distribution Price Review. This proposal seeks increases in expenditure allowances to support the growing needs of the network and to improve the reliability, resilience and safety of the network, while also supporting customer affordability. The proposal was submitted to the Australian Energy Regulator (AER) in January 2025.
- Completion of the issuance of \$500.0 million of domestic medium term notes from our Australian Medium Term Note (AMTN) program, and drawdown of \$580.1 million of our syndicated bank debt and \$55.0 million of bilateral bank debt. Repayments of AUD \$543.3 million of EUR senior notes, \$125.0 million of Australian medium term notes, AUD \$62.6 million of JPY senior notes and \$17.7 million of working capital facilities.

Review of Financial Results

These discussions and analysis are provided to assist readers in understanding the general purpose financial report. In addition to revenue and profit, we use Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and EBITDA after lease income (EBITDAaL) to measure our performance, which are non-IFRS measures. (EBITDA and EBITDAaL are reconciled to IFRS measures in Note B.1 in the financial statements.)

	December 2024	December 2023	Change (\$M)	Change (%)
Revenue (\$M)	1,415.3	1,361.5	53.8	4.0%
EBITDA (\$M)	806.3	862.7	(56.4)	(6.5%)
EBITDA after lease income (EBITDAaL) (\$M)	807.3	863.7	(56.4)	(6.5%)
Net profit (loss) after tax (NPAT) (\$M)	111.8	685.4	(573.6)	(83.7%)
Capital Expenditure (\$M)	712.0	588.2	123.8	21.0%

2024 saw strong revenue growth across our regulated business due to the impact of inflation and regulated price path. Operating costs increased in 2024, largely as a result of restoration costs of \$41.9 million incurred due to the February and September 2024 severe weather events. A Community Resilience Fund was established to support communities impacted by the storms and resultant power outages. This is reflected in EBITDA and NPAT performance.

Capital expenditure grew year-over-year in all segments. The Electricity distribution segment had significantly

Directors' Report

increased capital expenditure in response to replacement works and digital projects such as the Solar Emergency Backstop.

A summary of our revenues and results by business segment is set out below.

Electricity distribution business

	December 2024	December 2023	Change (\$M)	Change (%)
Revenue (\$M)	1,121.5	1,069.1	52.4	4.9%
EBITDA (\$M)	627.9	695.5	(67.6)	(9.7%)
Capital expenditure (\$M)	568.8	471.5	97.3	20.6%

The electricity distribution segment showed strong revenue growth through a combination of the regulated price path in the 2021-2026 Electricity Distribution Price Review, and a favourable impact on volumes due to weather.

There was a decline in EBITDA performance due to \$41.9 million of costs associated with the February 2024 and September 2024 severe weather event, a newly established \$12.0 million Energy Resilience Community Fund and also due to price increases in the Operations and Maintenance Services Agreement (OMSA). On 3 December 2024 the Australian Energy Regulator (AER) announced the decision to approve a cost pass through amount of \$30.1 million to allow AusNet to recover costs incurred for the February 2024 storms.

Capital expenditure increased driven by strong growth in replacement works and digital projects. This was partially offset by a reduction in capital expenditure associated with the REFCL programme, following the majority of the programme being completed in 2023.

Gas distribution business

	December 2024	December 2023	Change (\$M)	Change (%)
Revenue (\$M)	260.8	244.6	16.2	6.6%
EBITDA (\$M)	192.5	181.6	10.9	6.0%
Capital expenditure (\$M)	122.5	101.9	20.6	20.2%

Gas revenues increased during the period due to the regulatory price path as well as due to customer growth partially offset by a decrease in weather related volumes.

EBITDA performance improved due to revenue growth and stable operating costs.

Higher capital expenditure was driven by increased spend on replacement works in particular the Low Pressure Mains Replacement program and also higher digital spend.

Development & Future Networks business

	December 2024	December 2023	Change (\$M)	Change (%)
Revenue (\$M)	37.4	48.8	(11.4)	(23.4%)
EBITDA (\$M)	(14.1)	(14.4)	0.3	(2.1%)
Lease interest income (\$M)	1.0	1.0	0.0	0.0%
EBITDA after lease income (EBITDAaL) (\$M)	(13.1)	(13.4)	0.3	(2.2%)
Capital expenditure (\$M)	20.7	14.8	5.9	39.9%

Revenue was lower compared to prior period due to the divestment of our Corrosion Protection & SCADA business and lower volumes in water and gas field services business line.

EBITDA and EBITDAaL are comparable to prior periods.

Capital expenditure continued to grow in 2024.

Directors' Report

Likely developments and expected results

The Board expects steady growth in the electricity distribution underpinned by an increase in customer numbers and a stable regulatory environment. The Board continues to monitor changes to government legislation and policy for the gas industry and the potential implications for the Gas Distribution business.

Material Risks and Uncertainties

We are committed to understanding and effectively managing risk to enhance our ability to deliver on our strategic objectives. Overseen by the Board and the Audit & Risk Committee, Ausnet's risk management framework supports the identification, management and reporting of material risks. Risks are identified that have the potential to impact the delivery of business plans and objectives giving consideration to a range of potential impacts including Health & Safety, Environment & Community, Financial, Reputation and Legal & Regulatory.

Risks are identified, assessed and managed across the organisation in accordance with our risk management framework and applying consistent risk assessment criteria. The Board and Executive review AusNet's most material risks regularly and assess the effectiveness of the company's risk management framework on a periodic basis. Material risks are reviewed by risk owners and subject matter experts regularly to confirm risks are accurately identified and assessed, appropriate controls are in place, and that the risks are managed within Risk Appetite.

The Chief Executive Officer is accountable to the AEH1 Board for the implementation of risk management processes across all entities in the AusNet Group. All employees are responsible for making risk-based decisions in line with the company's values, objectives and risk appetite.

We are cognisant of the following material risks which have the potential to materially affect AusNet's ability to meet our business objectives and impact our future financial prospects. These risks are not exhaustive and are not arranged in order of significance.

Health and safety risks

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

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

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

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

Industry and regulatory risks

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

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

Directors' Report

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

The Group's gas network revenues are exposed to variations in demand for gas and other factors affecting customer usage. The majority of the Group's gas distribution network revenues are derived from the transported volume of gas metered at the connections to the distribution networks. The volume of gas used is subject to seasonal fluctuations and to a range of variables, including economic conditions, population growth, government policy, weather, alternative energy sources, technology, energy saving behaviour and availability of adequate supplies of gas.

Economic downturns and customer relocations out of a distribution area would also have a direct adverse effect on the Group's revenues. Similarly, warmer than normal winters can negatively affect the volume of gas that moves through its network, which may reduce the portion of revenue which is exposed to volume movements. There could also be a potential negative reaction by consumers to higher prices resulting in reduced demand, which may negatively impact revenues.

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

Price determinations

The energy industry in Australia is highly regulated. The regulated component of our revenues (approximately 90 per cent of total revenues for the year ended 31 December 2024; prior period 87 per cent) is subject to periodic pricing resets by the AER, where revenue or prices will be determined for each of the networks for the specified regulatory period.

AusNet has no ability or flexibility to charge more for regulated services than is provided for under the relevant AER determination (for electricity distribution), or the approved access arrangement (in respect of gas distribution), without regulatory approval. Regulatory control periods are generally five years with a mechanism to update tariffs annually.

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

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

There is also a risk that future Gas Access Arrangement Reviews (GAAR) do not adequately reflect the full impact of current and future policy positions or allow the adequate recovery of the gas network asset base over its useful life. This will be monitored and revised at every 5 year reset period.

Security of Critical Infrastructure Act

AusNet, as the owner of critical electricity and gas assets, AusNet Electricity Services Pty Ltd and AusNet Gas Services Pty Ltd is required to comply with the *Security of Critical Infrastructure (Critical Infrastructure Risk Management Program) Rules*. The Rules require responsible entities of critical infrastructure assets to have, maintain, review, and update a Critical Infrastructure Risk Management Plan (CIRMP).

Directors' Report

Climate change and sustainability risks

Climate change impacts every part of our business and we have aligned disclosures to the Task Force on Climate-related Financial Disclosures (TCFD) framework since 2021.

Our 2023 TCFD Report made a public commitment to emissions reduction targets and outlined climate related risks and opportunities. Transition risks and opportunities include the impacts of changes to energy policy, legislation and regulations as the energy industry moves to a lower carbon future. The energy transition also presents a significant growth opportunity for AusNet via augmenting and connecting new generation to its network. The transition will see a gradual shift away from residential gas use as electrification is encouraged along with increased appliance efficiency. The implications of these changes are being carefully managed and are outlined in the Gas Section.

Transitional change can constitute a risk to AusNet if the AER does not allow cost recovery via the regulatory regime. For example, in 2023, the Federal Government set more ambitious 2030 emissions targets, requiring changes to Australia's principal emissions compliance policy – the Safeguard Mechanism. The change requires AusNet Gas Services Pty Ltd. to reduce emissions by approximately 4.9 per cent per year or surrender Australian Carbon Credit Units (ACCUs). As there are limited opportunities for AusNet Gas Services Pty Ltd to reduce emissions directly, AusNet will largely purchase ACCUs to meet this new obligation. In this instance, the AER agreed that the programme cost to meet Safeguard compliance is recovered via tariffs, however this may not always be the case.

AusNet's most significant climate risk relates to the increasing frequency and severity of physical hazards associated with a warming climate. Our above ground electricity assets, particularly the lower voltage distribution network, is particularly vulnerable to wind (fallen vegetation) and fire/extreme heat. Detailed climate modelling and scenario analysis based on the Intergovernmental Panel on Climate Change (IPCC) Emission Scenarios has informed a comprehensive resilience investment proposal for the EDPR. The proposal includes network hardening and programs to help AusNet customers and communities, manage the impact of extended electricity outages.

AusNet's business model is generally resilient on the basis that the additional costs are passed through to customers and we have major programs to prepare for hazards including AusNet's Bushfire Management Plan (see the Bushfire risk section). However, not all costs are (immediately) recoverable and there are some climate risks that are increasingly becoming more costly or uninsurable.

The AusNet Group continues to report its emissions under the National Greenhouse and Energy Reporting (NGER) Act 2007 (Cth) and will report in accordance with Australian Accounting Standards Board (AASB) S2 starting for the 2025 financial year. The AASB S2 builds on the TCFD and requires more detailed and quantitative disclosures of climate impacts. The *Sustainability Report* will be subject to third party assurances similar to what is currently required for financial reports under Part 2M of the *Corporations Act 2001* (Cth).

Bushfire Risks

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

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

Risk management for these risks includes a significant annual investment in bushfire mitigation activities, the ongoing development and testing of emergency response plans and reviewing engineering standards and ratings for equipment. Investment is also being made in network resilience to strengthen critical parts of the electricity distribution network and enhance contingency planning. AusNet's network asset management and network maintenance programs are consistent with industry practice. We operate and maintain the transmission and distribution networks in accordance with our Bushfire Mitigation and Vegetation Management Plans. These Plans are a legislative requirement which are approved and audited regularly by the technical regulator, Energy Safe Victoria. In addition, we continue our focus on customer engagement on community resilience, including pre-summer communications and media for customers to be bushfire ready.

Information technology and security risks

Directors' Report

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

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

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

To mitigate these risks, we have established a centralised architecture, delivery and governance capability with a focus on technology needs, designing and building to meet requirements and governance. We have also achieved Security Profile 1 and Security Profile 2 under the Australian Energy Sector Cyber Security Framework (AESCSF).

Management and personnel risks

The Group's success is dependent on its ability to attract, develop, retain and engage, a diverse range of employees. The AusNet Services Group's delivery model, which involves the outsourcing of various field delivery services, results in a workforce profile that has a reduced requirement for trade and technical capabilities while an elevated demand for commercial, analytical and strategic partnership capabilities, as well as a highly competitive labour market across most workforce segments.

During the financial year, the Group completed a significant organisational restructure driven by an increasing pace of change in its operating context and guided by a refreshed vision and purpose. This process involved a redesign of key operating functions to align to a line of business model, and aims to best meet stakeholder needs whilst supporting a set of revised strategic priorities. All critical roles have now been successfully filled, addressing the risks relating to management continuity following this significant organisational restructure, and provides a strong foundation for the Group to navigate future challenges and drive sustainable growth.

Whilst capability and talent acquisition remain key strategic focuses for the business, the inability to attract, develop, retain and engage employees could adversely affect the Group's financial performance and position. We manage these risks through the execution of regular workforce, development and succession planning processes.

Historically, the operations of certain AusNet subsidiaries have from time to time experienced work stoppages and other forms of industrial action during renegotiation periods of the terms of the Enterprise Agreements. This risk also extends to industrial action taken by employees of the AusNet Services Group's outsource partners responsible for field delivery services. It is possible that the Group's operations may be affected by industrial action in the future, where the risk of any work stoppages or other labour-related developments adversely impacting the Group's financial performance and position is relatively low.

At the date of this report, the Group is not subject to any protected industrial action and none of its enterprise agreements are past their nominal expiry date.

Network reliability and service delivery risks

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

Any service disruption may cause loss or damage to customers, who may seek to recover damages from AusNet, and this could harm our business and reputation. Our emergency response, crisis management and business continuity management system are our approved methodology to guide response and recovery activities.

However, it may not be able to effectively protect our business and operations from these events.

Directors' Report

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

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

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

Taxation risks

AusNet is subject to annual Australian Tax Office (ATO) reviews of the income tax return and various tax positions adopted by AusNet. There is a risk that changes in tax law, or changes in the way that tax laws are interpreted, may materially impact the tax liabilities of the Group.

AusNet is part of a tax consolidated group with AEH1 the head entity and all Australian controlled entities form part of the tax group.

Several matters pertaining to the former group remain subject to ATO review. Management has applied Interpretation 23 – *Uncertainty over Income Tax Treatments* to account for these positions.

The ATO is reviewing the acquisition of the AusNet Group by the Brookfield consortium, including uplifted tax base outcomes upon joining the Australian Energy Holdings No 1 consolidated tax group. Management continues to cooperatively engage with the ATO on all matters.

On 16 February 2024, the Federal Court dismissed a related company of AusNet Services Holdings, being AusNet Pty Ltd's appeal in relation to certain tax consolidation and capital allowance positions arising from the corporate restructure completed in June 2015. A successful appeal outcome would result in a higher uplift in historical tax bases and higher capital allowance entitlements from June 2015. The potential uplift in tax bases has not been previously recognised in the financial statements of AusNet or been adopted in filed income tax returns. Consequently, there is no tax impact arising from the unfavourable Federal Court decision, and no impact to the financial statements of the Group for the year ended 31 December 2024. On 14 March 2024, AusNet filed a Form 122 - Notice of Appeal with the Federal Court, appealing the judgment of the Court in the first instance. The Appeal hearing took place before the Full Court of the Federal Court, in August 2024. On 7 March 2025, the Full Court of the Federal Court dismissed AusNet's appeal. AusNet has 28 days to consider a Special Leave application to the High Court of Australia.

Funding and market risks

We rely on access to financial markets as a significant source of funding for growth capital requirements not covered by operating cash flows. Our access to financial markets could be adversely impacted through various factors, including, but not limited to, external changes in funding markets, a material adverse change in our business or a reduction in our credit rating. The inability to raise capital on favourable terms, particularly during times of uncertainty in the financial markets, could impact our ability to refinance existing debt or raise new debt and hence to sustain and/or grow our capital-intensive businesses, and would likely increase our cost of capital.

AusNet has issued significant amounts of hybrid securities, which provide certain equity credit under rating agencies methodologies. Rating agencies impose a cap in relation to the levels of hybrid securities that attract equity credits. In the event that credit rating agencies modified this treatment of hybrid securities, we may have adverse credit rating impacts and higher cost of debt.

Furthermore, we have a large amount of debt, with a net debt to Regulated and Contracted Asset Base ratio at 31 December 2024 of 66.5 per cent, excluding equity credit for the \$1.7 billion of hybrid instruments (2023: 66.4 per cent). The degree to which we may be leveraged in the future could affect our ability to service debt and other obligations, to pay distributions to shareholders, to make capital investments, to take advantage of certain business opportunities, to respond to competitive pressures or to obtain additional financing. In addition, we are exposed to a number of market risks associated with this debt, including interest rate and foreign currency risk.

Directors' Report

We effectively manage these risks in accordance with our Treasury Risk Policy which is approved by the Board and reviewed by the Audit and Risk Committee periodically. Under this policy, we aim to have a diverse funding mix in terms of source and tenor and proactively monitor and manage our credit metrics. This enables us to maintain BBB+/Baa1 Investment credit rating, ensures continued access to various markets. In addition, through the use of derivative financial instruments we aim to hedge 90 to 100 per cent of our interest rate risk.

Balance sheet and capital management

Total equity of the Group was \$2,530.9 million as at 31 December 2024 (2023: \$2,457.7 million), an increase of \$73.2 million compared to the previous financial period, primarily attributed to profit for the period offset by the movement in hedge reserve.

The Group's current liabilities exceed its current assets by \$622.5 million at 31 December 2024 (2023: \$809.9 million), primarily due to \$14.1 million of working capital facilities drawn and \$767.5 million of current borrowings maturing in 2025. Subsequent to year-end, a portion of the current borrowings has been repaid (and syndicated bank debt facilities drawn down), with the remainder expected to be refinanced during 2025 (refer to Note F.6 in the financial statements). The Group is, and is expected to continue trading profitably, generating positive operating cash flows and successfully refinancing maturing debt. In addition, at 31 December 2024, the Group had available a total of \$1,032.4 million (2023: \$1,550.7 million) of undrawn but committed bank debt and overdraft facilities and \$1.2 million (2023: \$2.0 million) of cash and cash equivalents.

Non-current assets increased by \$504.6 million compared to the prior year, primarily due to increase in property, plant and equipment netted by the decrease in deferred tax asset.

Non-current liabilities increased by \$618.8 million, primarily due to an increase in external borrowings of \$666.6 million.

Capital management

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

Debt raising and repayments

In line with our Treasury Risk Policy, we maintain a diversified debt portfolio by maturity and source. The AusNet Group, for whom the Company raises debt as its common or central funding vehicle, has a BBB+ credit rating from Standard and Poor's and Baa1 from Moody's Investor Services. During the period, \$500.0 million of AUD medium-term notes were raised through our AMTN program as well as drawdown of \$580.1 million of our syndicated bank debt and \$55.0 million of bilateral bank debt. Repayments of AUD \$543.3 million of EUR senior notes, \$125.0 million of Australian medium term notes, AUD \$62.6 million of JPY senior notes and \$17.7 million of working capital facilities were made.

Distributions

No distributions were paid during the year (2023: net of withholding tax \$56.7 million).

Directors' Report – Remuneration Report (Audited)

Introduction and Contents

This report sets out the executive remuneration outcomes for the performance period 1 January to 31 December 2024 (CY2024). The report has been prepared and audited against the disclosure requirements of the *Corporations Act 2001 (Cth)*.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP). KMP are those persons who have the authority and responsibility for planning, direction and controlling the major activities of AEH1 and its controlled entities, directly or indirectly. The report explains the AEH1 Board's reasoning and considerations on the design and application of the remuneration framework to deliver sustainable business performance and stakeholder outcomes.

The KMP are engaged to provide services to the AEH1 Group and are not exclusive to any particular AusNet entity. Whilst certain KMPs are not directly employed by the entities within the AusNet Services Holdings Group, their employment agreements state that they are expected to provide services to all entities within the greater AusNet Group. For regulatory setting purposes, costs including KMP remuneration are allocated across the businesses within the AusNet Pty Ltd Group in accordance with the cost allocation methodology as approved by the AER.

Accordingly, this report includes information that is common to AusNet Services Holdings Pty Ltd and AusNet Pty Ltd. The remuneration amounts reported represent the total remuneration received by KMP during the period for services to the AEH1 Group, and we have not apportioned it between particular entities within the AEH1 Group.

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Directors' Report – Remuneration Report (Audited)**1 Key Management Personnel**

Those assessed to be KMP for CY2024 were as follows:

Name	Position	Date appointed as KMP
David Smales	Director and Chief Executive Officer (CEO)	15 November 2023
Jonathan D'Sylva	Chief Development Officer (CDO)	January 2023
Mark Ellul	Director and Chief Financial Officer (CFO)	September 2019
Frances Duiker	EGM Gas & Metering (EGM Gx)	23 September 2024
Andrew Linnie	EGM Distribution (EGM Dx)	13 March 2024 ¹
Elizabeth Ryan	EGM Transmission (EGM Tx)	2 September 2024
Prue Crawford-Flett	Executive General Manager, Network Operations & Safety (EGM NO&S)	May 2020 *
Steven Neave	Executive General Manager, Network Management & Digital (EGM NM&D)	July 2020 *

* On 13 March 2024 Prue Crawford-Flett and Steven Neave both ceased to be KMP of AEH1 Group.

2 Approach to Executive Remuneration in CY2024

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

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

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

The AEH1 Board reviews the structure and effectiveness of the remuneration arrangements from time to time to ensure their alignment to business performance and strategy.

The table below provides the purpose of each remuneration component.

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

¹ Andrew Linnie became a KMP on 13 March 2024 in the position of EGM Network Operations. He commenced in his current role of EGM Distribution on 30 August 2024 as a result of the Operating Model change implemented in Q3/Q4 of 2024.

Directors' Report – Remuneration Report (Audited)**3 At Risk and Incentive Components**

The following table summarises the relative size of the short- and long-term incentive reward components for KMP and the key performance measures and delivery mechanisms applicable for the performance period ended 31 December 2024.

Short-Term Incentive (at risk)				Long-Term Incentive (at risk)		
Incentive Opportunity	Short- and Long-Term Incentive opportunities expressed as a percentage of FAR ¹					
	Threshold	Target	Maximum	Threshold	Target	Maximum
CEO	30%	60%	90%	56%	113%	169%
CDO / EGM NO&S ² / EGM Tx	30%	60%	90%	30%	60%	90%
CFO	30%	60%	90%	25%	50%	75%
Other KMP	25%	50%	75%	25%	50%	75%
Performance Measures	- STI scorecard KPIs include selected financial and non-financial measures. - Three financial measures –EBITDAal, Operating Cashflow. and Company Opex (excluding Development & Future Networks (D&FN)) – focus on ability to grow revenues, control costs and effectively manage working capital. - Non-financial measures drive the importance of Health & Safety and delivery of strategic initiatives.			- The grant value of the Executive KMP LTI award is determined by an assessment of performance during the year against a LTI scorecard. - LTI scorecard KPIs have been chosen to focus on key drivers of long-term value creation for shareholders and include AFFO, regulated Capex, unregulated returns and project performance and total equity value.		
Delivery mechanism	STI awards for all Executive KMP are paid as cash.			- The LTI award is granted as notional Participation Interests (PIs) that vest over 5 years, subject to continued employment. - Each PI is a right to receive a cash amount calculated by reference to the value of AEH1 Group and certain distributions paid in respect of an issued ordinary share in AEH1 Group.		

Remuneration Mix

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

	At Risk		
	FAR ¹	STI ¹	LTI ¹
CEO	37%	22%	41%
CDO / EGM NO&S / EGM Tx	46%	27%	27%
CFO	47%	29%	24%
Other KMP	50%	25%	25%

¹ Opportunities expressed as a percentage of FAR are for a full calendar year

² The EGM NO&S and EGM NM&D did not participate in the CY24 STI or LTI due to their conclusion of employment on 13 March 2024

Directors' Report – Remuneration Report (Audited)**4 CY2024 Incentive Plans – Structure and Outcomes****CY2024 Short-Term Incentive Plan**

The CY2024 STI Plan used a balanced scorecard of financial and non-financial measures that were aligned with the agreed strategic and financial plan.

The balanced scorecard outcome formed the basis of the overall STI outcome for each Executive KMP, with the discretion of the Board for the CEO and discretion of the CEO for other Executive KMP to moderate the outcome upwards or downwards considering individual performance against expectations and individual KPIs that were set at the beginning of the performance year. The discretion to moderate outcomes was restricted to +/-50% from the balanced scorecard outcome in either direction with the upper and lower limits of the final outcome being 150% and 0% of target opportunity respectively.

For CY2024, the Board set individual targets for the CEO, considering:

- Leadership, behaviours and values, including:
 - o Specific expectations around stakeholder management / advocacy; and
 - o Expectations around risk and compliance.

The CEO, in consultation with the Board, set the CY2024 individual targets for other Executive KMP with similar considerations as for the CEO above specific to their role, plus:

- CY2024 strategic priorities for which the Executive was wholly or partly accountable; and
- Relevant Business Unit performance against certain CY2024 strategic priorities (e.g., employee engagement score, Opex, etc.).

CY2024 CEO STI Outcome

The Board reviewed the CEO's CY2024 STI scorecard performance including progress on strategic measures and an assessment on how results were achieved, including alignment to values, risk, compliance, enterprise leadership and employee engagement.

The outcome against the CEO's scorecard resulted in 91.0 per cent of target STI opportunity or 60.7 per cent of maximum STI opportunity being paid.

The table below provides a summary of the CEOs CY2024 STI Scorecard assessment.

	Measure	Strategy, performance and reward alignment	Outcome commentary
Financial	EBITDAal	EBITDAal is considered the most relevant financial performance measure in the utilities industry as it represents a proxy for cash generation, which influences distribution growth and is aligned with stakeholder desired outcomes.	EBITDAal outcome was marginally below target.
	Operating cashflow	A core metric representing the cash flow of the business, which is directly linked to the capacity to pay distributions to shareholders.	Operating cashflow outcome was marginally above target.
	Company operating expenditure (excluding D&FN)	Constraining operating expenditure for the regulated business is critical to our benchmarking outcomes and considered a key lever in improving financial performance.	Company operating expenditure outcome was below threshold.
Strategic	Organisational performance against strategic priorities as assessed by the Board.		Above target.
Safety	HSEQ Index blends key lead and lag indicators focussed on the ongoing improvement of our safety performance and culture.		The HSEQ Index had mixed performance across the key components resulting in a below target score.

Directors' Report – Remuneration Report (Audited)

Individual KPIs	Individual expectations set by the Board at the start of the performance year that reinforced expectations around leadership, values, stakeholder management, compliance and risk.	Board assessed overall performance against the CEO individual KPIs as being at target.
------------------------	--	--

Executive KMP STI Outcomes

Executive KMP STI scorecards included the same financial and non-financial KPIs and weightings as for the CEO- Outgoing with individual performance assessed for each role.

The range of CY2024 STI outcomes for Executive KMP was between 71.2 per cent of target and 111.4 per cent of target STI opportunity, or 29.1 per cent to 61.0 per cent of maximum STI opportunity.

Executive Long-Term Incentive Plan (LTIP) 2024 Grant

The terms of the 2024 Executive LTIP Grant are summarised below. These grants were made to Executive KMP, and other eligible participants in March 2025.

Design Aspect	Commentary																				
Eligibility	Executive KMP. The Board has discretion to invite additional executives and employees to participate in the Executive LTI plan.																				
Opportunity	The LTI award opportunity is based on a percentage the participant's FAR and determined by the outcome of the Executive LTI scorecard of the financial year ended 31 December 2024 (see below), as determined by the Board.																				
Vesting Period	The 2024 LTI grant vests in five equal tranches over the five-year period, with the first vesting date being 31 March 2025 and the last being 31 March 2029.																				
LTI Scorecard Outcome	The Board assessed performance against the CY2024 Executive LTI scorecard and determined an outcome of 95.6% of target. The outcome of each of the below KPIs is on a linear basis between the threshold and maximum ranges. <table><tr><th>Measure</th><th>Weighting</th><th>Alignment to long-term value creation for shareholders</th><th>Outcome Commentary</th></tr><tr><td>AFFO</td><td>15%</td><td>A core metric representing the cash generation of the business.</td><td>AFFO was below threshold</td></tr><tr><td>Regulated Capex (spent)</td><td>20%</td><td>Aligns to business objective to grow the regulated asset base.</td><td>At target.</td></tr><tr><td>Unregulated returns and project performance</td><td>50%</td><td>Ensure positive returns on growth projects.</td><td>Above target.</td></tr><tr><td>Total Value Created</td><td>15%</td><td>Overall growth in the value of the AusNet Group.</td><td>At target.</td></tr></table>	Measure	Weighting	Alignment to long-term value creation for shareholders	Outcome Commentary	AFFO	15%	A core metric representing the cash generation of the business.	AFFO was below threshold	Regulated Capex (spent)	20%	Aligns to business objective to grow the regulated asset base.	At target.	Unregulated returns and project performance	50%	Ensure positive returns on growth projects.	Above target.	Total Value Created	15%	Overall growth in the value of the AusNet Group.	At target.
Measure	Weighting	Alignment to long-term value creation for shareholders	Outcome Commentary																		
AFFO	15%	A core metric representing the cash generation of the business.	AFFO was below threshold																		
Regulated Capex (spent)	20%	Aligns to business objective to grow the regulated asset base.	At target.																		
Unregulated returns and project performance	50%	Ensure positive returns on growth projects.	Above target.																		
Total Value Created	15%	Overall growth in the value of the AusNet Group.	At target.																		
LTI Grant	The number of Participation Interests (PIs) granted is the LTI award opportunity divided by value of the company on a per share basis. The value per share for the 2024 grant was \$1.6328. The CEO was granted 988,055 PIs shortly after Board approval was received on 25 March 2025, being 95.6% of his target of 112.5% of his Fixed Annual Remuneration (FAR) of \$1,500,000 divided by the grant price of \$1.6328.																				

Directors' Report – Remuneration Report (Audited)

Other Executive KMP grants were also made on 25 March 2025. 731,260 PIs were granted to other Executive KMPs and these were awarded at 95.6% of the following per cent of their FAR:

- 60% for the CDO and EGM Tx
 - 50% for other KMP
-

Long-Term Incentive Vesting Outcomes

2022 Executive Long-Term Incentive Plan

In accordance with the terms of the 2022 Executive LTIP grant, it was determined that the vesting conditions of the third tranche of PIs had been met in full and as a result, 20 per-cent of the 2022 grant will vest on 31 March 2025.

2023 Executive Long-Term Incentive Plan

In accordance with the terms of the 2023 Executive LTIP grant, it was determined that the vesting conditions of the second tranche of PIs had been met in full and as a result, 20 per-cent of the 2023 grant will vest on 31 March 2025.

2023 Executive Retention Incentive Plan

In accordance with the terms of the 2023 Retention grant, it was determined that the vesting conditions of the first tranche of PIs had been met in full and as a result, 50 per-cent of the grant will vest on 31 March 2025.

2024 Executive Long-Term Incentive Plan

In accordance with the terms of the 2024 Executive LTIP grant, it was determined that the vesting conditions of the first tranche of PIs had been met in full and as a result, 20 per-cent of the 2024 grant will vest on 31 March 2025.

Long-Term Incentive Distribution Payments and Distribution Equivalent Awards

In accordance with the terms of the 2022, 2023 and 2024 Executive LTIP grants, it was determined that the conditions of the distribution payments (on vested, unliquidated, tranches) had been met and as a result awarded distribution payments to eligible executives in April 2025. Furthermore, additional PIs (on unvested tranches) were awarded as distribution equivalents to eligible executives in April 2025.

Other Payments

The Board elected to pay additional discretionary bonuses to the CEO and CDO in recognition of their additional discretionary efforts supporting the organisation during CY2023. A payment of \$126,000 was made to the CEO and \$54,000 to the CDO. These payments were determined after the release of the CY2023 Remuneration Report, and as such were not included. These additional payments have been included in the CY2024 STI payment field in the table in section 6 of this report.

Directors' Report – Remuneration Report (Audited)**5 KMP – Contract terms and termination arrangements****Contract terms**

The KMP were employed on the following contractual terms in the period:

	CEO	Other KMP
Term of agreement	Permanent, subject to six months' notice of termination by either party.	Permanent, subject to six months' notice of termination by either party.
Termination benefits	Nothing above statutory entitlements.	Termination benefits calculated at three weeks' pay for every year of service paid at the Executive KMP's FAR rate and capped at six months.
Post-employment obligations	Non-compete and non-solicitation obligations.	Non-compete and non-solicitation obligations.

Termination arrangements for the outgoing KMP

The EGM NO&S and EGM NM&D received separation payments at the conclusion of their employment. These payments included consideration for payments in lieu of notice period, value of previously vested LTI Participation Interests and associated distribution payments foregone, and recognition for CY23 STI and LTI earned by not-yet-paid at the time of exit.

The outgoing KMP were not eligible to participate in the CY24 STI or LTI plans and are not eligible to receive any further additional payments following their cessation of employment. Any unvested tranches under the LTI plan were forfeited and not eligible for payment.

Directors' Report – Remuneration Report (Audited)**6 Statutory Remuneration Disclosures**

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

	FY ⁶	Short-term			Other short-term benefits			Post-employment	Termination benefits	Other long-term benefits		Total
		Cash salary and fees ⁴	Dividend Equivalent Payment ⁵	STI ¹	Annual Leave taken	Annual Leave Balance Accrued	Other benefits ²	Super-annuation	On Resignation ³	Long-term incentive plan ⁷	Long Service Leave Balance Accrued	
David Smales	CY2024	1,422,059	-	945,000	78,854	34,327	10,228	27,364	-	791,735	36,781	3,346,348
	CY2023	203,117	-	-	-	13,850	108,713	3,779	-	-	4,499	333,958
Tony Narvaez	CY2024	-	-	-	-	-	-	-	-	-	-	-
	CY2023	1,238,328	12,799	900,000	32,328	66,728	9,014	27,589	5,765,577	855,427	(147,651)	8,760,139
Jonathan D'Sylva	CY2024	627,354	3,233	438,000	44,039	18,200	10,228	27,364	-	492,575	29,470	1,690,463
	CY2023	496,055	2,782	377,000	40,523	3,779	10,346	24,941	-	287,360	13,169	1,255,955
Mark Ellul	CY2024	538,894	3,495	280,000	92,196	(43,167)	10,228	27,364	-	440,777	23,304	1,373,091
	CY2023	550,542	3,339	424,000	50,788	(4,956)	10,346	27,589	-	205,027	14,900	1,281,575
Frances Duiker	CY2024	120,242	-	29,836	9,005	1,838	2,794	7,603	-	32,048	15,777	219,143
Andrew Linnie	CY2024	377,545	-	222,359	33,042	28,226	8,216	21,905	-	43,713	23,109	758,115
Elizabeth Ryan	CY2024	169,600	-	107,836	17,473	(1,487)	3,381	8,997	-	30,496	6,690	342,986
Prue Crawford-Flett	CY2024	106,112	-	-	-	(30,560)	2,040	5,564	1,697,097	(252,015)	(62,993)	1,465,245
	CY2023	470,163	2,782	375,000	66,972	(29,003)	10,346	26,408	-	202,856	13,231	1,138,755
Steven Neave	CY2024	85,699	-	-	18,021	(28,486)	2,040	5,564	1,227,677	(236,652)	(45,033)	1,028,830
	CY2023	488,994	2,782	312,000	36,710	7,724	10,346	25,464	-	177,987	12,923	1,074,930
Chad Hymas	CY2024	-	-	-	-	-	-	-	-	-	-	-
	CY2023	20,838	-	-	7,027	(6,850)	539	2,115	-	-	626	24,295
Total KMP	CY2024	3,447,505	6,728	2,023,030	292,630	(21,109)	49,155	131,725	2,924,775	1,342,677	27,105	10,224,221
	CY2023	3,468,037	24,484	2,388,000	234,348	51,272	159,650	137,885	5,765,577	1,728,657	(88,303)	13,899,606

¹ CY2024 STI amounts for the performance year ended 31 December 2024 will be paid in April 2025. All CY2023 awards were paid in April 2024 and reflective of the performance year 1 January to 31 December 2023. The CY2024 STI figures for David Smales and Jonathan D'Sylva include once-off discretionary bonuses paid by the Board in recognition of services provided to the organisation. Refer to Section 4 – Other Payments for further information.

² Other benefits include car parking, accommodation, airfares and travel costs and sign-on payments, where applicable.

³ Termination benefits are related to the cessation of employment of Prue Crawford-Flett and Steven Neave and includes costs incurred in accordance with the terms of their employment contracts. Refer to section 5 for further information.

⁴ The above table represents the accounting value of KMP remuneration, calculated in accordance with accounting standards. As a result, annual leave and long service leave entitlements are recognised as remuneration when they accrue rather than when they are taken. This has the impact of reducing the cash salary and fees remuneration disclosed in the table above when these leave entitlements are ultimately taken by the KMP.

Directors' Report – Remuneration Report (Audited)

In addition, any changes to the value of leave entitlements (for example, because of changes in FAR or long service leave entitlements not vesting) are recognised as remuneration, either positive or negative, in the year that the change occurs. These accounting adjustments to remuneration values are reflected in the Cash salary and fees, Other short-term benefits and Other long-term benefits disclosed in the table.

⁵ Dividend equivalent payments are related to the LTIP Grants and is accrued in accordance with the terms of the plan for each vested PI.

⁶ Approximately 55% (2023: 60%) of the costs of KMP remuneration disclosure in the table are attributable to ASH group. The cost allocation methodology as approved by the AER is used to determine this apportionment.

⁷ The CY2024 LTIP amounts for Prue Crawford-Flett and Steven Neave include the impact of forfeiture of their LTIP on foot at termination date. These KMP received termination benefits on resignation in lieu of LTIP.

Short-Term Incentive Outcomes

The percentage of the available STI related to the financial years ended 31 December 2024 and 31 December 2023, are set out below.

	CY2024		CY2023	
KMP	STI (\$)¹	Percentage of target payable	STI (\$)	Percentage of target paid
David Smales	819,000	91.0%	-	-
Jonathan D'Sylva	384,000	91.4%	377,000	112.0%
Mark Ellul	280,000	71.2%	424,000	112.0%
Frances Duiker	29,836	81.2%	-	-
Andrew Linnie	222,359	111.4%	-	-
Elizabeth Ryan	107,836	96.5%	-	-
Prue Crawford-Flett²	-	-	375,000	111.5%
Steven Neave²	-	-	312,000	113.3%
Tony Narvaez	-	-	900,000	100.0%

¹ Incentive payments for the performance year ended 31 December 2024 will be paid in April 2025. These amounts do not include once-off discretionary bonuses paid.

² Ms Crawford-Fleet and Mr Neave were not eligible for STI in CY2024.

Directors' Report**Meetings of Directors**

The number of meetings of the Board of Directors of AusNet Services Holdings Pty Ltd held during the period ended 31 December 2024, and the number of meetings attended by each Director, are set out in the following table:

Board of AusNet Services Holdings Pty Ltd		
	A	B
David Smales (Appointed 16 January 2024)	9	9
Mark Ellul	9	9
Jonathan D'Sylva	9	9

A = Number of meetings attended.

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

Indemnification of insurance of directors and officers

The constitution provides that the Company may indemnify each current and former Director, Alternate Director or executive officer (as defined in the constitution), and such other current and former officers of the Company or of a related body corporate as the Board in each case determines (each an 'Officer'), on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs and expenses (as defined in the constitution) incurred by the person as an officer of the Company or of a related body corporate.

The constitution also provides that the Company may, to the extent permitted by law, purchase and maintain insurance, or pay or agree to pay a premium for insurance, for Officers against any liability (as defined in the constitution) incurred as an officer of the Company or related body corporate, as the Board considers appropriate.

The Company may enter into a deed with any Officer to give effect to the rights conferred by the constitution as described previously or the exercise of discretion under the constitution, on such terms and conditions as the Board thinks fit, as long as they are not inconsistent with the constitution.

The Company has not executed protection deeds in favour of any of Officers. However, Australian Energy Holdings No 1 Pty Ltd has executed deeds in favour of Directors, Alternate Directors, Company Secretaries and executives of the Company and Australian based subsidiaries (who held office as of, or have come to hold office since 17 February 2022) on substantially the same terms as provided in the constitution. The deeds also give a right of access to the books of the companies and to Board documents (to officers of the Company and Australian based subsidiaries, only).

The Company has not purchased, nor agreed to pay a premium for, insurance for the liabilities of Officers incurred in that capacity. However, during the period, an Affiliate (as defined in the constitution) paid a premium to insure Directors and Company Secretaries of the Company and Australian-based subsidiaries, as well as executives of the Group for relevant liabilities.

No insurance premiums are paid in respect of insurance cover provided to the auditor of the Company, Ernst & Young. The auditor is not indemnified and no insurance cover is provided to the auditor.

Non-audit services

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

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

In accordance with the advice provided by the AEH1 Audit and Risk Committee, the Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act*. The Directors are satisfied for the following reasons:

Directors' Report

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

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

Environmental regulation

We were subject to both Federal and State Government environmental legislation during the period, including compliance with our obligations under the Environment Protection Act 2017 (Vic), as amended by the Environment Protection Act Amendment 2018, which came into effect, 1 July 2021. This new Act reforms the legislative framework for the protection of human health and the environment from pollution and waste and introduces proactive duties, including, among other obligations, a General Environmental Duty (GED), a duty to manage contaminated land and a duty to notify the Environmental Protection Authority (EPA) of contamination that meets or exceeds certain notifiable thresholds. AusNet prepared for the changes through a detailed Readiness Action Plan. Since 1 July 2021, focus has shifted to embedding the changes, ensuring our continued legislative compliance and delivery against environmental continuous improvement activities.

The most significant areas of environmental legislation applying to AusNet are those which regulate noise emissions, the discharge of emissions to land, air and water, the management of oils, chemicals and dangerous goods, the disposal of wastes, and those which govern the assessment of land use including the approval of developments. The Directors are not aware of any breaches of legislation during the period which are material in nature.

Under the National Greenhouse and Energy Reporting (NGER) Act 2007 (Cth), corporations that meet or exceed thresholds are required to report greenhouse gas emissions and energy usage by 31 October each year. We met these thresholds and have lodged our current year's NGER reporting with the Clean Energy Regulator for the period from 1 July 2023 to 30 June 2024.

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

Significant changes in the state of affairs

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

Rounding of amounts

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

Directors' Report

Matters subsequent to the end of the financial period

(a) Borrowings

On 12 February 2025, subordinated notes of \$950.0 million were issued and \$516.7 million of existing subordinated notes were repaid, as well as repayment of \$55.0 million of bilateral revolving bank debt facilities.

(b) Federal Court tax ruling

On 7 March 2025, the Federal Court dismissed a related company of AusNet Services Holdings, being AusNet Pty Ltd's appeal in relation to certain tax consolidation and capital allowance positions arising from the corporate restructure completed in June 2015. The potential uplift in tax bases has not been previously recognised in the financial statements of AusNet Pty Ltd or been adopted in filed income tax returns. Consequently, there is no tax impact arising from the unfavourable Federal Court decision, and no impact to the financial statements of the Group for the year ended 31 December 2024. AusNet is currently considering the decision and potential next steps, including potential appeal actions involving the High Court.

(c) Australian Energy Regulator (AER) approval of storm cost pass through

On 21 March 2025 the Australian Energy Regulator (AER) announced the decision to approve a cost pass through amount of \$12.9 million in relation to the September 2024 storms. This amount will be recovered via revenue over the period 2025 through to 2027.

(d) Other matters

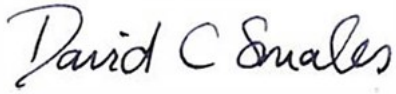
Other than outlined above, there has been no matter or circumstance that has arisen since 31 December 2024 up to the date of issue of this financial report that has significantly affected or may significantly affect:

- (a) the operations in financial years subsequent to 31 December 2024 of the Group;
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 31 December 2024, of the Group.

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

Directors' Report

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

A handwritten signature in black ink that reads "David C Smales". The signature is written in a cursive, flowing style.

David Smales
Director

Melbourne
28 March 2025



**Shape the future
with confidence**

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

As lead auditor for the audit of the financial report of AusNet Services Holdings Pty Ltd for the financial year ended 31 December 2024, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

A stylized, handwritten signature of 'Ernst & Young' in black ink.

Ernst & Young

A stylized, handwritten signature of 'Kester Brown' in black ink.

Kester Brown
Partner
28 March 2025

Consolidated income statement

For the year ended 31 December 2024

		31 December 2024	31 December 2023
	Notes	\$M	\$M
Revenue	B.1, B.2	1,415.3	1,361.5
Use of system and associated charges		(142.5)	(126.7)
Employee benefits expenses		(92.7)	(84.1)
External maintenance and contractors' services		(171.2)	(137.4)
Materials		(5.0)	(11.1)
Information technology and communication costs		(73.5)	(56.3)
Lease expenses		(1.3)	(2.8)
Administrative expenses		(33.3)	(23.3)
Service level payments		(35.9)	(7.6)
Disposal of property, plant and equipment		(7.6)	(6.7)
(Impairment) / reversal of impairment		1.8	(14.4)
Other expenses		(47.8)	(28.4)
Total expenses excluding depreciation, amortisation, interest and tax		(609.0)	(498.8)
Earnings before interest, tax, depreciation and amortisation		806.3	862.7
Depreciation and amortisation	C.1, C.2	(368.7)	(372.0)
Profit from operating activities		437.6	490.7
Finance income	D.4	188.3	151.6
Finance costs	D.4	(487.7)	(472.2)
Net finance costs		(299.4)	(320.6)
Profit before income tax		138.2	170.1
Income tax benefit (expense)	B.4	(26.4)	515.3
Profit for the year		111.8	685.4

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

Consolidated statement of comprehensive income

For the year ended 31 December 2024

		31 December 2024	31 December 2023
	Notes	\$M	\$M
Profit for the year		111.8	685.4
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Loss on equity instrument designated at fair value through other comprehensive income		-	(1.5)
Movement in defined benefit fund	F.2	4.1	(3.2)
Income tax on movement in defined benefit fund	B.4	(1.0)	1.0
		3.1	(3.7)
Items that may be reclassified to profit or loss in subsequent periods			
Movement in hedge reserve		(59.6)	(259.9)
Income tax on movement in hedge reserve	B.4	17.9	78.0
	D.3	(41.7)	(181.9)
Other comprehensive loss for the year, net of tax		(38.6)	(185.6)
Total comprehensive income for the year		73.2	499.8

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

Consolidated statement of financial position

As at 31 December 2024

		31 December 2024 \$M	31 December 2023 \$M
	Notes		
ASSETS			
Current assets			
Cash and cash equivalents		1.2	2.0
Receivables	B.3	492.8	446.6
Finance lease receivables	C.3	0.5	0.4
Inventories	B.3	51.7	45.2
Derivative financial instruments	D.3	121.4	148.6
Other assets	B.3	32.2	33.1
Assets held for sale	C.5	-	6.0
Total current assets		699.8	681.9
Non-current assets			
Receivables	E.3	4,230.4	4,092.7
Property, plant and equipment	C.1	7,705.1	7,351.0
Intangible assets	C.2	489.9	497.6
Finance lease receivables	C.3	8.2	8.7
Derivative financial instruments	D.3	729.8	597.1
Defined benefit asset	F.2	69.1	63.5
Deferred tax assets	B.4	552.5	668.3
Other assets	B.3	8.0	9.5
Total non-current assets		13,793.0	13,288.4
Total assets		14,492.8	13,970.3
LIABILITIES			
Current liabilities			
Payables and other liabilities	B.3	382.5	506.1
Lease liabilities	D.5	3.7	4.4
Provisions	B.3	76.4	56.7
Borrowings	D.2	767.5	775.6
Derivative financial instruments	D.3	92.2	147.0
Liabilities directly associated with the assets held for sale	C.5	-	2.0
Total current liabilities		1,322.3	1,491.8
Non-current liabilities			
Contract liabilities	B.3	121.7	106.7
Lease liabilities	D.5	15.6	19.9
Provisions	B.3	33.7	44.5
Borrowings	D.2	10,196.0	9,529.4
Derivative financial instruments	D.3	272.6	320.3
Total non-current liabilities		10,639.6	10,020.8
Total liabilities		11,961.9	11,512.6
Net assets		2,530.9	2,457.7
EQUITY			
Contributed equity	D.6	3,028.1	3,028.1
Reserves		(1,701.0)	(1,659.3)
Retained profits		1,203.8	1,088.9
Total equity		2,530.9	2,457.7

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

Consolidated statement of changes in equity

For the year ended 31 December 2024

	Notes	Contributed equity \$M	Restructure reserve (i) \$M	Hedge reserve (ii) \$M	Asset revaluation reserve \$M	Retained profits/(losses) \$M	Total equity \$M
Balance as at 1 January 2024		3,028.1	(2,000.0)	340.7	-	1,088.9	2,457.7
Total comprehensive profit for the year							
Profit for the year		-	-	-	-	111.8	111.8
Other comprehensive income (loss)		-	-	(41.7)	-	3.1	(38.6)
Total comprehensive income for the year		-	-	(41.7)	-	114.9	73.2
Transactions with owners, recorded directly in equity							
New shares issued (iii)	D.6	-	-	-	-	-	-
Dividends (iv)	D.7	-	-	-	-	-	-
Total transactions with owners		-	-	-	-	-	-
Balance as at 31 December 2024		3,028.1	(2,000.0)	299.0	-	1,203.8	2,530.9
Balance as at 1 January 2023		2,678.1	(2,000.0)	522.6	1.5	462.4	1,664.6
Total comprehensive income for the year							
Profit for the year		-	-	-	-	685.4	685.4
Other comprehensive loss		-	-	(181.9)	(1.5)	(2.2)	(185.6)
Total comprehensive income for the year		-	-	(181.9)	(1.5)	683.2	499.8
Transactions with owners, recorded directly in equity							
New shares issued (iii)	D.6	350.0	-	-	-	-	350.0
Dividends (iv)	D.7	-	-	-	-	(56.7)	(56.7)
Total transactions with owners		350.0	-	-	-	(56.7)	293.3
Balance as at 31 December 2023		3,028.1	(2,000.0)	340.7	-	1,088.9	2,457.7

- (i) As a part of the financing for the acquisition of AusNet Pty Ltd Group, Australian Energy Holdings No 4 Pty Ltd (the immediate holding entity of AusNet Pty Ltd) entered into a \$2.0 billion two year bridging loan facility. On 9 March 2022, AusNet Services Holdings Pty Ltd assumed all liabilities of this facility. As there were no cash proceeds received for the novated facility, an entry to restructure reserves of \$2.0 billion was recognised as an equity transaction with owners.
- (ii) The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments. These gains or losses are transferred to the income statement when the hedged item affects income, except for highly probable forecast purchases of an asset where the gains or losses are included in the initial measurement of that asset. During the year, \$41.7 million of unrealised losses relating to hedged items (net of tax) was recognised in other comprehensive income, driving the movement in the hedge reserve (2023: \$181.9 million).
- (iii) During the year, no shares were issued. In the prior year, the Company issued and allotted 350,000,000 ordinary shares to AusNet Services (Distribution) Pty Ltd at an issue price of \$1.00 per share. Refer to Note D.6.
- (iv) In the current year, no dividends were paid (2023: \$56.7 million were paid to AusNet Services (Distribution) Pty Ltd. Refer to Note D.7).

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

Consolidated statement of cash flows

For the year ended 31 December 2024

		31 December 2024	31 December 2023
	Notes	\$M	\$M
Cash flows from operating activities			
Profit for the year		111.8	685.4
Add back interest, tax, depreciation		694.5	177.3
Earnings before interest, tax, depreciation and amortisation		806.3	862.7
Non-cash gifted assets		(62.5)	(71.8)
Other non-cash items		5.8	21.1
Non-cash related party transactions		(48.8)	22.6
Working capital movement		58.0	(31.0)
Net interest paid		(480.3)	(446.3)
Net cash inflow from operating activities		278.5	357.3
Cash flows from investing activities			
Payments for property, plant and equipment (i)		(637.6)	(509.5)
Proceeds from sale of property, plant and equipment		0.4	1.6
Receipts from finance lease receivables		0.4	0.4
Net cash outflow from investing activities		(636.8)	(507.5)
Cash flows from financing activities			
Repayments of related party loans		(26.0)	(33.8)
Payments for lease liabilities		(3.9)	(3.8)
Dividends paid (ii)	D.7	-	(51.5)
Proceeds from borrowings (iii)	D.2	1,570.1	1,534.0
Repayment of borrowings (iii)	D.2	(1,182.7)	(1,307.2)
Net cash inflow from financing activities		357.5	137.7
Net decrease in cash held		(0.8)	(12.5)
Cash and cash equivalents at the beginning of the year		2.0	14.5
Cash and cash equivalents at the end of the year		1.2	2.0

- (i) Net finance costs include a credit of \$10.7 million (2023: \$8.9 million) for capitalised finance charges which is included in payments for property, plant and equipment.
- (ii) Dividends paid excludes withholding tax.
- (iii) During the period, \$500.0 million of AUD medium-term notes were raised through our AMTN program, \$543.3 million of Euro senior notes were repaid, \$125m of AUD medium-term notes were repaid, \$62.6m of Japanese Yen senior notes were repaid, \$1,000.1 million of the syndicated bank debt facilities were drawn, \$420.0 million of the syndicated bank debt facilities were repaid, \$55.0 million of bilateral bank debt facilities were drawn, \$418.2 million of working capital bank debt facilities were drawn and \$435.9 million repaid in the same period.

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

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Notes to the consolidated financial statements

For the year ended 31 December 2024

Section A Overview

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

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

(a) Basis of preparation

The consolidated general purpose financial report, prepared by a for-profit entity and presented in Australian dollars, represents the consolidated financial statements of AusNet Services Holdings Pty Ltd (the Company) and its subsidiaries (together we, us, our, Ausnet, the ASH Group, AusNet Services Holdings Group or the Group). The consolidated group is collectively referred to as the Group. The Group has applied Tier 1 Reporting Requirements in accordance with *AASB 1053 Application of Tiers of Accounting Standards* as the Group has public accountability. The financial statements were approved by the Board of Directors on 28 March 2025.

The ultimate Australian parent of the Company is Australian Energy Holdings No 1 Pty Ltd (AEH1). The Company's immediate parent is AusNet Services (Distribution) Pty Ltd, a wholly owned subsidiary of AusNet Pty Ltd (formerly AusNet Services Ltd). AusNet Pty Ltd previously had ordinary equity securities trading on the ASX. On 16 February 2022, all shares in AusNet Services Ltd, the former ultimate Australian parent of the Company was acquired by Australian Energy Holdings No 4 Pty Ltd. Australian Energy Holdings No 4 Pty Ltd is wholly owned (indirectly) by AEH1, 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. As such, the Company is deemed to be a reporting entity.

The financial report for the year ended 31 December 2024 has been prepared in accordance with Australian Accounting Standards and interpretations adopted by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth), as well as International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board.

The financial report has been prepared:

- on a going concern basis, which contemplates the continuity of normal trading operations.
 - The Group's current liabilities exceed current assets by \$622.5 million at 31 December 2024 (2023: \$809.9 million), primarily due to \$767.5 million of current borrowings maturing in 2025.
 - At 31 December 2024, the Group has available a total of \$1,032.4 million (2023: \$1,550.7 million) of undrawn bank debt facilities and overdraft, and \$1.2 million (2023: \$2.0 million) of cash and cash equivalents.
 - The Group is, and is expected to, continue trading profitably and generating positive operating cash flows. At 31 December 2024, the Group generated profit before income tax \$138.2 million and positive operating cash flows of \$278.5 million.
 - Subsequent to year-end, the Group issued \$950.0 million of Subordinated Notes due in 2055 and repaid \$516.7 million of existing Subordinated Notes and \$55.0 million of bilateral revolving bank debt facilities. The remaining current borrowings are expected to be refinanced during 2025 (refer to Note F.6).
- under the historical cost convention, except for certain financial assets and liabilities (including derivative financial instruments) measured at fair value;
- 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; and
- in accordance with the accounting policies noted in this consolidated financial report.

Notes to the consolidated financial statements

For the year ended 31 December 2024

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2024.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control and until the date the Group ceases to control. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

(c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are listed below and disclosed throughout the financial statements:

- B.2 – Variable consideration and satisfaction of performance obligations
- B.3 – Accrued revenue estimates
- B.3 – Measurement of environmental provision
- B.4 – Determination of deferred tax assets
- B.4 – Timing and availability of tax deductions
- C.1 – Useful lives of property, plant and equipment
- C.4 – Assessment of recoverable amount
- D.3 – Fair value of derivative financial instruments
- F.2 – Valuation of defined benefit assets and obligations

Notes to the consolidated financial statements

For the year ended 31 December 2024

Section B Operating our business

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

Note B.1 Segment results

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

Segment revenues and expenses are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment revenues, expenses and results include transactions between the segments that are eliminated on consolidation.

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

(a) Description of reportable segments

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

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 assessed as the regulatory reset period. The transaction price is assessed as the determined recoverable revenue over that period. Variable consideration relating to volumes is constrained to the period in which it occurs, and volume over or under recoveries under the revenue cap are not considered to comprise variable consideration in accordance with *AASB 15 Revenue from Contracts with Customers*.

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

Customer contributions

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

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

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

Customer contributions of cash are measured with reference to the cash contribution received and customer contributions of assets are measured at the fair value of the assets contributed at the date the Group 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.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note B.1 Segment results (continued)

(ii) Gas distribution

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

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

The performance obligation is the provision of the access to the network and as such use of system revenue is recognised over the contract period which is deemed to be the regulatory reset period. The transaction price is deemed to be the determined recoverable revenue over that period. Variable consideration, being the volume fluctuations or true ups for unaccounted for gas are constrained to the period to which they apply. Ancillary Services are rendered to customers at a fixed rate. Revenue associated with the provision of Ancillary Services is recognised at a point in time services are provided. Customer contributions in the gas distribution segment are accounted for in the same way as the electricity distribution segment.

(iii) Development & Future Networks

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note B.1 Segment results (continued)

	Electricity distribution	Gas distribution	Development & Future Networks	Inter- segment eliminations	Consolidated
	\$M	\$M	\$M	\$M	\$M
31 December 2024					
Regulated revenue	1,020.8	246.7	-	(0.1)	1,267.4
Customer contributions	94.5	12.5	-	-	107.0
Service revenue	-	-	24.9	-	24.9
Other revenue	6.2	1.6	12.5	(4.3)	16.0
Total segment revenue	1,121.5	260.8	37.4	(4.4)	1,415.3
Segment network costs and taxes	(138.7)	(3.8)	(0.1)	0.1	(142.5)
Segment operating expenses	(349.8)	(62.2)	(53.2)	4.3	(460.9)
Segment disposal of property, plant and equipment	(5.1)	(2.3)	-	-	(7.4)
Gain on sale of financial assets	-	-	1.8	-	1.8
Segment result - EBITDA (i)	627.9	192.5	(14.1)	-	806.3
Lease interest income	-	-	1.0	-	1.0
EBITDAaL (ii)	627.9	192.5	(13.1)	-	807.3
Depreciation and amortisation	(285.3)	(72.6)	(10.8)	-	(368.7)
Profit from operating activity	342.6	119.9	(24.9)	-	437.6
Capital expenditure	568.8	122.5	20.7	-	712.0
31 December 2023					
Regulated revenue	957.5	229.7	-	-	1,187.2
Customer contributions	104.2	9.3	-	-	113.5
Service revenue	-	-	45.4	-	45.4
Other revenue	7.4	5.6	3.4	(1.0)	15.4
Total segment revenue	1,069.1	244.6	48.8	(1.0)	1,361.5
Segment network costs and taxes	(124.0)	(2.7)	-	-	(126.7)
Segment operating expenses	(246.1)	(57.3)	(48.6)	1.0	(351.0)
Segment disposal of property, plant and equipment	(3.5)	(3.0)	(0.2)	0	(6.7)
Impairment	-	-	(14.4)	-	(14.4)
Segment result - EBITDA (i)	695.5	181.6	(14.4)	-	862.7
Lease interest income	-	-	1.0	-	1.0
EBITDAaL (ii)	695.5	181.6	(13.4)	-	863.7
Depreciation and amortisation	(282.8)	(78.7)	(10.5)	-	(372.0)
Profit from operating activity	412.7	102.9	(24.9)	-	490.7
Capital expenditure	471.5	101.9	14.8	-	588.2

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

(ii) EBITDA after lease interest income.

Notes to the consolidated financial statements

For the year ended 31 December 2024

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

In the following table, revenue is disaggregated by revenue type and timing of recognition. The table also includes a reconciliation of the disaggregated revenue with AusNet Services' reportable segments (Note B.1) by including income items not in the scope of AASB 15 *Revenue from Contracts with Customers*.

31 December 2024	Electricity distribution	Gas distribution	Development & Future Networks	Inter-segment eliminations	Total
	\$M	\$M	\$M		\$M
Timing of recognition					
At a point in time	123.0	24.2	20.9	(4.4)	163.7
Over time	997.0	236.6	16.5	-	1,250.1
Revenue from contracts with customers	1,120.0	260.8	37.4	(4.4)	1,413.8
Other income not in scope of AASB 15					
Operating lease income	0.2	-	-	-	0.2
Income from government grants (i)	1.3	-	-	-	1.3
Total revenue	1,121.5	260.8	37.4	(4.4)	1,415.3
31 December 2023					
Timing of recognition					
At a point in time	132.8	22.9	30.7	(1.4)	185.0
Over time	934.7	221.7	18.1	0.4	1,174.9
Revenue from contracts with customers	1,067.5	244.6	48.8	(1.0)	1,359.9
Other income not in scope of AASB 15					
Operating lease income	0.1	-	-	-	0.1
Income from government grants (i)	1.5	-	-	-	1.5
Total revenue	1,069.1	244.6	48.8	(1.0)	1,361.5

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note B.3 Working capital

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

Key estimates and judgements - Accrued revenue estimates

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

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

	Assets 31 December 2024 \$M	Assets 31 December 2023 \$M	Liabilities 31 December 2024 \$M	Liabilities 31 December 2023 \$M
Accounts receivable/payable	28.5	30.4	(52.1)	(29.6)
Related party receivables/payables	339.1	310.6	(48.2)	(248.6)
Accrued revenue - other/accrued expenses	12.7	9.4	(129.9)	(83.3)
Contract assets (i)	112.4	96.1	-	-
Contract liabilities (ii)	-	-	(64.5)	(76.5)
Deferred revenue - government grants	-	-	(1.5)	(1.5)
Other receivables/payables	0.1	-	(30.2)	(10.4)
Interest receivables/payables	-	0.1	(56.1)	(56.2)
Total current receivables/payables and other liabilities	492.8	446.6	(382.5)	(506.1)
Current other assets	32.2	33.1	-	-
Non-current other assets	8.0	9.5	-	-
Current inventory (iii)	51.7	45.2	-	-
Current provisions	-	-	(76.4)	(56.7)
Non-current provisions	-	-	(33.7)	(44.5)
Non-current contract liabilities (ii)	-	-	(53.3)	(36.0)
Non-current deferred revenue - government grants	-	-	(68.4)	(70.7)
Working capital	584.7	534.4	(614.3)	(714.0)

- (i) Contract assets primarily relate to unbilled regulated distribution revenue from AEMO market participants (retailers). Invoices are raised on 30-day billing cycles for distribution and on 60-day cycles for gas.
- (ii) Contract liabilities primarily relate to funds received in advance for customer contributions and telecommunications services. Revenue is recognised over the transaction period and contract term. Revenue recognised in the current period that was included in the contract liability balance at 1 January 2024 was \$33.6 million (2023: \$43.9 million). Of the total contract liabilities of \$117.8 million we expect that approximately 54.8 per cent (2023: 68.0 per cent) of these performance obligations will be satisfied in the next twelve months, with the remainder satisfied over the long term.
- (iii) Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note B.3 Working capital (continued)**(a) Accounts receivable**

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off. For accounts receivable, contract assets and lease assets, the Group applies the simplified approach for expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

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

	Gross	Allowance	Gross	Allowance
	31 December	31 December	31 December	31 December
	2024	2024	2023	2023
	\$M	\$M	\$M	\$M
Electricity Distribution	4.6	-	8.8	-
Gas Distribution	1.0	-	2.3	-
Development & Future Networks	22.9	-	19.3	-
Total	28.5	-	30.4	-

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

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

(b) Trade and other payables

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note B.3 Working capital (continued)**(c) Provisions**

	2024	2023
	\$M	\$M
Current provisions		
Employee benefits (i) (ii)	47.9	46.4
Sundry provisions (iii)	12.5	3.8
Redundancy provision	0.8	0.1
Make good provision	0.9	0.5
Environmental provision	14.3	5.9
Total current provisions	76.4	56.7
Non-current provisions		
Employee benefits (i)	3.7	5.6
Make good provision	0.4	2.0
Environmental provision	29.6	36.9
Total non-current provisions	33.7	44.5
Total provisions	110.1	101.2

- (i) Employee benefits provisions represent provisions for annual and long service leave for our employees as well as provisions for employee bonuses and other accrued entitlements. Liabilities for annual leave and long service leave are measured at the present value of expected future payments for services provided by employees up to the reporting date, including on costs. Consideration is given to expected future wage and salary levels, experience of employee, departures and periods of service. Expected future payments are discounted using interest rates on corporate bonds with a term to maturity and currency that match, as closely as possible, the estimated future cash outflows. Employee benefits provision also includes an amount provided for in relation to the Executive Long-Term Incentive Plan. Refer to Note F.3.
- (ii) The employee benefits provision in the prior period included a provision for employee wages remediation costs of \$0.5 million at 31 December 2023, raised for costs associated with underpayment of wages to certain employees of the subsidiaries of the AusNet Pty Ltd Group, pre-acquisition, 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. The review process was completed, and an agreement was reached with Fair Work Ombudsman and the Unions. At 31 December 2024 no provision remains as the matter has been finalised. The movement in the current year includes payments of \$0.1 million to past and current employees and provision write back of \$0.4 million (31 December 2023; \$1.1 million of payments and provision write back of \$1.3 million).
- (iii) Sundry provisions mostly include uninsured losses and provisions for cross boundary charges.

Key estimates and judgements – Measurement of environmental provision

Provisions include an environmental provision of \$43.9 million (31 December 2023: \$42.8 million), which represents an estimate of costs to remediate soil and water contamination on gas sites which were previously used as coal 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 31 December 2024.

Site investigations are ongoing and there have been no significant updates to estimated costs in the current period. Remediation work is expected to commence for one site in 2025.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note B.4 Taxation

Following the acquisition of the AusNet Pty Ltd group on 16 February 2022, a new tax consolidated group was formed with Australian Energy Holdings No 1 Pty Ltd as the head entity and its wholly-owned Australian controlled entities as members.

Key estimates and judgements – Determination of deferred tax assets

The Group joining the new tax consolidated group headed by Australian Energy Holdings No 1 Pty Ltd resulted in a reset and increase in the tax base of depreciable assets for the AusNet Services Holding Pty Ltd Group, which has created an estimated deductible temporary difference of \$5.1 billion on acquisition. The increase in the tax base of depreciable assets represents an estimate. This remains under review by the ATO.

Recognition of an associated Deferred Tax Asset for this deductible temporary difference was assessed under the requirements of AASB 112 *Income Taxes*, based on the forecasted taxable income of the AusNet Services Holding Pty Ltd Group. Management judgment has been applied to determine the amount of Deferred Tax Assets that can be recognised based on forecast taxable income. A level of uncertainty is associated with the estimation of forecast future taxable income. This amount is subject to re-assessment and remeasurement in future periods based on management's forecast taxable income.

Key estimates and judgements – Timing and availability of tax deductions

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

As a result of joining the Australian Energy Holdings No. 1 tax consolidated group, the tax base of assets held by the former AusNet tax consolidated group were reset and increased using the allocable cost amount (ACA) and Tax Cost Setting Amount (TCSA) methodologies, pursuant to Income Tax legislation.

At present there are several tax positions of that are being reviewed by the ATO relating to the Australian Energy Holdings No 1 Pty Ltd tax group. These include but are not limited:

- Determination of reset tax base of assets using the ACA and TCSA processes. An opening deferred tax asset has been recognised to reflect a higher tax base determined for depreciable assets; and

Several matters pertaining to the former AusNet Pty Ltd consolidated tax group remain subject to ATO review. Management has applied *Interpretation 23 – Uncertainty over Income Tax Treatments* to account for these positions.

The ATO reviewed the treatment of certain expenditures in relation to powerline undergrounding activities undertaken by the former AusNet Pty Ltd consolidated tax group and a related party tax payable of \$7.6M has been recognised in regards to this matter.

On 16 February 2024, the Federal Court dismissed a related company of AusNet Services Holdings, being AusNet Pty Ltd's appeal in relation to certain tax consolidation and capital allowance positions arising from the corporate restructure completed in June 2015. A successful appeal outcome would result in a higher uplift in historical tax bases and higher capital allowance entitlements from June 2015. The potential uplift in tax bases has not been previously recognised in the financial statements of AusNet or been adopted in filed income tax returns. Consequently, there is no tax impact arising from the unfavourable Federal Court decision, and no impact to the financial statements of Australian Energy Holdings No. 1 for the year ended 31 December 2024. On 14 March 2024, AusNet filed a Form 122 - Notice of Appeal with the Federal Court, appealing the judgment of the Court in the first instance. The Appeal hearing took place before the Full Court of the Federal Court, in August 2024. On 7 March 2025, the Full Court of the Federal Court dismissed AusNet's appeal. AusNet has 28 days to consider a Special Leave application to the High Court of Australia.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note B.4 Taxation (continued)**(a) Effective tax rate reconciliation**

	31 December 2024 \$M	31 December 2023 \$M
Profit before income tax	138.2	170.1
Tax at the Australian tax rate of 30.0% (2023: 30.0%)	41.5	51.0
Tax effect of amounts which are not (taxable)/ deductible in calculating taxable income:		
Non-deductible impairment	(0.5)	4.3
Re-measurement of DTA (i)	-	(570.3)
Other non-deductible expenses	0.1	0.1
Settlement of ATO matters	5.0	-
Prior year under / over	(19.7)	(0.4)
Income tax expense / (benefit)	26.4	(515.3)
Consists of:		
Current tax	(89.5)	(73.6)
Prior year under / (over) provision – current tax	(21.8)	(0.5)
Deferred tax	130.6	(453.5)
Prior year (over) / under provision – deferred tax	2.1	12.3
Settlement of ATO matters	5.0	-
Income tax expense / (benefit)	26.4	(515.3)

- (i) In the prior year, the Group re-assessed the amount of deferred tax assets that can be recognised based on forecast taxable income, resulting in a deferred tax asset balance of \$668.3 million, with the remeasurement impact with respect to property, plant and equipment of \$570.3 million being recognised in income tax benefit.

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

(b) Current tax

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note B.4 Taxation (continued)**(c) Deferred tax**

	1 January 2024	Prior year (under)/ overs	(Charged)/ credited to income statement	Charged/ (credited) directly in equity	31 December 2024
	\$M	\$M	\$M	\$M	\$M
31 December 2024					
Employee benefits	16.1	(0.2)	(1.1)	-	14.8
Other accruals and provisions	67.0	3.2	2.9	-	73.1
Defined benefit fund	4.1	(3.8)	(0.5)	(1.0)	(1.2)
Intangibles	(106.4)	-	-	-	(106.4)
Finance lease receivables	0.5	-	0.1	-	0.6
Derivative financial instruments and fair value adjustments on borrowings	(56.2)	(118.6)	(1.1)	17.9	(158.0)
Property, plant and equipment	743.6	110.0	(130.8)	-	722.8
Right-of-use assets	(7.7)	7.3	1.4	-	1.0
Lease liabilities	7.3	-	(1.5)	-	5.8
Net deferred tax assets/(liabilities)	668.3	(2.1)	(130.6)	16.9	552.5
	1 January 2023	Prior year (under)/ overs	(Charged)/ credited to income statement	Charged/ (credited) directly in equity	31 December 2023
	\$M	\$M	\$M	\$M	\$M
31 December 2023					
Employee benefits	13.8	-	2.3	-	16.1
Other accruals and provisions	63.6	0.3	3.1	-	67.0
Other financial assets	0.3	-	0.2	-	0.5
Derivative financial instruments and fair value adjustments on borrowings	(135.9)	(0.9)	2.6	78.0	(56.2)
Defined benefit funds	3.7	-	(0.6)	1.0	4.1
Intangibles	(106.4)	-	-	-	(106.4)
Property, plant and equipment	878.9	(11.2)	(124.1)	-	743.6
Right-of-use assets	(8.6)	(0.5)	1.4	-	(7.7)
Lease liabilities	8.9	-	(1.6)	-	7.3
Net deferred tax assets/(liabilities)	718.3	(12.3)	(116.7)	79.0	668.3
Re-measurement of DTA	(570.3)	-	570.3	-	-
Net deferred tax assets recognised	148.0	(12.3)	453.6	79.0	668.3

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note B.4 Taxation (continued)

(c) Deferred tax (continued)

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

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

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

(i) Tax consolidation

AusNet Services Holdings Ltd and its subsidiaries are part of a tax consolidated group with Australian Energy Holdings No 1 Pty Ltd as the head entity. The current and deferred tax amounts for the AusNet Services Holdings Pty Ltd Group are determined using the stand-alone taxpayer method.

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

Notes to the consolidated financial statements

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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, and provides a summary of our impairment assessment.

Note C.1 Property, plant and equipment

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

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

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

Gas Distribution Network Assets - useful lives

In June 2023, the AER released its final decision for the 2023-2028 Gas Access Arrangement Review. This included consideration of the Victorian Government's Gas Substitution Roadmap and its impact on the regulated gas network. The final decision approved a fixed amount of accelerated depreciation and also included other protection mechanisms.

In July 2023, the Victorian Government announced a ban on gas connections for new residential estates commencing 1 January 2024. In December 2023, an updated Gas Substitution Roadmap was released which flagged further reviews into limiting the replacement of gas appliances and small commercial connections.

In response to the above and recognising the uncertainty that exists, useful lives for all Gas Distribution Network Assets were re-assessed and, where deemed appropriate, shortened.

In September 2024, AusNet submitted a variation request to the 2023-2028 Gas Access Arrangement Review (GAAR) to account for material policy developments, including the 2023 Victorian Government announcement to ban gas connections for new residential estates.

On 31 January 2025, the AER released its draft decision on the variation proposal to not approve the proposal. The draft decision considers the changes to the demand forecast over the remaining years of the period will be immaterial and that the asset stranding risk has not materially changed since the 2023 final decision.

The useful lives of Gas Distribution Network Assets will continue to be monitored as further information becomes available.

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

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

	Freehold land	Buildings	Easements	Electricity distribution network	Gas distribution network	Other plant and equipment	Right-of- use asset	Capital work in progress	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Useful life (years)	Indefinite	40-99	Indefinite	5-70	15-36	3-12	1-47	n/a	
31 December 2024									
Carrying amount as at 1 January 2024	44.9	155.7	3.9	4,977.1	1,772.2	52.0	22.4	322.8	7,351.0
Lessor transfer	-	-	-	-	-	-	-	2.4	2.4
Additions	-	-	-	-	-	-	-	667.1	667.1
Transfers	5.5	5.6	-	423.3	106.1	14.8	-	(555.3)	-
Impairment (i)	-	-	-	-	-	0.3	-	-	0.3
Disposals	-	-	-	(3.2)	(2.2)	(1.3)	(1.2)	-	(7.9)
Depreciation expense	-	(3.0)	-	(222.0)	(63.4)	(15.7)	(3.7)	-	(307.8)
Carrying amount as at 31 December 2024	50.4	158.3	3.9	5,175.2	1,812.7	50.1	17.5	437.0	7,705.1
Cost	50.4	183.3	3.9	8,379.8	2,724.0	536.1	34.0	437.0	12,348.5
Accumulated depreciation	-	(25.0)	-	(3,204.6)	(911.3)	(486.0)	(16.5)	-	(4,643.4)
Carrying amount as at 31 December 2024	50.4	158.3	3.9	5,175.2	1,812.7	50.1	17.5	437.0	7,705.1

(i) Reversal of impairment of assets prior to assets being classified as held for sale. Refer to Note C.5.

Notes to the consolidated financial statements

For the year ended 31 December 2024

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

	Freehold land	Buildings	Easements	Electricity distribution network	Gas distribution network	Other plant and equipment	Right-of-use asset	Capital work in progress	Total
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Useful life (years)	Indefinite	40-99	Indefinite	5-70	15-37	3-12	1-47	n/a	
31 December 2023									
Carrying amount as at 1 January 2023	44.6	144.6	3.6	4,791.4	1,745.4	45.1	28.7	332.8	7,136.2
Additions	-	-	-	-	-	-	0.2	529.1	529.3
Transfers	0.3	13.9	0.3	406.3	95.4	22.9	-	(539.1)	-
Impairment (i)	-	-	-	-	-	(0.3)	-	-	(0.3)
Disposals	-	-	-	(4.7)	(3.0)	(0.6)	(1.9)	-	(10.2)
Depreciation expense	-	(2.8)	-	(215.9)	(65.6)	(15.1)	(4.6)	-	(304.0)
Carrying amount as at 31 December 2023	44.9	155.7	3.9	4,977.1	1,772.2	52.0	22.4	322.8	7,351.0
Cost	44.9	177.8	3.9	7,972.1	2,626.5	542.1	36.4	322.8	11,726.5
Accumulated depreciation	-	(22.1)	-	(2,995.0)	(854.3)	(490.1)	(14.0)	-	(4,375.5)
Carrying amount as at 31 December 2023	44.9	155.7	3.9	4,977.1	1,772.2	52.0	22.4	322.8	7,351.0

(i) Impairment of assets prior to assets being classified as held for sale. Refer to Note C.5

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note C.2 Intangible assets

	Distribution licences (i) \$M	Goodwill (ii) \$M	Software (iii) \$M	Total \$M
Useful life (years)	Indefinite	Indefinite	3-10	
31 December 2024				
Carrying amount as at 1 January 2024	354.5	-	143.1	497.6
Additions	-	-	54.5	54.5
Amortisation expense	-	-	(60.9)	(60.9)
Impairment (ii)	-	-	0.3	0.3
Disposals	-	-	(1.6)	(1.6)
Carrying amount as at 31 December 2024	354.5	-	135.4	489.9
Cost	354.5	35.8	753.7	1,144.0
Accumulated impairment	-	(35.8)	(3.1)	(38.9)
Accumulated amortisation	-	-	(615.2)	(615.2)
Carrying amount as at 31 December 2024	354.5	-	135.4	489.9
31 December 2023				
Carrying amount as at 1 January 2023	354.5	12.0	153.9	520.4
Additions	-	-	57.5	57.5
Amortisation expense	-	-	(68.0)	(68.0)
Impairment (ii)	-	(12.0)	(0.3)	(12.3)
Carrying amount as at 31 December 2023	354.5	-	143.1	497.6
Cost	354.5	35.8	705.7	1,096.0
Accumulated impairment	-	(35.8)	(3.4)	(39.2)
Accumulated amortisation	-	-	(559.2)	(559.2)
Carrying amount as at 31 December 2023	354.5	-	143.1	497.6

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

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

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

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

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

Goodwill is not amortised but is reviewed for impairment at least annually.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note C.2 Intangible assets (continued)

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

Notes to the consolidated financial statements

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Note C.3 Finance lease receivables

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

During the period, the Group recognised interest income on lease receivables of \$1.0 million (2023: \$1.0 million).

	31	31
	December	December
	2024	2023
	\$M	\$M
Lessor finance receivables – current	0.5	0.4
Lessor finance receivables – non-current	8.2	8.7
Balance at 31 December	8.7	9.1

The maturity analysis of lessor finance receivables is disclosed in Note D.3 (d).

Notes to the consolidated financial statements

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Note C.4 Impairment of non-current assets

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

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

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

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

Key estimates and judgements – Assessment of recoverable amount

Key estimates and judgements have been applied in the discount rate, terminal regulated asset base (RAB) multiples, and terminal values used in the measurement of recoverable amount. These assumptions have been determined with reference to historical information, market information, current performance, forecast performance and take into account external information such as input costs, supply and demand. Such estimates may change as new information becomes available.

Impairment modelling for the three regulated networks (Electricity Distribution business CGU, Gas Distribution business CGU, and Electricity Transmission business CGU) reflect the current regulatory framework and incorporates key assumptions in relation to the energy transition and future expected regulatory outcomes. Impairment modelling for the Development & Future Network business CGU incorporates assumptions in relation to pipeline and future projects.

We have considered the impact of climate change and the transition to renewable energy sources on impairment modelling assumptions and related risks. One of the underlying assumptions is that an appropriate regulatory response and framework will continue to exist throughout the forecast period so as to mitigate any potential risk of asset impairment or other financial outcomes that would otherwise act to materially reduce the net present value of future cash flows attached to our regulated businesses due to the impact of climate change and related Regulator and Government policy response.

This includes the risk of potential long term structural shifts to the energy industry, as outlined in the Gas Substitution Roadmap released by the Victorian Government, which under certain scenarios may result in lower gas demand and declining revenues in the gas distribution business and CGU. These scenarios have been considered in developing our year-end cash flow forecasts and impairment model assumptions.

Management will continue to closely monitor and review inputs and assumptions as further information in relation to the energy transition becomes available.

Notes to the consolidated financial statements

For the year ended 31 December 2024

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

The following CGUs have intangible assets with an indefinite life:

	Cash flow projection period (i)		Post –tax discount rate (ii)		Terminal RAB Multiple (iii)		Carrying value	
	2024 years	2023 years	2024 %	2023 %	2024 Multiple	2023 Multiple	2024 \$M	2023 \$M
Regulated CGUs								
Electricity distribution (distribution licence)	22	23	5.3	5.6	1.45x	1.45x	117.2	117.2
Gas distribution (distribution licence)	22	23	5.3	5.5	1.00x	1.00x	237.3	237.3

Recoverable amount is determined based on fair value less cost of disposal for the Electricity Distribution business CGU and Development & Future Networks – Field Services CGU and value in use for the Gas Distribution CGU.

- (i) Regulated cash flow forecasts are based on allowable returns on electricity distribution assets as set out in the Victorian Electricity Supply Industry Tariff Order, combined with forecasts aligned to our five-year plan. Cash flows after that period are based on extrapolating these forecasts, taking into account inflation and expected growth in the regulated asset base. Due to the regulated nature of our industry and vast amount of historical information available, we are able to build detailed, explicit and reliable financial forecasts for periods longer than five years.

During the current period, management's valuation model was approved by the Board. This included a long-term cash flow forecast (covering twenty-two years). This cash flow forecasts were used for impairment testing for Electricity Distribution CGU and Gas Distribution CGU.

- (ii) The discount rate represents the post-tax discount rate applied to the cash flow projections.
- (iii) Terminal value is determined by applying a multiple to the terminal year RAB for each regulated CGU.

Fair value less costs to sell is measured using inputs that are not based on significant observable market data. Therefore, they are considered to be level three within the fair value hierarchy as per AASB 13 *Fair Value Measurement*.

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Note C.5 Assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position. On 21 December 2023, the Group signed a non-legally binding term sheet to sell the water and gas field services business line ('the business'). The sale of the business is expected to be completed within a year from the reporting date. At 31 December 2023, assets and liabilities associated with the business were classified as a disposal group held for sale.

The major classes of assets and liabilities as held for sale as at 31 December 2023 were as follows:

	2023 \$M
Assets	
Accounts receivable	1.8
Inventory	2.2
Contract assets	2.0
Assets held for sale	6.0
Liabilities	
Accounts payable	(0.2)
Accrued expense	(1.1)
Provision for employee entitlements	(0.7)
Liabilities directly associated with the assets held for sale	(2.0)
Net assets directly associated with disposal group	4.0

An impairment loss of \$14.2 million was recognised. Prior to the classification of assets to held for sale, an impairment loss of \$11.8 million was first allocated to goodwill. An impairment loss of \$0.3 million and \$0.3 million were then allocated to property, plant and equipment and intangible assets (software) respectively which represent the disposal group's non-current assets. The remainder of the impairment loss is allocated to other current assets included in the disposal group.

On 6 March 2024, Mondo Power Pty Ltd, a subsidiary of the Group, signed a Business Sale Agreement to sell the water and gas field service business, with the sale completed on 28 March 2024. Following the completion of the transaction, a contingent payment of \$2 million was received in December 2024 and recognised as gain on sale. This payment was related to the retention of the Yarra Valley Water contract and the provision for the redundancy of related employees.

Note C.6 Capital commitments

(a) Capital commitments

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

	2024 \$M	2023 \$M
Property, plant and equipment	165.9	141.9

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For the year ended 31 December 2024

Section D Financing our business

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

Note D.1 Capital management

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

- Targeting credit metrics over the medium term that maintain a 'BBB+/Baa1' range credit rating, thereby providing financial flexibility and a low cost of capital.
- Managing financial risk prudently to ensure net exposures are maintained within target settings.
- Funding capital expenditure efficiently through various sources to meet the Board's long-term strategic objectives

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

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

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

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

The net debt to R&CAB ratio (at the AusNet Pty Ltd Group level as the consolidated group encompassing all guarantor companies, which includes the transmission RAB) as at reporting date was as follows. This ratio does not include equity credits in relation to \$1,731.9 million of hybrid securities, which consists of the Group's Australian dollar (AUD) hybrid securities of and Euro (EUR) hybrid securities. Refer to Note D.2 for the face value of hybrid securities.

	31 December 2024	31 December 2023
	%	%
Net debt to R&CAB	66.5	66.4

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Note D.2 Borrowings

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

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

Borrowings are classified as current liabilities unless we have a right to defer settlement of the liability for at least 12 months after the reporting date or have the sole discretion to refinance or roll over the liability for at least 12 months after the reporting date under an existing loan facility. The right to defer settlement of liabilities is subject to the group complying with covenants within twelve months after the reporting date.

	Maturity date	Carrying Value		Face Value (i)	
		31	31	31	31
		December 2024	December 2023	December 2024	December 2023
		\$M	\$M	\$M	\$M
Current borrowings					
Working capital bank debt facilities (ii)	2025	14.1	31.8	14.1	31.8
Bi-lateral bank debt facilities (ii)	2025	55.0	-	55.0	-
Syndicated bank debt facilities (ii)	2025	698.4	-	700.0	-
Domestic medium term notes (ii)	2024	-	124.9	-	125.0
Euro (EUR) senior notes (ii)	2024	-	566.7	-	543.3
Japanese yen (JPY) senior notes (ii)	2025	-	52.2	-	62.6
Total current borrowings		767.5	775.6	769.1	762.7
Non-current borrowings					
Hong Kong dollar (HKD) senior notes	2026 – 2034	875.0	778.7	700.0	700.0
Domestic medium term notes (ii)	2027 – 2043	3,703.3	3,179.4	3,795.0	3,295.0
Syndicated bank debt facilities (ii)	2025 – 2032	1,264.1	1,379.6	1,276.0	1,395.0
Euro (EUR) senior notes	2027 – 2030	1,901.0	1,810.7	1,882.9	1,882.9
Japanese yen (JPY) senior notes	2038	101.7	104.8	105.0	105.0
US dollar (USD) senior notes	2026	128.2	115.0	107.0	107.0
Norwegian kroner (NOK) senior notes	2027 – 2029	455.1	458.9	565.8	565.8
Australian dollar (AUD) hybrid securities (iii)	2080	650.0	649.9	650.0	650.0
Euro (EUR) hybrid securities (iii)	2081	1,117.6	1,052.4	1,081.9	1,081.9
Total non-current borrowings		10,196.0	9,529.4	10,163.6	9,782.6
Total borrowings		10,963.5	10,305.0	10,932.7	10,545.3
less:					
Cash and cash equivalents		1.2	2.0	1.2	2.0
Net debt		10,962.3	10,303.0	10,931.5	10,543.3

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.2 Borrowings (continued)

- (ii) During the period, \$500.0 million of AUD medium-term notes were raised through our AMTN program, \$543.3 million of Euro senior notes were repaid, \$125m of AUD medium-term notes were repaid, \$62.6m of Japanese Yen senior notes were repaid, \$1,000.1 million of the syndicated bank debt facilities were drawn, \$420.0 million of the syndicated bank debt facilities were repaid, \$55.0 million of bilateral bank debt facilities were drawn, \$418.2 million of working capital bank debt facilities were drawn and \$435.9 million repaid in the same period.
- (iii) The first call date for hybrid securities is in October 2025 for AUD hybrids and September 2026 for EUR hybrids.

(a) Foreign currency translation

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

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

(b) Fair values of financial instruments

We have a number of financial assets and liabilities which are not measured at fair value in the consolidated statement of financial position. With the exception of borrowings outlined above, the carrying amounts of these items are considered to be a reasonable approximation of their fair value as at 31 December 2024. The fair value of total borrowings as at 31 December 2024 was \$10,997.8 million (31 December 2023: \$10,346.3 million) and was based on the level two valuation methodology within the fair value hierarchy as per AASB 13 *Fair Value Measurement*.

(c) Financial covenants

The terms of bank debt contain financial covenants that require the maintenance of specified interest coverage ratios and gearing ratios. In addition, there are change of control and/or ownership and cross default provisions. We monitor and report compliance with our financial covenants on a monthly basis. There were no breaches during the year.

(d) Other bank guarantees

Certain entities within the Group are required to provide bank guarantees in the form of tender bid bonds or performance bonds for contractual obligations. The subsidiaries have guarantee facilities with a number of institutions amounting to \$15.0 million, of which \$5.0 million was provided to third parties as at 31 December 2024 (31 December 2023: \$5.2 million).

(e) Changes in liability arising from financing activities

The table below details the movements in the Group's interest-bearing liabilities for the year ended 31 December 2024:

	Cash flow movements (financing activities)				Non-cash flow movements			31 December 2024
	31 December 2023	Proceeds	Repay- ments	Reclass- ification	Foreign exchange movements	Fair value adjust- ment	Funding costs	
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Current	775.6	969.1	(1,037.7)	74.9	(13.3)	0.3	(1.4)	767.5
Non-current	9,529.4	601.0	(145.0)	(74.9)	192.4	85.6	7.5	10,196.0
Total	10,305.0	1,570.1	(1,182.7)	-	179.1	85.9	6.1	10,963.5

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.3 Financial risk management

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

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

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

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

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

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

- The Authority Manual which sets out the approvals required for such things as investment of surplus funds, execution of hedging transactions, borrowings and issue of guarantees and indemnities; and
- The Treasury Operations Manual which sets out the day-to-day Treasury front office processes such as cash management and the operations of the Treasury back office, such as settlement processes and bank account operations.

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

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

(a) Interest rate risk

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

The objective of hedging activities in relation to interest rate risk is to minimise the exposure to changes in interest rates by aligning the actual cost of debt with the cost of debt assumed by the regulator. The exposure is managed by maintaining the percentage of fixed rate debt to total debt at a level between 90 per cent and 100 per cent for the relevant business. We therefore consider net interest rate exposure, after hedging activities, to be minimal for the Group. The percentage of fixed rate debt to total debt (on a net debt basis) as at 31 December 2024 was 92.0 per cent (31 December 2023: 95.4 per cent).

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.3 Financial risk management (continued)**(a) Interest rate risk (continued)**

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

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

	31 December 2024 \$M	31 December 2023 \$M
Financial assets		
Related party receivables (i)	4,225.1	4,092.8
Fixed rate instruments	-	-
Floating rate instruments	1.2	2.0
Financial liabilities (ii)		
Fixed rate instruments	(10,053.6)	(10,054.7)
Floating rate instruments	(879.1)	(490.6)

- (i) As the common funding vehicle, the Company lends funds to other entities within the AusNet Services Group, including the Transmission business. Related party interest is charged based on the weighted average interest rate of Company's borrowings for the relevant regulated business. The interest rate is reset quarterly.
- (ii) The financial liabilities above include the impact of derivative financial instruments used to manage the interest rate and foreign currency exposures on those liabilities. Therefore, they represent the post hedge position. It should be noted that some fixed rate borrowings (post hedge) as at reporting date are only fixed for a portion of their term. This is because the maturity profile of borrowings differs from the AER's assumed refinancing profile of the regulated businesses. The remaining portion of this debt will be fixed when the AER resets the cost of debt to cover these periods.

Our exposure to changes in interest rates is limited to exposures denominated in Australian dollars due to our policy of mitigating interest rate risk exposure on foreign currency debt. As a result, the sensitivity analysis below has only been performed based on movements in Australian interest rates. As at reporting date, if Australian interest rates had increased and decreased by 53 basis points as at 31 December 2024 (31 December 2023: 145 basis points), with all other variables held constant, post-tax profit and equity would have increased/(decreased) as follows:

	Net profit after tax		Equity after tax (hedge reserve)	
	31 December 2024 \$M	31 December 2023 \$M	31 December 2024 \$M	31 December 2023 \$M
Increase in Australian interest rates with all other variables held constant	(2.0)	(3.0)	3.3	10.0
Decrease in Australian interest rates with all other variables held constant	2.0	3.0	(3.3)	(10.0)

There have been no changes in the methods and assumptions used in preparing the sensitivity analysis as compared to the previous period.

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.3 Financial risk management (continued)

(b) Currency risk

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

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

(i) Accounting for financial instruments

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

	Fair value hedges	Cash flow hedges
Objective of the hedge	To mitigate the exposure to changes in fair value of certain borrowings. Fair value hedges are generally fixed rate designated for the terms of borrowings that fall outside of the price review periods for the regulated businesses.	To mitigate the variability in cash flows attributable to variable interest rate and/or foreign currency movements on borrowings or highly probable forecast transactions.
Treatment of changes in fair value of qualifying hedges	Recognised immediately in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.	The effective portion is recognised directly in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in the hedge reserve are recycled in the income statement when the hedged item affects the income statement (generally when the forecast transaction that is hedged takes place). However, when the forecast transaction results in the recognition of a non-financial asset, the gains and losses are transferred from the hedge reserve and included in the measurement of the initial carrying amount of the asset.
Documentation of the hedge relationship	To ensure derivative financial instruments qualify for hedge accounting we document, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as our risk management objectives and strategy for undertaking various hedge transactions. We also document our assessment, both at hedge inception and on an ongoing basis, of whether the derivative financial instruments that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.	
Discontinuation of hedge accounting	Hedge accounting is discontinued when the hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting.	
	After discontinuation, the previously hedged asset or liability is no longer revalued for changes in fair value.	At that time, any cumulative gain or loss existing in the hedge reserve remains in hedge reserve and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the hedge reserve is immediately recognised in the income statement.

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Note D.3 Financial risk management (continued)**(c) Derivative financial instruments used to hedge interest rate and currency risks (continued)***(ii) Measurement and classification*

We classify our derivative financial instruments between current and non-current based on settlement date of cash flows of the derivatives.

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

	Interest rate swaps \$M	Forward foreign currency contracts \$M	Cross- currency swaps \$M	Total net derivative financial instruments \$M
31 December 2024				
Current assets	121.4	-	-	121.4
Non-current assets	433.5	0.1	296.2	729.8
Current liabilities	(29.7)	-	(62.5)	(92.2)
Non-current liabilities	(107.0)	-	(165.6)	(272.6)
Total derivative financial instruments	418.2	0.1	68.1	486.4
Consists of:				
- fair value hedges	(82.9)	-	(299.9)	(382.8)
- cash flow hedges	501.1	0.1	368.7	869.9
- not in a hedge relationship	-	-	(0.7)	(0.7)
Total derivative financial instruments	418.2	0.1	68.1	486.4
31 December 2023				
Current assets	126.2	0.7	21.7	148.6
Non-current assets	481.8	-	115.3	597.1
Current liabilities	(34.3)	(0.6)	(112.1)	(147.0)
Non-current liabilities	(126.3)	-	(194.0)	(320.3)
Total derivative financial instruments	447.4	0.1	(169.1)	278.4
Consists of:				
- fair value hedges	(104.8)	-	(468.2)	(573.0)
- cash flow hedges	552.2	0.1	299.8	852.1
- not in a hedge relationship	-	-	(0.7)	(0.7)
Total derivative financial instruments	447.4	0.1	(169.1)	278.4

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Note D.3 Financial risk management (continued)

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

(ii) Measurement and classification (continued)

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

Credit risk is included in the fair value of derivative financial instruments based on a bilateral credit risk adjustment obtained using credit default swap curves. Credit risk is obtained directly from the observable Credit Default Swap curves within Bloomberg for each of the relevant counterparties, with the Bilateral Credit Risk applied uniformly across all asset and liability positions as at the reporting date. The value of the credit risk adjustment (unfavourable) for derivative financial instruments as at 31 December 2024 is \$22.2 million (31 December 2023: \$26.7 million).

Key estimates and judgements - Fair value of derivative financial instruments

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

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

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

There were no material transfers between Level 1 and Level 2 during the year.

(iii) Offsetting derivative financial instruments

Derivative assets and liabilities are presented on a gross basis. As such, as at 31 December 2024, the amount netted in other financial assets and other financial liabilities is nil (31 December 2023: nil). Certain derivative assets and liabilities are subject to enforceable master netting arrangements with individual counterparties if they were subject to default, although these financial assets and liabilities do not meet the criteria for being presented on a net basis.

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Note D.3 Financial risk management (continued)**(c) Derivative financial instruments used to hedge interest rate and currency risks (continued)***(iv) Cash flow hedges*

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

	Change in value of hedged item used to measure ineffectiveness	Change in value of hedging instrument used to measure ineffectiveness	Hedge ineffectiveness recognised in profit or loss (i)	Nominal amounts of hedging instruments (ii)
	\$M	\$M	\$M	\$M
Interest rate risk	37.1	(44.3)	7.2	10,182.6
Foreign currency risk – debt	35.2	(36.0)	0.8	4,442.6
Foreign currency risk – capital expenditure	(0.1)	0.1	(0.0)	0.4
	72.4	(80.4)	8.0	14,625.6

- (i) Included in the line items 'Finance income' and 'Finance costs' within 'Net finance costs' in the Consolidated statement of comprehensive income.
- (ii) Nominal amounts represent the total principal in each hedging instrument (derivative) in cash flow hedges. For hedging purposes derivatives are split into multiple hedging components becoming hedging instruments in each hedge relationship. The nominal amounts in the table above are based on these multiple hedging components. The nominal value for all external derivatives in both cash flow and fair value hedges is \$17,263.5 million (2023: \$17,500.6 million).

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

	31 December 2024	31 December 2023
	\$M	\$M
Opening balance of cash flow hedge reserve	340.7	522.6
Amounts recognised in other comprehensive income, net of income tax:		
Changes in fair value of cash flow hedges (excluding foreign currency basis spreads)	217.5	(141.0)
Amounts reclassified to interest expense for effective hedges (i)	(297.7)	(111.7)
Changes in foreign currency basis spreads	20.7	(7.2)
Tax effect	17.9	78.0
Total amounts recognised in other comprehensive income, net of income tax	(41.7)	(181.9)
Closing balance of cash flow hedge reserve	299.0	340.7

- (i) The profit or loss from foreign exchange movement of hedging instrument largely offsets the profit or loss from the foreign exchange movement of the borrowings in an effective hedge relationship.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.3 Financial risk management (continued)**(c) Derivative financial instruments used to hedge interest rate and currency risks (continued)***(v) Fair value hedges*

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

	Carrying amount of the hedged item	Accumulated amount of fair value adjustments on hedged items	Gain/(loss) on remeasurement of hedged item	Gain/(loss) on remeasurement of hedging instruments	Nominal amounts of hedging instruments (i)
	\$M	\$M	\$M	\$M	\$M
AUD denominated borrowings	(6,384.9)	79.5	(22.4)	19.1	2,638.0
Foreign currency denominated borrowings	(4,578.6)	256.0	(63.5)	62.5	4,442.6
	(10,963.5)	335.5	(85.9)	81.7	7,080.6

- (i) Nominal amounts represent the total principal in each hedging instrument (derivative) in fair value hedges. For hedging purposes derivatives are split into multiple hedging components becoming hedging instruments in each hedge relationship. The nominal amounts in the table above are based on these multiple hedging components. The nominal value for all external derivatives in both cash flow and fair value hedges is \$17,263.5 million (31 December 2023: \$17,500.6 million).

(d) Liquidity risk

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

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

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

(i) Contractual cash flows

Liquidity risk is managed based on net contracted and forecast inflows and outflows from operating, financing and investing activities. The following table summarises the contractual cash flows of our non-derivative and derivative financial assets and liabilities based on the remaining earliest contractual maturities. The contractual cash flows are based on undiscounted principal and interest commitments, and foreign exchange rates at the reporting date. The Group has reclassified prior year comparatives to align with current period presentation of the interest component.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.3 Financial risk management (continued)**(d) Liquidity risk (continued)***(i) Contractual cash flows (continued)*

		Principal At face value	Carrying amount	Total contractual cash flows	Less than 1 year	1 – 2 years	2 – 5 years	Greater than 5 years
31 December 2024	Notes	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Financial assets								
Cash and cash equivalents		1.2	1.2	1.2	1.2	-	-	-
Accounts and other receivables (i)	B.3, E.3	4,723.2	4,723.2	4,723.2	4,723.2	-	-	-
Finance lease receivable	C.3	8.7	8.7	13.0	1.4	1.4	8.0	2.2
Derivative financial assets			851.2	1,140.8	20.9	180.8	459.4	479.7
			5,584.3	5,878.2	4,746.7	182.2	467.4	481.9
Financial liabilities								
Trade and other payables	B.3	382.5	382.5	382.5	382.5	-	-	-
Lease liability	D.5	19.3	19.3	21.2	4.2	4.3	9.9	2.8
Bank debt facilities		2,045.1	2,031.6	2,538.8	861.7	76.1	761.3	839.7
Domestic medium term notes		3,795.0	3,703.3	5,119.0	178.5	178.5	2,243.0	2,519.0
Foreign senior notes		3,360.7	3,461.0	3,653.6	73.6	377.4	1,779.3	1,423.3
Hybrid securities (ii)		1,731.9	1,767.6	1,800.3	718.3	1,082.0	-	-
Derivative financial liabilities			364.8	562.1	89.6	89.7	318.7	64.1
			11,730.1	14,077.5	2,308.4	1,808.0	5,112.2	4,848.9
Net cash outflow				(8,199.3)	2,438.3	(1,625.8)	(4,644.8)	(4,367.0)
31 December 2023								
Financial assets								
Cash and cash equivalents		2.0	2.0	2.0	2.0	-	-	-
Accounts and other receivables (i)	B.3, E.3	4,539.3	4,539.3	4,539.3	4,539.3	-	-	-
Finance lease receivable	C.3	9.1	9.1	14.4	1.4	1.4	4.2	7.4
Derivative financial assets			745.7	1,200.0	123.6	86.6	434.9	554.9
			5,296.1	5,755.7	4,666.3	88.0	439.1	562.3
Financial liabilities								
Trade and other payables	B.3	506.1	506.1	506.1	506.1	-	-	-
Lease liability	D.5	24.3	24.3	26.2	4.4	4.5	11.5	5.8
Bank debt facilities		1,426.8	1,411.4	1,995.8	114.0	154.9	234.5	1,492.4
Domestic medium term notes		3,420.0	3,304.3	4,568.5	274.0	145.6	1,861.6	2,287.3
Foreign senior notes		3,966.6	3,886.9	4,318.6	678.3	70.1	1,720.9	1,849.3
Hybrid securities (ii)		1,731.9	1,702.4	1,865.3	65.9	704.7	1,094.7	-
Derivative financial liabilities			467.3	845.8	172.4	158.6	295.6	219.2
			11,302.7	14,126.3	1,815.1	1,238.4	5,218.8	5,854.0
Net cash outflow				(8,370.6)	2,851.2	(1,150.4)	(4,779.7)	(5,291.7)

(i) Included within the Accounts and other receivables is the related party receivable of \$4.2 billion (2023: \$4.1 billion). Although contractually due on demand, the Group does not expect to realise cash flows within one year.

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.3 Financial risk management (continued)**(d) Liquidity risk (continued)***(ii) Financing facilities*

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

	31 December 2024			31 December 2023		
	Amount used	Amount unused	Total	Amount used	Amount unused	Total
Financing facilities (face value)	\$M	\$M	\$M	\$M	\$M	\$M
Unsecured bank overdraft facility, reviewed annually and payable at call	-	2.5	2.5	-	2.5	2.5
Unsecured working capital facility, reviewed annually	14.1	85.9	100.0	31.8	68.2	100.0
Unsecured bank loan facility with various maturity dates and which may be extended by mutual agreement	55.0	745.0	800.0	-	700.0	700.0
Syndicated bank debt facilities, reviewed quarterly	1,976.0	199.0	2,175.0	1,395.0	780.0	2,175.0
Total financing facilities	2,045.1	1,032.4	3,077.5	1,426.8	1,550.7	2,977.5

(e) Credit risk

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

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

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

Credit risk is included in the fair value of derivative financial instruments based on a bilateral credit risk adjustment obtained using credit default swap curves. The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents our maximum exposure to credit risk.

(f) Interest rate benchmark reform

In recent years, financial regulators have reviewed the use of Interbank Offered Rates (IBORs) and recommended either a reform of the benchmark rate to reference market observable transactions (e.g. EURIBOR) or a transition of certain IBORs to more observable, risk-free alternative reference rates (RFRs). In Australia, the RBA has indicated that regulators will be facilitating a 'multi-rate' approach, where Australia's local credit-based benchmark (the BBSW) will co-exist with Australia's RFR (AONIA) as the key benchmarks for the AUD. This announcement followed reforms to enhance the robustness of the Australian benchmarks, including changes to strengthen the methodology underlying the benchmark calculation of the BBSW.

The Company does not hold any financial instrument contract which references rates impacted by the IBOR reform, as the only IBOR exposure is to Australia's BBSW.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.4 Net finance costs

	31 December 2024	31 December 2023
	\$M	\$M
Finance income (i)		
Interest income	1.8	2.2
Interest income – related parties	185.5	148.4
Lease interest income	1.0	1.0
Total finance income	188.3	151.6
Finance costs (ii)		
Interest expense	485.0	455.4
Interest expense – leases	0.5	0.5
Other finance charges – cash	6.1	6.1
Other finance charges – non cash	9.4	13.4
(Gain) / loss on fair value hedges (iii)	4.2	7.0
(Gain) / loss on transactions not in a hedge relationship	0.2	1.0
(Gain) / loss on hedge ineffectiveness	(8.0)	-
Unwind of discount on provisions	1.6	1.1
Defined benefit net interest income	(3.2)	(3.4)
Capitalised finance charges (iv)	(10.7)	(8.9)
Settlement of ATO matter	2.6	-
Total finance costs	487.7	472.2
Net finance costs	299.4	320.6

- (i) Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.
- (ii) All borrowing costs are recognised in the income statement using the effective interest rate method, other than borrowing costs directly attributable to a qualifying asset which are capitalised into the cost of that asset.
- (iii) Hedge ineffectiveness is mainly driven by changes in credit adjustment amounts.
- (iv) The capitalisation rate used to determine the amount of borrowing costs to be included in the cost of qualifying assets is the average interest rate of 4.5 per cent (2023: 4.3 per cent) applicable to our outstanding borrowings at the end of the period.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.5 Lease liabilities

	31 December 2024 \$M	31 December 2023 \$M
Lease liability – Current	3.7	4.4
Lease liability – Non-current	15.6	19.9
Total lease liabilities	19.3	24.3

Presented below is a maturity analysis of undiscounted future lease payments:

No later than 1 year	4.2	4.4
Later than 1 year and not later than 5 years	14.2	16.0
Later than 5 years	2.8	5.8
	21.2	26.2

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

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

Payments associated with short-term leases and low-value assets are recognised on a straight-line basis as an expense within "Other expenses" in the consolidated income statement. Short-term leases are leases with a contractual term of 12 months or less. Furthermore, certain tax and insurance reimbursements to landlords do not convey a good or service to the Group and therefore are not included in the lease liability (non-lease payments). For the period ended 31 December 2024, \$1.3 million of short-term or low value lease and non-lease payments have been recognised directly within the consolidated income statement (31 December 2023: \$2.8 million).

Key estimates and judgements – Lease terms and incremental borrowing rate

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.6 Equity

		31 December 2024	31 December 2023
Contributed equity	Notes	\$M	\$M
Ordinary shares – fully paid	(a), (b)	3,028.1	3,028.1

(a) Ordinary shares

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

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

(b) Movements in ordinary share capital

Date	Details	Issue price	Number of shares	\$M
1 January 2023	Opening balance		3,020,707,692	3,028.1
31 December 2024	Closing balance		3,020,707,692	3,028.1
1 January 2023	Opening balance		2,670,707,692	2,678.1
15 December 2023	Issuance of new shares (i)	\$1.00	350,000,000	350.0
31 December 2023	Closing balance		3,020,707,692	3,028.1

- (i) During the prior year, an equity injection from the Company's immediate parent AusNet Services (Distribution) Pty Ltd was made. The Company issued and allotted 350,000,000 ordinary shares at an issue price of \$1.00 to the immediate parent.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note D.7 Dividends

The following dividends were approved and paid by AusNet Services Holdings Pty Ltd to shareholders during the current and previous financial years:

		Total dividend \$M
Dividend	Date declared	
<i>Current period</i>		-
Total dividends		-
<i>Prior period</i>		
Q1 Group Distribution	27 March 2023	3.9
Q2 Group Distribution	21 June 2023	52.8
Total dividends		56.7

In the current period, no dividends were paid from AusNet Services Holdings Pty Ltd to AusNet Services (Distribution) Pty Ltd (31 December 2023: \$56.7 million)

Notes to the consolidated financial statements

For the year ended 31 December 2024

Section E Group Structure

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

Note E.1 Subsidiaries

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

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

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

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

Name of entity	Country of incorporation	Class of shares	Equity holding	
			31 December 2024 %	31 December 2023 %
AusNet Electricity Services Pty Ltd	Australia	Ordinary	100.0	100.0
AusNet Asset Services Pty Ltd	Australia	Ordinary	100.0	100.0
AusNet Gas Services Pty Ltd	Australia	Ordinary	100.0	100.0
Mondo Power Pty Ltd	Australia	Ordinary	100.0	100.0
Mondo Metering Pty Ltd (i) (ii)	Australia	Ordinary	100.0	0.0
Mondo Ubi Pty Ltd (i) (ii)	Australia	Ordinary	100.0	0.0

(i) These entities are not trading and are either dormant and/or holding companies.

(ii) These entities were incorporated during the year ended 31 December 2024

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note E.2 Parent entity information**(a) Statement of financial position**

	31 December 2024	31 December 2023
	\$M	\$M
Current assets	134.2	486.4
Non-current assets	12,725.1	11,779.2
Total assets	12,859.3	12,265.6
Current liabilities	945.7	1,079.0
Non-current liabilities	10,608.2	9,701.3
Total liabilities	11,553.9	10,780.3
Contributed equity	3,020.7	3,020.7
Reserves	(1,681.4)	(1,659.3)
Retained (losses)/profits	(33.9)	123.9
Total equity	1,305.4	1,485.3

(b) Statement of comprehensive income

	31 December 2024	31 December 2023
	\$M	\$M
Profit/(loss) for the year	(262.2)	16.3
Total comprehensive loss for the year	(466.2)	(165.6)

(c) Contingent liabilities

Except for the contingent liabilities relating to the Group, disclosed in Note F.4, there are no additional contingent liabilities associated with the parent entity as at 31 December 2024 (2023: nil).

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note E.3 Related party transactions**(a) Major shareholders**

The immediate parent of the Company is AusNet Services (Distribution) Pty Ltd, wholly owned by AusNet Pty Ltd. The Group's ultimate parent in Australia is Australian Energy Holdings No 1 Pty Ltd, following the acquisition of AusNet Pty Ltd by a consortium led by Brookfield Asset Management, via by Australian Energy Holdings No 4 Pty Ltd on 16 February 2022.

(b) Transactions with related parties

Related party transactions between the Group and its new shareholders and their subsidiaries consisted of:

For 12 months ended 31 December 2024

- No dividends paid to AusNet Services (Distribution) Pty Ltd (refer to Note D.7)
- Lending of funds to other entities within AusNet Services Group (see below).

For 12 months ended 31 December 2023

- Dividend of \$56.7 million paid to AusNet Services (Distribution) Pty Ltd (refer to Note D.7)
- Administrative costs of \$490,412 paid to Brookfield Group for costs incurred on AusNet's behalf; and
- Lending of funds to other entities within AusNet Services Group (see below).

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

	31 December 2024 \$'000	31 December 2023 \$'000
Current receivables (sale of goods and services)		
Other entities in the AusNet Services Group	339,100	371,000
Non-current receivables		
Other entities in the AusNet Services Group	4,230,400	4,092,773
Current payables and other liabilities (purchase of goods)		
Other entities in the AusNet Services Group	48,200	248,792

As the common funding vehicle, the Company lends funds to other entities within the AusNet Group, including the Transmission business. Related party interest is charged based on the weighted average interest rate of Company's borrowings for the relevant regulated business. The interest rate is reset quarterly. The loans are repayable on demand but has been classified as non-current as it is not expected the intercompany loans will be called within twelve months after reporting date. All other loans within the AusNet Services Holding Pty Ltd group are eliminated on consolidation.

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note E.3 Related party transactions (continued)**(c) Key management personnel**

	31 December 2024	31 December 2023
	\$	\$
Short-term employee benefits	5,797,939	6,325,790
Post-employment benefits	131,725	137,886
Long-term employee benefits	1,369,782	1,758,657
Other long-term benefits	2,924,775	5,677,273
	10,224,221	13,899,606

The KMP are engaged to provide services to the AEH1 and its subsidiaries (AEH1 Group) and are not exclusive to any particular AusNet entity. Whilst certain KMPs are not directly employed by the entities within the AusNet Services Holdings Group, their employment agreements state that they are expected to provide services to all entities within the greater AusNet Group. For regulatory setting purposes, costs including KMP remuneration are allocated across the businesses within the AusNet Pty Ltd group in accordance with the cost allocation methodology as approved by the Australian Energy Regulator (AER).

Accordingly KMP expenses disclosed here in this note include costs incurred for services provided by KMP to the AEH1 Group. Approximately 55% of the costs of KMP remuneration disclosure in the table above are attributable to the ASH Group, determined using the aforementioned cost allocation methodology as approved by the AER. The Remuneration Report within the Directors' report contains further details of the remuneration paid or payable to each member of the AEH1 Group's key management personnel for the period ended 31 December 2024.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Section F Other disclosures

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

Note F.1 Remuneration of auditors

The following fees were paid or payable for services provided by our auditors and its related practices. The Company's current auditors, Ernst & Young, were appointed in June 2022.

	31 December 2024	31 December 2023
	\$	\$
Audit and review services		
Audit and review of financial statements	1,061,811	1,293,148
Total remuneration for audit and review services	1,061,811	1,293,148
Assurance services		
Regulatory assurance services (i)	429,723	421,313
Other assurance services	79,040	124,800
Total remuneration for assurance services	508,763	546,113
Other services		
Taxation services	222,542	192,445
Other services	126,876	847,534
Total remuneration for other services	349,418	1,039,979
Total remuneration of auditors	1,919,992	2,879,240

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note F.2 Defined benefit obligations

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

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

The defined benefit superannuation plan is administered by a trust that is legally separated from the Group. The trustee consists of both employee and employer representatives and an independent chair, all of whom are governed by the scheme rules. The trustee is responsible for the administration of plan assets and for the definition of plan strategy. The defined benefit assets are invested by the Trustee in a pool of assets with plans providing defined benefits for other employees. The assets are diversified within these investment options and therefore the Plan has no significant concentration of investment risk.

	31 December 2024	31 December 2023
	\$M	\$M
Total amount included in the statement of financial position in respect of the defined benefit plan is as follows:		
Present value of defined benefit obligations	(89.3)	(96.8)
Fair value of plan assets	158.4	160.3
Net asset arising from defined benefit obligations	69.1	63.5
Amounts recognised in the income statement in respect of the defined benefit plan are as follows:		
Current service cost	1.6	1.6
Net interest income on defined benefit obligation	(3.2)	(3.4)
Total	(1.6)	(1.8)
Remeasurement losses recognised during the year in other comprehensive income	4.1	(3.2)

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note F.2 Defined benefit obligations (continued)**(a) Movement in defined benefit plan assets and obligations**

Movements in the fair value of plan assets/present value of defined benefit obligations were as follows:

	31 December 2024			31 December 2023		
	Asset	Obligation	Net	Asset	Obligation	Net
	\$M	\$M	\$M	\$M	\$M	\$M
Opening fair value of plan assets/(defined benefit obligations)	160.3	(96.8)	63.5	170.1	(105.1)	65.0
Current service cost	-	(1.6)	(1.6)	-	(1.6)	(1.6)
Interest income/(cost)	7.5	(4.4)	3.1	8.3	(5.0)	3.3
Actuarial (loss)/gain	5.5	(1.4)	4.1	0.4	(3.6)	(3.2)
Contributions by plan participants	0.6	(0.6)	-	0.6	(0.6)	-
Benefits, taxes and premiums paid	(15.5)	15.5	-	(19.1)	19.1	-
Closing fair value of plan assets/(defined benefit obligations)	158.4	(89.3)	69.1	160.3	(96.8)	63.5

The actual return on plan assets during the year ended 31 December 2024 was a gain of \$13.0 million (2023: \$8.8 million).

From 1 July 2018, AusNet Services ceased to make contributions to the defined benefit plans. This contribution holiday is expected to continue during the next financial year under the Target Funding method used to determine the contribution rates. Under the Target Funding method, the employer contribution rate is set at a level which is expected to result in plans' assets equalling 104 per cent (2023:104 per cent) of plan liabilities within five years. The defined benefit superannuation plans expose us to additional actuarial, interest rate and market risk.

(b) Analysis of plan assets

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

	31 December 2024	31 December 2023
	%	%
Investments quoted in active markets:		
Australian equities	17	14
International equities	23	18
Fixed interest securities	15	16
Unquoted investments:		
Property	5	6
Growth alternative	18	17
Defensive alternative	13	12
Cash	9	17
	100	100

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

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note F.2 Defined benefit obligations (continued)**(c) Actuarial assumptions**

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

	Defined benefit expense		Defined benefit obligation	
	31 December 2024	31 December 2023	31 December 2024	31 December 2023
	%	%	%	%
Key assumptions				
Discount rate	5.0	5.2	5.1	5.0
Expected salary increase rate	3.5	3.5	3.5	3.5
Pension increase rate	2.5	2.5	2.5	2.5

As at 31 December 2024, the weighted average duration of the defined benefit obligation was 7 years (2023: 7 years). A breakdown of the expected defined benefit obligations is shown below:

Expected benefit payments for the financial year ending on:	\$M
31 December 2025	8.7
31 December 2026	9.0
31 December 2027	9.3
31 December 2028	9.1
31 December 2029	8.8
Following 5 years	44.4
Total	89.3

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

A number of estimates and assumptions are used in determining defined benefit assets, obligations and expenses. These estimates include salary increases, future earnings and rates of return. Any difference in estimates will be recognised in other comprehensive income and not through the income statement.

The net asset from defined benefit obligations recognised in the consolidated statement of financial position will be affected by any significant movement in investment returns and/or interest rates.

(d) Defined contribution expense

During the period ended 31 December 2024, we contributed \$13.8 million of defined contribution benefit to employees (2023: \$12.3 million).

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note F.3 Long-term incentive plans

Executive Long-Term Incentive Plan

The Executive Long-Term Incentive Plan ("the plan") has been approved by the ultimate parent board in March 2025 in relation to the performance year from 1 January 2024 to 31 December 2024 (and in March 2024 in relation to the performance period from 1 January 2023 to 31 December 2023).

Under the plan, the board of the ultimate parent grants notional participation interests ("PIs") to certain senior executives, including members of key management personnel. The number of PIs granted are determined in accordance with a formula based on the individual's long-term incentive opportunity and the value of the ultimate parent Company as determined by the board.

Each vested PI is a right to receive cash amounts calculated by reference to certain distributions and the value of the ultimate parent company on a per share basis. The cash payment per PI will be determined by a formula based on the adjusted equity value of the ultimate parent company and is measured at the end of each reporting period until settled.

The PIs vest evenly over five equal tranches on an annual basis, with the first vesting date on the 31 March in the year after the performance period (for example for the FY2024 plan the first tranche had a performance period of 1 January 2024 to 31 December 2024 and a vesting date of 31 March 2025) provided that the senior executives remain continuously employed with the Group.

The grant date for the FY2024 plan has been determined to be 25 March 2025, and costs have been expensed and provided for based on services provided from the start of the performance period being 1 January 2024. The FY2023 and CY2022 plans continue to be expensed over the performance period for each of the five tranches. The related employee benefits provision as at 31 December 2024 recognised in the ASH Group is \$4.8 million (2023: \$3.7 million).

Certain senior executives are engaged to provide services to the AEH1 Group and are not exclusive to any particular AusNet entity. Whilst certain executives are not directly employed by the entities within the AusNet Services Holdings Group, their employment agreements state that they are expected to provide services to all entities within the greater AusNet Group. (Refer to Note E.3 for further information). As such, additional provisions relating to the plan provided to these senior executives are recognised in the AEH Group. The related provision as at 31 December 2024 recognised in the AEH Group is \$10.3 million (2023: \$6.4 million).

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note F.4 Contingent liabilities and contingent assets

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

Other than as listed above and potential additional costs in addition to the environmental provision and employee wages remediation provision recognised, disclosed in Note B.3, there were no contingent liabilities or assets as at 31 December 2024 (2023: Nil).

Note F.5 New accounting standards

(a) New accounting standards effective

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

(b) New accounting standards issued but not yet effective

We have not yet early adopted any standard, interpretation, or amendment that has been issued but is not yet effective. We are currently assessing the impact of the amendments. The standards, interpretations or amendments which are applicable to the Group but not yet effective include:

AASB 18 Presentation and Disclosure in Financial Statements

In April 2024, AASB 18 was issued which replaces AASB 101 Presentation of Financial Statements. This standard introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations.

It also requires disclosure and description of management-defined performance measures, subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information. In addition, there are consequential amendments to several other standards.

AASB 18, and the amendments to the other standards, will be effective for the Group for the reporting period beginning on 1 January 2027. The Group is currently working to identify all impacts the amendments will have on the presentation of the financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2024

Note F.6 Events occurring after the balance sheet date

(a) Borrowings

On 12 February 2025, subordinated notes of \$950.0 million were issued and \$516.7 million of existing subordinated notes were repaid, as well as repayment of \$55.0 million of bilateral revolving bank debt facilities.

(b) Federal Court tax ruling

On 7 March 2025, the Federal Court dismissed a related company of AusNet Services Holdings, being AusNet Pty Ltd's appeal in relation to certain tax consolidation and capital allowance positions arising from the corporate restructure completed in June 2015. The potential uplift in tax bases has not been previously recognised in the financial statements of AusNet Pty Ltd or been adopted in filed income tax returns. Consequently, there is no tax impact arising from the unfavourable Federal Court decision, and no impact to the financial statements of the Group for the year ended 31 December 2024. AusNet is currently considering the decision and potential next steps, including potential appeal actions involving the High Court.

(c) Australian Energy Regulator (AER) approval of storm cost pass through

On 21 March 2025 the Australian Energy Regulator (AER) announced the decision to approve a cost pass through amount of \$12.9 million in relation to the September 2024 storms. This amount will be recovered via revenue over the period 2025 through to 2027.

(d) Other matters

Other than outlined above, there has been no matter or circumstance that has arisen since 31 December 2024 up to the date of issue of this financial report that has significantly affected or may significantly affect:

- (a) the operations in financial years subsequent to 31 December 2024 of the Group;
- (b) the results of those operations; or
- (c) the state of affairs, in financial years subsequent to 31 December 2024, of the Group.

Directors' declaration

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

- (a) the financial statements and notes set out on pages 24 to 79, and the remuneration disclosures that are contained in the Remuneration report set out on pages 10 to 18 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2024 and of its performance for the financial year ended on that date;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Section A; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Signed in accordance with a resolution of the Directors.



David Smales
Director

Melbourne
28 March 2025



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

Report on the audit of the financial report

Opinion

We have audited the financial report of AusNet Services Holdings Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2024 and of its consolidated financial performance for the year ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Valuation and accounting for derivatives

Why significant	How our audit addressed the key audit matter
As required by Australian Accounting Standards the Group remeasures its derivative contracts at fair value at each reporting period. At 31 December 2024, the Group has recorded a \$851.2 million in derivative assets and \$364.8 million derivative liabilities, representing the fair value of the derivative contracts as at 31 December 2024. The valuation and accounting for derivatives was a key audit matter due to: • The complexity of the Group's derivative portfolio, comprising cross currency and interest rate swaps used for the purposes of hedging foreign currency and interest rate exposures on Australian dollar denominated fixed and floating rate debt. • Capital management activities undertaken by the Group during the year through the issuance of securities, which impacted the Group's derivative portfolio and created new hedge relationships. • Inherent complexity and judgement in applying accounting principles in the Group's valuation and disclosure of derivatives and related hedging activities. The Group's disclosures are included in Note D.3 of the financial report, which explain the Group's accounting policies and the fair value techniques and key judgements used in measuring the fair value of the derivatives.	• With the assistance of our treasury valuation and accounting specialists, we: Evaluated the appropriateness of the Group's valuation methodologies and accounting for derivatives and related hedging activities against Accounting Standard requirements; • Obtained independent confirmations from counterparties with which the Group has derivative financial instruments and compared the key terms of these to the Group's accounting records; • Reconciled reported derivative instrument and hedge reserve balances to the underlying accounting records; • Assessed the appropriateness of the Group's valuation inputs and assumptions for a sample of derivatives. We compared the Group's market inputs and assumptions to independently sourced market pricing and credit data sets including spot foreign exchange rates, forward interest rate curves, currency basis spreads and credit pricing curves; • Performed our own independent valuation of a sample of derivatives using third party confirmed terms of the derivatives and independently sourced market and credit data and assumptions. We compared these valuations to the Group's recorded valuations; • Evaluated the hedge designation documentation for a sample of hedge arrangements against the Group's Treasury Risk Management policy and Accounting Standard requirements; • Assessed the hedge accounting entries by comparing the recorded entries against our independently calculated hedge accounting entries on a sample of hedge relationships; and



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Why significant	How our audit addressed the key audit matter
	Evaluated the appropriateness of the classification and presentation of derivative financial instruments and related financial risk management disclosures in Note D.3 using our understanding obtained from our testing and against Accounting Standard requirements.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's Directors' Report but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group financial report. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 18 of the directors' report for the year ended 31 December 2024.

In our opinion, the Remuneration Report of AusNet Services Holdings Pty Ltd for the year ended 31 December 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A stylized, handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Kester C Brown'.

Kester C Brown
Partner

Melbourne
28 March 2025