



Ausgrid Group
Half Year Financial Report
For the half year ended 31 December 2019



Ausgrid Group Half Year Financial Report For the half year ended 31 December 2019

Contents

	Page
Financial statements	
Consolidated statement of profit or loss and other comprehensive income	2
Consolidated statement of financial position	3
Consolidated statement of changes in equity	5
Consolidated statement of cash flows	7
Notes to the consolidated financial statements	8
Directors' declaration	28
Independent auditor's review report	29
Glossary	31



Ausgrid Group
Consolidated statement of profit or loss and other comprehensive income
For the half year ended 31 December 2019

		Half year ended 31 December 2019 \$M	Half year ended 31 December 2018 \$M
	Notes		
Revenue	3	1,156	1,304
Distribution of energy costs	4(a)	(201)	(177)
Depreciation and amortisation expense	4(c)	(313)	(280)
Finance costs	4(d)	(233)	(231)
Employee benefits expenses	4(b)	(160)	(129)
Other expenses	4(b)	(136)	(132)
Loss on disposal of property, plant and equipment		(5)	(9)
Profit before income tax		108	346
Income tax expense		-	-
Profit for the period		108	346
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in the fair value of cash flow hedges		30	(139)
Income tax relating to these items		(9)	42
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Defined benefit superannuation actuarial gains/(losses)		1	(5)
Income tax relating to these items		-	1
Other comprehensive income/(loss) for the period		22	(101)
Total comprehensive income for the period		130	245
Profit for the period attributable to Partners:			
Ausgrid Operator Partnership (AOP)		130	157
Ausgrid Asset Partnership (AAP)		(18)	186
Plus ES Partnership (PES)		(4)	3
Profit for the period		108	346
Total comprehensive income for the period is attributable to Partners:			
AOP		131	154
AAP		3	88
PES		(4)	3
Total comprehensive income for the period		130	245

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



Ausgrid Group
Consolidated statement of financial position
As at 31 December 2019

		31 December 2019 \$M	30 June 2019 \$M
	Notes		
Current assets			
Cash and cash equivalents		136	187
Trade and other receivables		110	93
Contract assets		262	326
Inventories		34	38
Assets classified as held for sale		4	4
Total current assets		546	648
Non-current asset			
Property, plant and equipment	5	16,860	16,735
Intangible assets	6	3,659	3,671
Derivative financial assets	7	652	641
Deferred tax assets		196	206
Total non-current assets		21,367	21,253
Total assets		21,913	21,901
Current liabilities			
Trade and other payables		256	292
Contract liabilities		7	4
Borrowings	8	3	2
Derivative financial liability	7	5	-
Provisions	9	283	420
Deferred government grants		1	2
Other liabilities		6	4
Total current liabilities		561	724
Non-current liabilities			
Contract liabilities		27	15
Derivative financial liabilities	7	646	664
Borrowings	8	13,037	13,001
Provisions	9	126	110
Deferred government grants		40	41
Total non-current liabilities		13,876	13,831
Total liabilities		14,437	14,555
Net assets		7,476	7,346

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



Ausgrid Group
Consolidated statement of financial position
As at 31 December 2019
(continued)

		31 December 2019 \$M	30 June 2019 \$M
	Notes		
Equity attributable to Partners of AOP			
Contributed equity	10	1,716	1,716
Reserves		17	16
Retained earnings	11	(376)	(476)
Total equity attributable to Partners of AOP		1,357	1,256
 Equity attributable to Partners of AAP			
Contributed equity	10	7,021	7,021
Reserves		(475)	(496)
Retained earnings	11	(584)	(566)
Total equity attributable to Partners of AAP		5,962	5,959
 Equity attributable to Partners of PES			
Contributed equity	10	183	153
Retained earnings	11	(26)	(22)
Total equity attributable to Partners of PES		157	131
 Total equity attributable to Partners of the Ausgrid Group		7,476	7,346

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



Ausgrid Group
Consolidated statement of changes in equity
For the half year ended 31 December 2019

	Contributed equity \$M	Cash flow hedge reserve \$M	Defined benefit superannuation surplus \$M	Retained earnings \$M	Total \$M
Balance at 1 July 2019	8,890	(496)	16	(1,064)	7,346
Profit for the period	-	-	-	108	108
Other comprehensive income					
Changes in fair value of cash flow hedges - AAP	-	21	-	-	21
Defined benefit superannuation actuarial gains - AOP	-	-	1	-	1
Total other comprehensive income	-	21	1	-	22
Total comprehensive income for the period	-	21	1	108	130
Transactions recorded directly in equity:					
Contributed equity	30	-	-	-	30
Distributions paid	-	-	-	(30)	(30)
Total transactions	30	-	-	(30)	-
Balance at 31 December 2019	8,920	(475)	17	(986)	7,476
Closing balance of equity attributable to					
AOP	1,716	-	17	(376)	1,357
AAP	7,021	(475)	-	(584)	5,962
PES	183	-	-	(26)	157
Balance at 31 December 2019	8,920	(475)	17	(986)	7,476

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



Ausgrid Group
Consolidated statement of changes in equity
For the half year ended 31 December 2019
(continued)

	Contributed equity \$M	Cash flow hedge reserve \$M	Defined benefit superannuation surplus \$M	Retained earnings \$M	Total \$M
Balance at 1 July 2018	8,847	(11)	24	(889)	7,971
Profit for the period	-	-	-	346	346
Other comprehensive income					
Changes in fair value of cash flow hedges - AAP	-	(97)	-	-	(97)
Defined benefit superannuation actuarial losses - AOP	-	-	(4)	-	(4)
Total other comprehensive loss	-	(97)	(4)	-	(101)
Total comprehensive income/(loss) for the period	-	(97)	(4)	346	245
Transactions recorded directly in equity:					
Contributed equity	43	-	-	-	43
Distributions paid	-	-	-	(176)	(176)
Total transactions	43	-	-	(176)	(133)
Balance at 31 December 2018	8,890	(108)	20	(719)	8,083
Closing balance of equity attributable to					
AOP	1,716	-	20	(73)	1,663
AAP	7,021	(108)	-	(640)	6,273
PES	153	-	-	(6)	147
Balance at 31 December 2018	8,890	(108)	20	(719)	8,083

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



Ausgrid Group
Consolidated statement of cash flows
For the half year ended 31 December 2019

	Half year ended 31 December 2019 \$M	Half year ended 31 December 2018 \$M
Cash flows from operating activities		
Receipts from customers	1,147	1,243
Payments to suppliers and employees	(632)	(468)
Interest received	1	2
Interest paid	(225)	(219)
Net cash inflows from operating activities	<u>291</u>	<u>558</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(343)	(436)
Payments for intangibles	(28)	(38)
Proceeds from sale of property, plant and equipment	2	8
Net cash outflows from investing activities	<u>(369)</u>	<u>(466)</u>
Cash flows from financing activities		
Equity injection from Partners	30	43
Proceeds from borrowings	138	95
Repayment of borrowings	(95)	-
Transaction costs paid	(16)	(14)
Principal element of lease liability	-	(2)
Distributions	(30)	(176)
Net cash inflows/(outflows) from financing activities	<u>27</u>	<u>(54)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(51)</u>	<u>38</u>
Cash and cash equivalents at the beginning of the period	187	217
Cash and cash equivalents at end of the period	<u>136</u>	<u>255</u>

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

Contents of the notes to the consolidated financial statements

	Page
1. Summary of significant accounting policies	9
2. Changes in accounting policies	10
3. Revenue	12
4. Expenses	13
5. Property, plant and equipment	15
6. Intangible assets	16
7. Derivatives	16
8. Borrowings	17
9. Provisions	22
10. Partner capital	23
11. Retained earnings	24
12. Capital expenditure commitments	24
13. Leases	24
14. Contingent liabilities and contingent assets	25
15. Group entities	25
16. Fair value measurements	25
17. Maturities of lease liabilities	26
18. Events subsequent to the half year end	27

1 Summary of significant accounting policies

This half year financial report is the consolidated financial statements of AOP (parent entity), AAP, PES and their respective controlled entities (**Ausgrid Group**) for the half year ended 31 December 2019.

Ausgrid Group is a stapled structure comprised of AOP, AAP and PES. For the purpose of preparing these consolidated financial statements only, AOP was identified as the parent of the consolidated group. AOP and its partnership entities, AAP and PES, were established on 20 October 2016 and 1 November 2017 respectively, on signing of the respective Partnership Deeds. A 50/50 consortium comprising IFM Investors and AustralianSuper holds 50.4% partnership interest and the New South Wales (**NSW**) Government (through various corporations established in accordance with the Electricity Retained Interest Corporation Act 2015 (NSW)) holds 49.6% partnership interest in AOP, AAP and PES.

Pursuant to the Partnership Deeds, all the Partners agreed to ensure equivalence in that the proportion of Partnership interest held by each Partner should be identical between AOP, AAP and PES.

This half year financial report does not include all notes of the type normally included in the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Ausgrid Group. Therefore, this half year financial report should be read in conjunction with the full year financial report of the Ausgrid Group for the year ended 30 June 2019.

(a) Basis of preparation

This half year financial report is a general purpose financial report, which has been prepared in accordance with the requirements of AASB 134 Interim Financial Reporting which complies with IAS 34 Interim Financial Reporting.

This half year financial report has been prepared on a historical cost basis, except for the following:

- derivative financial instruments which are stated at fair value;
- defined benefit plan which is measured at fair value; and
- assets classified as held for sale which are stated at the lower of carrying value and fair value less cost to sell (**FVLCTS**).

This half year financial report has been prepared using the same accounting policies as used in the financial report for the year ended 30 June 2019, except for the adoption of new accounting standard AASB 16 Leases as set out below.

This half year financial report is presented in Australian dollars (**AUD**).

(b) Going concern

As at 31 December 2019, the Ausgrid Group has a net current liability of \$15 million (30 June 2019: \$76 million).

The Directors have considered the following factors in determining whether the Ausgrid Group can pay its debts as and when they fall due.

- The Ausgrid Group generated net operating cash inflows of \$291 million for the half year ended 31 December 2019 (half year ended 31 December 2018: \$558 million). Management estimate positive operating cash inflows for the Ausgrid Group for the next twelve months.
- The Ausgrid Group has available undrawn bank facilities of \$290 million as at 31 December 2019 (31 December 2018: \$573 million).
- According to the Partnership Deeds, each Partner is responsible for discharging the liabilities of the Partnerships in proportion with their respective Partnership interest, and indemnifies each other Partner from the default of aforementioned liabilities. Accordingly, the partners will provide continuing financial support so that the Ausgrid Group is able to pay its debts as and when they fall due.

1 Summary of significant accounting policies (continued)

(b) Going concern (continued)

On 11 March 2020, the World Health Organisation declared COVID-19 a global health pandemic. Since this time, the Federal and State governments have implemented restrictions on public and social gatherings, travel and certain business operations. The Ausgrid Group continues to operate and has implemented additional hygiene, working from home, and social distancing measures.

Given the Ausgrid Group provides a regulated essential service and currently maintains a strong financial position, forecast positive cash balance, and available undrawn borrowing facilities, the half year financial report has been prepared on a going concern basis.

(c) New accounting standards adopted by the Ausgrid Group

The Ausgrid Group has adopted AASB 16 commencing on 1 July 2019. The impact of the adoption of AASB 16 is disclosed in Note 2.

(d) New accounting standards and interpretations not yet adopted

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Ausgrid Group for the half year ended 31 December 2019. There will be no material impact of these new standards or amendments on the standards and interpretations of the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income of the Ausgrid Group.

(e) Rounding of amounts

The Ausgrid Group has applied Australian Securities and Investments Commission (**ASIC**) Legislative Instrument 2016/191 (Rounding in Financial/Directors' Reports). The amounts shown in the financial report have been rounded to the nearest \$1,000,000, unless otherwise indicated.

2 Changes in accounting policies

(a) Impact of adoption - AASB 16

AASB 16 has been adopted from 1 July 2019. AASB 16 removes the lease classification test for lessees between operating and finance leases and requires almost all leases to be brought onto the statement of financial position. This results in recognition of an asset (i.e. the right to use the leased item) and a financial liability for all the contracted lease payments. The Ausgrid Group adopted the modified retrospective approach. Under this approach, no restatement adjustments were required on adoption of the standard.

On adoption of AASB 16, the Ausgrid Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Ausgrid Group's incremental borrowing rate as at 1 July 2019. The incremental borrowing rate is the rate of interest that the Ausgrid Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use (**ROU**) asset in a similar economic environment. The weighted average incremental borrowing rates applied to the lease liabilities on 1 July 2019 ranged from 3.08% to 3.58%.

For leases previously classified as finance leases, the Ausgrid Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the ROU asset and the lease liability at the date of initial application.

(i) Practical expedient applied

In applying AASB 16 for the first time, the Ausgrid Group has used the following practical expedients permitted by the standard:

- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

2 Changes in accounting policies (continued)

(a) Impact of adoption - AASB 16 (continued)

(i) Practical expedient applied (continued)

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases; and
- accounting for operating leases for which the underlying assets are valued less than \$15,000 over the entire lease term as at 1 July 2019 as low-value leases.

The Ausgrid Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining Whether an Arrangement Contains a Lease on the date of initial application.

(ii) Measurement of lease liabilities

	\$M
Operating lease commitments disclosed as at 30 June 2019 ¹	11
Less: licences which no longer satisfy the definition of a lease	(8)
Less: short-term leases and low-value leases not recognised as a liability	(1)
Impact of discount	(1)
Impact of the adoption of AASB 16	1
Add: finance lease liabilities recognised as at 30 June 2019	21
Lease liabilities recognised as at 1 July 2019	22

Of which are included in

Current borrowings	2
Non-current borrowings	20
	22

(1) This amount represents the operating lease commitments excluding goods and services tax (GST). The operating lease commitments disclosed as at 30 June 2019 was \$12 million including GST.

(iii) Adjustments recognised in the consolidated statement of financial position as at 1 July 2019

The change in accounting policy affected the following items in the consolidated statement of financial position as at 1 July 2019:

	30 June 2019 presentation \$M	AASB 16 adjustments \$M	1 July 2019 restated \$M
Non-current assets			
Property, plant and equipment	16,735	1	16,736
Non-current liabilities			
Borrowings	(13,001)	(1)	(13,002)

(iv) Lessor accounting

There were no changes to the Ausgrid Group's accounting for assets held as a lessor under operating leases as a result of the adoption of AASB 16.

(b) The Ausgrid Group's leasing activities

The Ausgrid Group leases various premises including network, depot and office facilities. Lease payments under these leases vary and some of which are subject to annual, biennially or triennially reviews to reflect market rentals.

(i) Measurement and recognition of lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable;



2 Changes in accounting policies (continued)

(b) The Ausgrid Group's leasing activities (continued)

(i) Measurement and recognition of lease liabilities (continued)

- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The Ausgrid Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the ROU asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Measurement and recognition of ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Ausgrid Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life.

3 Revenue

	Half year ended 31 December 2019 \$M	Half year ended 31 December 2018 \$M
Revenue components		
Distribution use of system (DUOS)	729	753
Transmission use of system (TUOS)		
Pass-through	125	182
Non pass-through	30	86
Climate Change Fund (CCF): pass-through	66	50
Network use of system (NUOS)	950	1,071
Transmission	9	27
SCS capital contributions	59	49
Other	3	3
Total Standard Control Services (SCS) revenue	1,021	1,150
Metering	29	32
Street lighting	15	20
Ancillary network services (ANS)	32	25
Total Alternative Control Services (ACS) revenue	76	77



3 Revenue (continued)

	Half year ended 31 December 2019 \$M	Half year ended 31 December 2018 \$M
Unregulated revenue	58	75
Total unregulated revenue	58	75
Interest income	1	2
Total other revenue	1	2
Total revenue	1,156	1,304

4 Expenses

(a) Distribution of energy costs

	Half year ended 31 December 2019 \$M	Half year ended 31 December 2018 \$M
SCS regulated pass-through costs		
Transmission Network Service Provider (TNSP)	134	109
CCF	67	68
Total regulated pass-through costs	201	177
Total distribution of energy costs	201	177

(b) Operating expenses

(i) Operating expenses by nature

	Half year ended 31 December 2019 \$M	Half year ended 31 December 2018 \$M
Employee benefits expense	128	108
Superannuation expenses (defined benefit plan)	(1)	4
Superannuation expenses (defined contribution plan)	23	24
Reform costs	10	(7)
Employee benefits expenses	160	129
Contracted services	70	70
IT expenses	28	25
Materials	10	12
Land and other taxes	13	12
Short-term and low-value lease rental	2	6
Other	13	7
Other expenses	136	132
Total operating expenses	296	261



4 Expenses (continued)

(b) Operating expenses (continued)

(ii) Operating expenses by line of business

	Half year ended 31 December 2019 \$M	Half year ended 31 December 2018 \$M
SCS	208	176
ACS	54	41
Unregulated	34	44
Total operating expenses	296	261

(c) Depreciation and amortisation expense

	Half year ended 31 December 2019 \$M	Half year ended 31 December 2018 \$M
Depreciation of property, plant and equipment	273	248
Amortisation of intangible assets	40	32
Total depreciation and amortisation expense	313	280

(d) Finance costs

	Half year ended 31 December 2019 \$M	Half year ended 31 December 2018 \$M
Interest expense	224	225
Amortisation of loan transaction costs	10	12
Unwinding of discount	-	1
Lease interest	2	1
Capitalised interest	(3)	(2)
Hedge ineffectiveness	(2)	1
Adjustments to Syndicated Facility Agreement (SFA)	1	(7)
Other	1	-
Total finance costs	233	231



5 Property, plant and equipment

	Land and buildings ¹ \$M	Network assets ¹ \$M	Plant and equipment ¹ \$M	Total \$M
At 31 December 2019				
Gross carrying amount	811	17,019	570	18,400
Accumulated depreciation	(42)	(1,352)	(146)	(1,540)
Net carrying amount	769	15,667	424	16,860
Period ended 31 December 2019				
Net carrying amount at 1 July 2019	763	15,578	394	16,735
Additions	15	326	64	405
Disposals	-	(4)	(3)	(7)
Depreciation expense	(9)	(233)	(31)	(273)
Net carrying amount	769	15,667	424	16,860
At 30 June 2019				
Gross carrying amount	796	16,702	510	18,008
Accumulated depreciation	(33)	(1,124)	(116)	(1,273)
Net carrying amount	763	15,578	394	16,735

(1) ROU assets in property, plant and equipment

On 1 December 2016, the Ausgrid Group entered into a 99 year finance lease with the NSW Government. The underlying leased assets arising from the 99 year finance lease are land and buildings, network assets and plant and equipment. These leased assets with a ROU carrying value of \$16,412 million as at 31 December 2019 constitute a major portion of Ausgrid Group's property, plant and equipment. The depreciation expense on ROU assets during the period is \$243 million. The non-leased assets are land and buildings of \$32 million, network assets of \$8 million, and plant and equipment of \$408 million as at 31 December 2019.

Assets under construction

At 31 December 2019, the assets under construction totalled \$676 million (30 June 2019: \$696 million):

Land and buildings	\$71 million (30 June 2019: \$102 million)
Network assets	\$549 million (30 June 2019: \$541 million)
Plant and equipment	\$56 million (30 June 2019: \$53 million)



6 Intangible assets

	Network assets \$M	Customer contracts \$M	Computer software \$M	Goodwill \$M	Total \$M
At 31 December 2019					
At cost	1,687	5	391	2,135	4,218
Accumulated amortisation	(51)	(3)	(157)	-	(211)
Accumulated impairment	-	-	-	(348)	(348)
Net carrying amount	1,636	2	234	1,787	3,659
Period ended 31 December 2019					
Net carrying amount at 1 July 2019	1,645	2	237	1,787	3,671
Additions	-	-	28	-	28
Amortisation expense	(9)	-	(31)	-	(40)
Net carrying amount	1,636	2	234	1,787	3,659
At 30 June 2019					
At cost	1,687	5	363	2,135	4,190
Accumulated amortisation	(42)	(3)	(126)	-	(171)
Accumulated impairment	-	-	-	(348)	(348)
Net carrying amount	1,645	2	237	1,787	3,671

Assets under construction

At 31 December 2019, the assets under construction for computer software was \$42 million (30 June 2019: \$49 million).

7 Derivatives

	31 December 2019 \$M	30 June 2019 \$M
Non-current asset		
Interest rate swaps (IRS)	76	61
Cross currency interest rate swaps (CCIRS)	576	580
Total non-current derivative financial assets	652	641
Total derivative financial assets	652	641
Current liability		
IRS	(5)	-
Total current derivative financial liability	(5)	-
Non-current liability		
IRS	(646)	(664)
Total non-current derivative financial liabilities	(646)	(664)



7 Derivatives (continued)

	31 December 2019 \$M	30 June 2019 \$M
Total derivative financial liabilities	(651)	(664)
Net derivative financial assets/(liabilities)	1	(23)

8 Borrowings

	31 December 2019 \$M	30 June 2019 \$M
Current		
Lease liabilities	3	2
Total current borrowings	3	2
Non-current		
Lease liabilities	25	19
Total non-current finance lease liabilities	25	19
A\$ denominated interest bearing loans	6,506	6,462
A\$ denominated interest bearing notes	1,574	1,576
US\$ denominated interest bearing notes	3,930	3,912
EUR denominated interest bearing notes	1,091	1,115
Less: Transaction costs	(89)	(83)
Total loans and notes	13,012	12,982
8(a)		
Total non-current borrowings	13,037	13,001

ASF

On 2 July 2019, Ausgrid Finance Pty Limited (**AFPL**) entered into an Asian Syndicated Facility (**ASF**) to borrow floating rate AUD denominated debt. This comprised of a seven year facility of A\$1,400 million and a ten year facility of A\$250 million. The proceeds from the transaction were used to fully repay Facility B3 of the existing SFA and partially repay Facility B2 of the SFA. Associated transaction costs of \$16 million were paid on 1 July 2019 resulting from this transaction.



8 Borrowings (continued)

(a) Loans and notes

	Original drawdown ¹ \$M	Foreign exchange movements ² \$M	Fair value adjustments ³ \$M	Transaction costs \$M	Carrying value \$M
31 December 2019					
Fixed rate notes					
10 year US\$770M US Private Placement (USPP)	966	133	31	(5)	1,125
12 year US\$430M USPP	540	74	22	(3)	633
15 year US\$430M USPP	540	74	29	(5)	638
10 year A\$29M USPP	29	-	-	-	29
12 year A\$103M USPP	103	-	-	(1)	102
15 year A\$88M USPP	88	-	-	(1)	87
7 year A\$750M Australian Medium Term Note (AMTN)	750	-	54	(5)	799
7.25 year EUR650M	1,037	3	51	(4)	1,087
5 year US\$500M 144A	659	55	28	(4)	738
10.25 year US\$500M 144A	659	55	65	(8)	771
	5,371	394	280	(36)	6,009
Floating rate notes and facilities					
15 year A\$100M USPP	100	-	-	(1)	99
7 year A\$450M AMTN	450	-	-	(1)	449
SFA facilities B1, B2, B4, B5, C and D ⁴	4,861	-	(5)	(36)	4,820
ASF facilities	1,650	-	-	(15)	1,635
	7,061	-	(5)	(53)	7,003
Total loans and notes	12,432	394	275	(89)	13,012

- (1) The original drawdown represents A\$ denominated loans and notes or, in regards to foreign currency denominated notes, the A\$ equivalent translated at the hedged rate at inception.
- (2) This relates to foreign exchange movements from the date of original drawdown of non AUD notes to 31 December 2019.
- (3) Fair value adjustment of \$275 million (30 June 2019: \$273 million) is made up of a hedge accounting adjustment of \$280 million (30 June 2019: \$279 million) due to interest rates movements and offset by the net gain on the amend and extend of the SFA, which occurred on 9 October 2018, of \$5 million (30 June 2019: \$6 million).
- (4) The original drawdown of the SFA was \$11,931 million. This was reduced to \$4,861 million due to repayments of \$7,589 million, partially offset by an additional drawdown of \$519 million.



8 Borrowings (continued)

(a) Loans and notes (continued)

	Original drawdown \$M	Foreign exchange movements \$M	Fair value adjustments \$M	Transaction costs \$M	Carrying value \$M
30 June 2019					
Fixed rate notes					
10 year US\$770M USPP	966	132	27	(5)	1,120
12 year US\$430M USPP	540	73	19	(4)	628
15 year US\$430M USPP	540	73	23	(5)	631
10 year A\$29M USPP	29	-	-	-	29
12 year A\$103M USPP	103	-	-	(1)	102
15 year A\$88M USPP	88	-	-	(1)	87
7 year A\$750M AMTN	750	-	56	(5)	801
7.25 year EUR650M	1,037	17	61	(5)	1,110
5 year US\$500M 144A	659	54	30	(4)	739
10.25 year US\$500M 144A	659	54	63	(9)	767
	5,371	403	279	(39)	6,014
Floating rate notes and facilities					
15 year A\$100M USPP	100	-	-	(1)	99
7 year A\$450M AMTN	450	-	-	(1)	449
SFA facilities B1 to B5, C and D	6,468	-	(6)	(42)	6,420
	7,018	-	(6)	(44)	6,968
Total loans and notes	12,389	403	273	(83)	12,982



8 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit \$M	Drawn \$M	Undrawn \$M	Rate in currency of issue ¹
31 December 2019					
10 year US\$770M USPP fixed rate	01 Oct 27	1,099	1,099	-	3.50%
12 year US\$430M USPP fixed rate	01 Oct 29	614	614	-	3.60%
15 year US\$430M USPP fixed rate	01 Oct 32	614	614	-	3.75%
10 year A\$29M USPP fixed rate	01 Oct 27	29	29	-	4.45%
12 year A\$103M USPP fixed rate	01 Oct 29	103	103	-	4.62%
15 year A\$88M USPP fixed rate	01 Oct 32	88	88	-	4.86%
15 year A\$100M USPP floating rate	01 Oct 32	100	100	-	BBSW+1.80%
Total USPP notes		2,647	2,647	-	
7 year A\$750M AMTN fixed rate	30 Oct 24	750	750	-	3.75%
7 year A\$450M AMTN floating rate	30 Oct 24	450	450	-	BBSW+1.22%
Total AMTN		1,200	1,200	-	
5 year US\$500M 144A fixed rate	01 May 23	714	714	-	3.85%
10.25 year US\$500M 144A fixed rate	01 Aug 28	714	714	-	4.35%
Total US 144A notes		1,428	1,428	-	
7.25 year EUR650M fixed rate	30 Jul 25	1,040	1,040	-	1.25%
Total Euro Medium Term Note (EMTN)		1,040	1,040	-	
SFA Term Facility B1	01 Jun 22	917	917	-	BBSY+0.80%
SFA Term Facility B2	01 Dec 21	1,424	1,424	-	BBSY+1.35%
SFA Term Facility B4	01 Dec 23	1,400	1,400	-	BBSY+1.05%
SFA Term Facility B5	01 Dec 25	600	600	-	BBSY+1.30%
ASF 7 year Term Facility	02 Jul 26	1,400	1,400	-	BBSY+1.30%
ASF 10 year Term Facility	02 Jul 29	250	250	-	BBSY+1.55%
Total term loans		5,991	5,991	-	
Capex Facility C	01 Jun 22	721	493	228	BBSY+0.80%
Working Capital Facility D ²	01 Jun 22	125	27	98	BBSY+0.80%
Total liquidity		846	520	326	
Total³		13,152	12,826	326	

- (1) The rates listed are those that apply to each instrument in its respective currency of issuance. The Bank Bill Swap Rate (BBSW/BBSY) is a floating short term benchmark interest rate. BBSY is equivalent to BBSW plus a spread of 0.05%.
- (2) The undrawn funds available under Facility D is \$62 million due to the utilisations of \$36 million in the form of bank guarantees that are not recognised as a liability. Refer to Note 14.
- (3) The Australian dollar weighted average cost of drawn debt for the half year ended 31 December 2019, including interest on drawn debt and net payments under its CCIRS and IRS portfolios was 3.58% (half year ended 31 December 2018: 3.64%).



8 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit \$M	Drawn \$M	Undrawn \$M	Rate in currency of issue
30 June 2019					
10 year US\$770M USPP fixed rate	01 Oct 27	1,098	1,098	-	3.50%
12 year US\$430M USPP fixed rate	01 Oct 29	613	613	-	3.60%
15 year US\$430M USPP fixed rate	01 Oct 32	613	613	-	3.75%
10 year A\$29M USPP fixed rate	01 Oct 27	29	29	-	4.45%
12 year A\$103M USPP fixed rate	01 Oct 29	103	103	-	4.62%
15 year A\$88M USPP fixed rate	01 Oct 32	88	88	-	4.86%
15 year A\$100M USPP floating rate	01 Oct 32	100	100	-	BBSW+1.80%
Total USPP notes		2,644	2,644	-	
7 year A\$750M AMTN fixed rate	30 Oct 24	750	750	-	3.75%
7 year A\$450M AMTN floating rate	30 Oct 24	450	450	-	BBSW+1.22%
Total AMTN		1,200	1,200	-	
5 year US\$500M 144A fixed rate	01 May 23	713	713	-	3.85%
10.25 year US\$500M 144A fixed rate	01 Aug 28	713	713	-	4.35%
Total US 144A notes		1,426	1,426	-	
7.25 year EUR650M fixed rate	30 Jul 25	1,053	1,053	-	1.25%
Total EMTN		1,053	1,053	-	
SFA Term Facility B1	01 Jun 22	917	917	-	BBSY+0.80%
SFA Term Facility B2	01 Dec 21	2,270	2,270	-	BBSY+1.35%
SFA Term Facility B3	01 Dec 23	900	900	-	BBSY+1.60%
SFA Term Facility B4	01 Dec 23	1,400	1,400	-	BBSY+1.05%
SFA Term Facility B5	01 Dec 25	600	600	-	BBSY+1.30%
Total term loans		6,087	6,087	-	
Capex Facility C	01 Jun 22	721	371	350	BBSY+0.80%
Working Capital Facility D	01 Jun 22	125	10	115	BBSY+0.80%
Total liquidity		846	381	465	
Total		13,256	12,791	465	

8 Borrowings (continued)

(b) Reconciliation of liabilities arising from financing activities

	1 July 2019	Cash Flows	Non-cash changes				31 December 2019	
						Unwind of gain on amend and extend of SFA		
	\$M	\$M	Fair value adjustments \$M	Foreign exchange movements \$M	Amortisation \$M	Acquisition \$M	\$M	
A\$ denominated interest bearing loans	6,462	43	-	-	-	-	1	6,506
A\$ denominated interest bearing notes	1,576	-	(2)	-	-	-	-	1,574
US\$ denominated interest bearing notes	3,912	-	13	5	-	-	-	3,930
EUR denominated interest bearing notes	1,115	-	(10)	(14)	-	-	-	1,091
Transaction costs	(83)	(16)	-	-	10	-	-	(89)
Lease liabilities	21	(2)	-	-	2	7	-	28
Total liabilities from financing activities	13,003	25	1	(9)	12	7	1	13,040

9 Provisions

	Employee benefits \$M	Restructuring \$M	Insurance \$M	Other \$M	Total \$M
Balance at 1 July 2019	329	110	28	63	530
Additional provision	70	2	8	3	83
Amounts used	(92)	(91)	(5)	(3)	(191)
Amount reversed	(7)	(4)	-	(2)	(13)
At 31 December 2019	300	17	31	61	409
Current	246	17	8	12	283
Non-current	54	-	23	49	126
At 31 December 2019	300	17	31	61	409
Current	280	110	10	20	420
Non-current	49	-	18	43	110
At 30 June 2019	329	110	28	63	530

9 Provisions (continued)

(a) Employee benefits

The provision for employee benefits relates to amounts accruing to employees up to the reporting date in respect of employee benefits including annual leave, preserved sick leave, long service leave and defined benefit plan. Amounts provided for in relation to long service leave, preserved sick leave, supplementary superannuation and defined benefit plan are based on actuarial assessments.

Employee benefits amounts expected to be settled in 12 months have been measured at the amounts expected to be paid when the liabilities are settled. The non-current provision for employee benefits includes \$12 million relating to the defined benefit plan liability (30 June 2019: \$17 million).

(b) Restructuring

The Ausgrid Group is continuing its Transformation Program, which involves restructuring parts of the business. The Transformation Program will result in a significant reorganisation of functions, including a reduction in headcount. The restructuring provision reflects the costs of the employees for the period in which those employees are surplus to requirements from 31 December 2019 until they leave the organisation. The provision also includes the cost of redundancy payments expected to be made.

The process used to measure this provision requires management judgement in making estimations based on historical experience and exit plans.

10 Partner capital

	AOP		AAP		PES	
	Number	\$M	Number	\$M	Number ¹	\$M
31 December 2019						
Ordinary capital interest	504	865	504	3,538	4,612	92
A class capital interest	496	851	496	3,483	4,538	91
Total contributed equity	1,000	1,716	1,000	7,021	9,150	183
30 June 2019						
Ordinary capital interest	504	865	504	3,538	3,856	77
A class capital interest	496	851	496	3,483	3,794	76
Total contributed equity	1,000	1,716	1,000	7,021	7,650	153

(1) The number of interests for PES is in millions.

On 30 October 2019, the Partners subscribed for an additional 1,500 million of partnership interests in PES (comprising of 756 million ordinary capital interests and 744 million A class capital interests) at \$0.02 per partnership interest, for a total of \$30 million.



11 Retained earnings

	AOP \$M	AAP \$M	PES \$M	Total \$M
Balance at 1 July 2019	(476)	(566)	(22)	(1,064)
Profit/(loss) for the period	130	(18)	(4)	108
Distributions paid	(30)	-	-	(30)
Balance at 31 December 2019	(376)	(584)	(26)	(986)
Balance at 1 July 2018	(103)	(777)	(9)	(889)
Profit for the period	157	186	3	346
Distributions paid	(127)	(49)	-	(176)
Balance at 31 December 2018	(73)	(640)	(6)	(719)

12 Capital expenditure commitments

Commitments for the acquisition of capital expenditure not recognised in the consolidated financial statements at the reporting date are as follows:

	31 December 2019 \$M	30 June 2019 \$M
Within one year	230	293

13 Leases

Lease receivables - leases as lessor

The Ausgrid Group leases out its properties, including premises, land and communications towers, under lease agreements at market rentals, predominantly on a fixed term basis. The future minimum lease receivables under non-cancellable leases are as follows:

	31 December 2019 \$M	30 June 2019 \$M
Within one year	5	7
Later than one year but no later than five years	4	4
Later than five years	5	5
	14	16



14 Contingent liabilities and contingent assets

	31 December 2019 \$M	30 June 2019 \$M
Contingent liabilities		
Guarantees provided to regulatory and statutory authorities	29	29
Guarantees provided to external parties	7	7
	36	36

The guarantees provided to regulatory and statutory authorities relate to bank guarantees in place in relation to the Ausgrid Group's self-insured workers' compensation.

15 Group entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1 for which AOP is the parent entity. All entities are incorporated in Australia.

Name of entity	Equity holding 31 December 2019 %	30 June 2019 %
AAP	100	100
Ausgrid Management Pty Limited (AMPL)	100	100
AFPL	100	100
PES	100	100
Plus ES Management 1 Pty Limited (PES 1)	100	100
Plus ES Management 2 Pty Limited (PES 2)	100	100
Active Stream Pty Limited (Active Stream)	100	100

16 Fair value measurements

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table presents the Ausgrid Group's assets and liabilities measured and recognised at fair value at the reporting date.



16 Fair value measurements (continued)

31 December 2019	Notes	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Recurring fair value measurements					
Derivatives	7	-	1	-	1
Total		-	1	-	1
Non-recurring fair value measurements					
Assets classified as held for sale		-	4	-	4
Total		-	4	-	4
30 June 2019					
Recurring fair value measurements					
Derivatives	7	-	(23)	-	(23)
Total		-	(23)	-	(23)
Non-recurring fair value measurements					
Assets classified as held for sale		-	4	-	4
Total		-	4	-	4

The carrying amounts of financial instruments which are not measured at fair value in the statement of financial position approximate their fair values.

(a) Recurring fair value measurements

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using maximum observable market input data which include prices from observable current market transactions and dealer quotes for similar instruments.

(b) Non-recurring fair value measurements

Non-current assets classified as held for sale during the reporting period are measured at the lower of their carrying amount and fair value less cost to sell and are included in Level 2. Assets held for sale comprise land and buildings transferred from property, plant and equipment.

17 Maturities of lease liabilities

The amounts disclosed in the table are the contractual undiscounted cash flows for lease liabilities. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of lease liabilities	Less than 6 months \$M	Between 6 - 12 months \$M	Between 1 and 2 years \$M	Between 2 and 5 years \$M	Over 5 years \$M	Total contractual cash flows \$M	Carrying amount \$M
At 31 December 2019							
Lease liabilities	2	2	3	9	125	141	28

18 Events subsequent to the half year end

On 11 March 2020, the World Health Organisation declared COVID-19 a global health pandemic. The impact of COVID-19 is considered a non-adjusting subsequent event. The extent of the impact on the Ausgrid Group's future operations will depend on the duration and actions taken to address the pandemic, which are uncertain as at the date that these accounts were signed, being 30 March 2020. Given these uncertainties, at this time an estimate of the future financial effect cannot be made.

No other matter or circumstance has occurred subsequent to the end of the reporting period that has significantly affected, or may significantly affect, the operations of the Ausgrid Group, the results of those operations or the state of affairs of the Ausgrid Group in subsequent financial years.



**Ausgrid Group
Directors' declaration
31 December 2019**

In the Directors' opinion:

- (a) the consolidated half year financial statements and notes set out on pages 1 to 27 are in accordance with the Partnership Deeds, and:
 - (i) comply with Accounting Standard *AASB 134 Interim Financial Reporting* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the Ausgrid Group's financial position as at 31 December 2019 and of its performance for the half year ended 31 December 2019; and
- (b) there are reasonable grounds to believe that the Ausgrid Group will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the consolidated half year financial statements also comply with the requirement of *AASB 134 Interim Financial Reporting* which is also compliant with *IAS 34 Interim Financial Reporting*.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer consistent with a listed entity requirement under section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of Directors.

A handwritten signature in blue ink, appearing to read "Helen Nugent", with a long horizontal flourish extending to the right.

Dr Helen Nugent AO
Director

30 March 2020

A handwritten signature in black ink, appearing to read "Robert Wright", with a long horizontal flourish extending to the right.

Robert Wright
Chairman Audit Committee
30 March 2020



Independent auditor's review report to the partners of Ausgrid Group

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Ausgrid Group, which comprises the Ausgrid Operator Partnership (AOP), the Ausgrid Asset Partnership (AAP) and Plus ES Partnership (PES) and the respective entities that they controlled at period end or from time to time during the half-year, which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended 31 December 2019, a summary of significant accounting policies, other explanatory notes and the director's declaration for Ausgrid Group.

Directors' responsibility for the half-year financial report

The directors of Ausgrid Group are responsible for the preparation and fair presentation of the half-year financial report in accordance with the accounting policies as described in Note 1 to the financial statements and have determined that the accounting policies in Note 1, which form part of the financial report, are appropriate to meet the needs of the partners and in accordance with AASB 134 Interim Financial Reporting which is also compliant with IAS 34 Interim Financial Reporting. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not presented fairly, in all material respects, in accordance with the accounting policies as described in Note 1 to the financial statements. As the auditor of Ausgrid Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Other matter

The financial report has been prepared by the directors to meet the information needs of the partners of Ausgrid Group. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the partners of Ausgrid Group.

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Ausgrid Group does not present fairly, in all material respects, the consolidated entity's financial position as at 31 December 2019 and its performance for the half-year ended on that date, in accordance with the accounting policies as described in Note 1 to the financial statements.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script, appearing to read 'Brett Entwistle'.

Brett Entwistle
Partner

Sydney
30 March 2020

Glossary

AAP	Ausgrid Asset Partnership
AASB	Australian Accounting Standards Board
AASB 16	AASB 16 Leases
AASB 117	AASB 117 Leases
AASB 134	AASB 134 Interim Financial Reporting
ACS	Alternative Control Services
Active Stream	Active Stream Pty Limited
AFPL	Ausgrid Finance Pty Limited
AMTN	Australian Medium Term Note
AMPL	Ausgrid Management Pty Limited
ANS	Ancillary Network Services
AOP	Ausgrid Operator Partnership
ASF	Asian Syndicated Facility
ASIC	Australian Securities and Investments Commission
AUD	Australian dollars
Ausgrid Group	AOP (parent entity), AAP, PES and their respective controlled entities
BBSW/BBSY	Bank Bill Swap Rate
CCF	Climate Change Fund
CCIRS	Cross Currency Interest Rate Swaps
DNSP	Distribution Network Service Provider
DUOS	Distribution use of system
EMTN	Euro Medium Term Note
FVLCTS	Fair value less cost to sell
GST	Goods and Services Tax
IAS 34	IAS 34 Interim Financial Reporting
Interpretation 4	Interpretation 4 Determining Whether an Arrangement Contains a Lease
IRS	Interest Rate Swaps
IT	Information Technology
NSW	New South Wales
NUOS	Network use of system
PES	Plus ES Partnership

Glossary (continued)

PES 1	Plus ES Management 1 Pty Limited
PES 2	Plus ES Management 2 Pty Limited
ROU	Right-of-use
SCS	Standard Control Services
SFA	Syndicated Facility Agreement
TNSP	Transmission Network Service Provider
TUOS	Transmission use of system
USPP	US Private Placement