



Ausgrid Group
Half Year Financial Report
For the half year ended 31 December 2018



Ausgrid Group Half Year Financial Report For the half year ended 31 December 2018

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Ausgrid Group
Consolidated statement of profit or loss and other comprehensive income
For the half year ended 31 December 2018

		Half year ended 31 December 2018 \$M	Half year ended 31 December 2017 \$M
	Notes		
Revenue	5	1,303.7	1,317.1
Distribution of energy costs	6(a)	(177.1)	(217.4)
Depreciation and amortisation expense	6(c)	(280.1)	(261.5)
Finance costs	6(d)	(231.0)	(233.9)
Employee benefits expense	6(b)	(129.3)	(146.8)
Loss on disposal of property, plant and equipment		(8.8)	(9.4)
Other expenses	6(b)	(131.7)	(131.8)
Profit before income tax		345.7	316.3
Income tax expense		-	-
Profit for the period		345.7	316.3
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in the fair value of cash flow hedges		(139.4)	(59.9)
Income tax relating to these items		41.8	18.0
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Defined benefit superannuation actuarial (losses)/gains		(5.2)	12.1
Income tax relating to these items		1.6	(3.6)
Other comprehensive income/(loss) for the period, net of tax		(101.2)	(33.4)
Total comprehensive income for the period		244.5	282.9
Profit/(loss) for the period attributable to Partners:			
Ausgrid Operator Partnership (AOP)		157.1	25.7
Ausgrid Asset Partnership (AAP)		185.9	291.5
Plus ES Partnership (PES)		2.7	(0.9)
Profit for the period		345.7	316.3
Total comprehensive income/(loss) for the period is attributable to Partners:			
AOP		153.5	34.2
AAP		88.3	249.6
PES		2.7	(0.9)
Total comprehensive income for the period		244.5	282.9

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 2018

		31 December	30 June
		2018	2018
	Notes	\$M	\$M
Current assets			
Cash and cash equivalents		255.0	217.3
Trade and other receivables		88.5	425.9
Contract assets		314.1	-
Inventories		71.8	39.4
Assets classified as held for sale		4.2	9.5
Derivative financial asset	11	1.4	-
Total current assets		735.0	692.1
Non-current asset			
Property, plant and equipment	7	16,430.5	16,212.3
Intangible assets	8	3,986.3	3,980.7
Derivative financial asset	11	319.1	95.3
Deferred tax assets		37.7	-
Total non-current assets		20,773.6	20,288.3
Total assets		21,508.6	20,980.4
Current liabilities			
Trade and other payables		300.9	301.6
Contract liabilities		3.6	-
Borrowings	9	2.1	2.1
Provisions	10	325.0	351.4
Deferred government grants		1.5	1.5
Other liabilities		4.8	7.6
Total current liabilities		637.9	664.2
Non-current liabilities			
Contract liabilities		4.4	-
Borrowings	9	12,506.7	12,136.0
Deferred tax liabilities		-	5.7
Derivative financial liability	11	121.4	39.5
Provisions	10	113.4	120.7
Deferred government grants		41.6	42.4
Other liabilities		0.5	0.5
Total non-current liabilities		12,788.0	12,344.8
Total liabilities		13,425.9	13,009.0
Net assets		8,082.7	7,971.4

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 2018
(continued)

		31 December	30 June
		2018	2018
	Notes	\$M	\$M
Equity attributable to Partners of AOP			
Contributed equity	12	1,715.9	1,715.9
Reserves		20.1	23.7
Retained earnings	13	(72.4)	(103.0)
Total equity attributable to Partners of AOP		1,663.6	1,636.6
 Equity attributable to Partners of AAP			
Contributed equity	12	7,020.5	7,020.5
Reserves		(108.0)	(10.4)
Retained earnings	13	(640.3)	(776.5)
Total equity attributable to Partners of AAP		6,272.2	6,233.6
 Equity attributable to Partners of PES			
Contributed equity	12	153.0	110.0
Retained earnings	13	(6.1)	(8.8)
Total equity attributable to Partners of PES		146.9	101.2
 Total equity attributable to Partners of the Ausgrid Group		8,082.7	7,971.4

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 2018

	Contributed equity \$M	Cash flow hedge reserve \$M	Defined benefit superannuation surplus \$M	Retained earnings \$M	Total \$M
Balance at 1 July 2018	8,846.4	(10.4)	23.7	(888.3)	7,971.4
Profit for the period	-	-	-	345.7	345.7
Other comprehensive income/(loss)					
Changes in fair value of cash flow hedges, net of tax - AAP	-	(97.6)	-	-	(97.6)
Defined benefit superannuation actuarial losses, net of tax - AOP	-	-	(3.6)	-	(3.6)
Total other comprehensive income/(loss)	-	(97.6)	(3.6)	-	(101.2)
Total comprehensive income/(loss) for the period	-	(97.6)	(3.6)	345.7	244.5
Transactions recorded directly in equity:					
Contributed equity	43.0	-	-	-	43.0
Distributions paid	-	-	-	(176.2)	(176.2)
Total transactions	43.0	-	-	(176.2)	(133.2)
Balance at 31 December 2018	8,889.4	(108.0)	20.1	(718.8)	8,082.7
Closing balance of equity attributable to					
AOP	1,715.9	-	20.1	(72.4)	1,663.6
AAP	7,020.5	(108.0)	-	(640.3)	6,272.2
PES	153.0	-	-	(6.1)	146.9
Balance at 31 December 2018	8,889.4	(108.0)	20.1	(718.8)	8,082.7

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 2018
(continued)

	Contributed equity \$M	Cash flow hedge reserve \$M	Defined benefit superannuation surplus \$M	Retained earnings \$M	Total \$M
Balance at 1 July 2017	8,736.4	52.5	22.3	(900.5)	7,910.7
Profit for the period	-	-	-	316.3	316.3
Other comprehensive income/(loss)					
Changes in fair value of cash flow hedges, net of tax - AAP	-	(41.9)	-	-	(41.9)
Defined benefit superannuation actuarial gains, net of tax - AOP	-	-	8.5	-	8.5
Total other comprehensive income/(loss)	-	(41.9)	8.5	-	(33.4)
Total comprehensive income/(loss) for the period	-	(41.9)	8.5	316.3	282.9
Transactions recorded directly in equity:					
Distributions paid	-	-	-	(265.8)	(265.8)
Balance at 31 December 2017	8,736.4	10.6	30.8	(850.0)	7,927.8
Closing balance of equity attributable to					
AOP	1,715.9	-	30.8	(137.7)	1,609.0
AAP	7,020.5	10.6	-	(711.4)	6,319.7
PES	-	-	-	(0.9)	(0.9)
Balance at 31 December 2017	8,736.4	10.6	30.8	(850.0)	7,927.8

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 2018

	Half year ended 31 December 2018 \$M	Half year ended 31 December 2017 \$M
Cash flows from operating activities		
Receipts from customers	1,242.5	1,330.7
Payments to suppliers and employees	(468.1)	(583.9)
Interest received	1.7	2.1
Interest paid	(218.9)	(204.5)
Net cash inflows from operating activities	557.2	544.4
Cash flows from investing activities		
Payments for property, plant and equipment	(436.3)	(315.7)
Payments for intangibles	(37.8)	(13.4)
Proceeds from sale of property, plant and equipment	8.2	1.8
Acquisition of business combination, net of cash acquired	-	(166.0)
Net cash outflows from investing activities	(465.9)	(493.3)
Cash flows from financing activities		
Equity injection from Partners	43.0	-
Proceeds from borrowings	95.0	3,671.7
Repayment of borrowings	-	(3,500.0)
Transaction costs paid	(13.6)	(21.5)
Finance lease payments	(1.8)	(0.7)
Distributions	(176.2)	(265.8)
Net cash outflows from financing activities	(53.6)	(116.3)
Net increase/(decrease) in cash and cash equivalents	37.7	(65.2)
Cash and cash equivalents at the beginning of the period	217.3	323.4
Cash and cash equivalents at end of the period	255.0	258.2

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

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1 Summary of significant accounting policies

This half year financial report is the consolidated financial statements of AOP (Parent Entity) and its controlled entities (hereafter collectively referred to as the Ausgrid Group) for the half year ended 31 December 2018.

AOP and its controlled 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 of IFM Investors and AustralianSuper holds 50.4% partnership interests and the NSW Government (through various corporations established in accordance with the Electricity Retained Interest Corporation Act 2015 (NSW)) holds 49.6% partnership interests 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 arrangement is akin to a stapling arrangement whereby partnership interests in separate entities must be traded or transferred together.

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 as at 30 June 2018.

(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 is also compliant 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 their 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 their carrying value and fair value less costs to sell.

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 2018, except for the adoption of new accounting standard *AASB 15 Revenue from Contracts with Customers (AASB 15)* as set out below.

This half year financial report is presented in Australian dollars.

(b) New accounting standards adopted by the Ausgrid Group

The Ausgrid Group has adopted AASB 15 commencing on 1 July 2018. The impact of the adoption of AASB 15 is disclosed in Note 2.

(c) 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 2018. The impact of these new standards or amendments to the standards and interpretations (to the extent applicable to the Ausgrid Group) is as follows:

1 Summary of significant accounting policies (continued)

(c) New accounting standards and interpretations not yet adopted (continued)

- **AASB 16 Leases (AASB 16)** is applicable to the Ausgrid Group from 1 July 2019. The new standard requires nearly all leases to be recognised on the consolidated statement of financial position. The application of AASB 16 will not result in a material impact to the consolidated statement of financial position or consolidated statement of profit or loss and other comprehensive income.

As at the reporting date, the Ausgrid Group has non-cancellable operating lease commitments of \$17.0 million (30 June 2018: \$23.4 million). Refer to Note 15 for further details.

(d) Rounding of amounts

The Ausgrid Group has applied ASIC Legislative Instrument 2016/191 (Rounding in Financial/Directors' Reports). The amounts shown in the financial report have been rounded to the nearest \$100,000, unless otherwise indicated.

2 Changes in accounting policies

(a) Impact of adoption - AASB 15

AASB 15 has been adopted from 1 July 2018. AASB 15 replaces *AASB 118 Revenue* which covers contracts for goods and services and *AASB 111 Construction Contracts* which covers construction contracts. Under AASB 15, revenue is recognised when control of a good or service transfers to a customer. The Ausgrid Group adopted the modified retrospective transition approach and used the practical expedient for contracts completed before 1 July 2018. Under this approach, no restatement adjustments were required on adoption of the standard.

There is no change to the Ausgrid Group revenue recognition policy under the new standard, except for street lighting capital contributions, which will be deferred and recognised as revenue over the life of the asset.

In return for the street lighting capital contributions, which are Alternative Control Services (**ACS**), the Ausgrid Group assumes an ongoing maintenance obligation to the customer who contributed the asset. Therefore the fair values of capital contributions from these specific customers are treated as contract liabilities and recognised over the period the ongoing maintenance services will be provided, i.e. the useful life of the asset contributed. The street lighting capital contributions recognised as a contract liability as at 31 December 2018 is \$4.7 million, with \$0.1 million recognised as revenue during the half year ended 31 December 2018. The Ausgrid Group recognised \$6.3 million of upfront street lighting contributions revenue in the half year ended 31 December 2017.

The remaining capital contributions received by the Ausgrid Group represent cash and non-cash capital contributions and are contributed mainly by developers, who are not ongoing customers of the Ausgrid Group. The accounting treatment of these Standard Control Services (**SCS**) capital contributions (excluding street lighting contributions) to the Ausgrid Group's distribution network continues to be recognised at a point in time, when the connection to the network is completed.

Please refer to Note 5 Revenue for further details.

(b) Impact on financial statement disclosures

The Ausgrid Group is required to disclose contract assets and contract liabilities as detailed below:

- Contract assets represent the right to consideration for performance obligations completed to date when the right is conditional on something other than the passage of time. The contract asset balance primarily represents unread meters accruals. Trade receivables are recognised when the right to consideration becomes unconditional.
- Contract liabilities relate to consideration received in advance of performance under the contract. These liabilities are recognised as revenue as (or when) the Ausgrid Group delivers the performance obligation under the contract.

The following reclassifications were made to disclose contract assets and contract liabilities in accordance with AASB 15.

2 Changes in accounting policies (continued)

	30 June 2018 presentation \$M	AASB 15 reclassification \$M	1 July 2018 restated \$M
Current assets			
Trade and other receivables	425.9	(327.1)	98.8
Contract assets	-	327.1	327.1
Current liabilities			
Other current liabilities	7.6	(4.4)	3.2
Contract liabilities	-	4.4	4.4

(c) Revenue recognition policies

Revenue is recognised when the relevant performance obligations embedded in contracts with customers are satisfied, i.e. when the control of a good or service transfers to a customer. Performance obligations are completed at a point in time and over time. Revenue is recognised for the major business activities of the Ausgrid Group as follows:

(i) Network use of system revenue

Network use of system (**NUOS**) revenue represents the rendering of electricity distribution services to customers within the Ausgrid Group's distribution area. Upon delivery of electricity, customers receive and consume the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the 'right to invoice' practical expedient, and recognises revenue based on the billing amount which is determined based on the relevant tariff multiplied by the electricity consumption volume, as well as the number of network access days and a capacity charge. The Ausgrid Group typically bills customers either monthly or quarterly. Revenue associated with unbilled services is recognised as described in unread meters below.

NUOS revenue is comprised of distribution use of system (**DUOS**) revenue, transmission use of system (**TUOS**) revenue and revenue to recover the Ausgrid Group's annual contribution to the NSW Climate Change Fund (**CCF**). DUOS revenue relates to customer use of the Ausgrid Group's distribution network. TUOS revenue relates to customer use of the Ausgrid's Group's transmission network, and also includes revenue to recover transmission costs paid to transmission network service providers (**TNSP**) and embedded generators.

(ii) Excess/shortfall in regulatory revenue

(a) DUOS

The Ausgrid Group's allowed DUOS revenues for a five year regulatory period are set by the Australian Energy Regulator (**AER**) as part of the regulatory determination process. Under this framework, where distribution revenues exceed or fall below the Ausgrid Group's Maximum Allowable Revenue (**MAR**) as determined by the AER, no liability or asset is recognised. Instead, adjustments will be made to the allowable revenues in the future years under the regulatory framework.

(b) TUOS

TUOS revenue relates to customer use of the Ausgrid's Group's transmission network, and also includes revenue to recover transmission costs paid to TNSP and embedded generators. Where such TUOS revenue exceeds or is below the actual transmission costs paid to TNSP and embedded generators, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services. TUOS revenue also includes the recovery of Ausgrid Group's TUOS MAR.

(c) CCF revenue

CCF revenue operates as a pass-through to customers based on payments made to the NSW CCF. Where such revenue exceeds or is below actual contributions paid to the NSW Office of Environment & Heritage, no liability or asset is recognised. Instead, adjustments will be made to future prices to reflect this excess or shortfall as it relates to the provision of future services.

2 Changes in accounting policies (continued)

(c) Revenue recognition policies (continued)

(iii) *Unread meters*

The unread meters accrual is an estimate of the NUOS charges associated with the rendering of electricity distribution services that is not invoiced at the end of each reporting period. The accrual for unread meters includes both meters that have been read but not yet billed and meters that have not been read as at balance date. The methodology used by the Ausgrid Group reflects a bottom up approach where an accrual is estimated for all unread meters within the Ausgrid Group's distribution area. The accrual is calculated for each component of the network price including peak, shoulder and off peak electricity consumption, capacity and network access charges.

The Ausgrid Group assesses the unread meters accruals at the end of each reporting period based on the expected value method (as described above) and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. From 1 July 2018, unread meters accruals are classified as contract assets in the statement of financial position.

(iv) *Transmission revenue*

Transmission revenue represents revenue received from TransGrid from their use of the Ausgrid Group's transmission assets. Upon the use of Ausgrid Group's transmission assets, TransGrid receives and consumes the benefit resulting in revenue being recognised over time. The Ausgrid Group applies the 'right to invoice' practical expedient and recognises revenue based on the billing amount.

(v) *Capital contributions*

Capital contributions represent cash and non-cash capital contributed by customers and developers to the Ausgrid distribution network.

SCS capital contributions are contributed mainly by developers, who are not ongoing customers of the Ausgrid Group. Revenue is recognised at fair value at a point in time when the connection to the network is completed and the asset is energised.

ACS capital contributions represent street lighting capital contributions where the Ausgrid Group assumes an ongoing maintenance obligation to the customer who contributed the asset. Therefore the fair value of capital contributions from these specific customers is treated as contract liabilities and recognised as revenue over time, over the period the ongoing maintenance services will be provided, i.e. the useful life of the asset contributed.

(vi) *Street lighting revenue*

Street lighting services revenue relates to the ongoing maintenance and replacement of street lighting assets. As the street lighting maintenance and services revenue is provided continuously to the customer, it is treated as one performance obligation. Revenue is recognised over time when the street lighting services are provided.

(vii) *Ancillary network services revenue*

Ancillary network services revenue relates to non-routine connection and other ad hoc metering services provided to individual customers on an as need basis. Depending on the service, it can be at the request of an electricity retailer, accredited service provider or, end customer. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

(viii) *Metering revenue*

Metering revenue relates to ACS regulated metering. ACS regulated metering service charges represent the ongoing provision of metering services and metering data services for type 5 and 6 meters. This is a daily charge consisting of both capital and non-capital components. Revenue is recognised over time when the performance obligation is satisfied, i.e. when services are delivered.

2 Changes in accounting policies (continued)

(c) Revenue recognition policies (continued)

(ix) Unregulated revenue

Unregulated revenue is made up of recoverable revenue, contestable revenue and other external revenue. Recoverable revenue is generated from works undertaken on the electricity network, at the request of a customer or other external party, which are not for the purpose of establishing a new or upgraded connection. Contestable revenue consists of unregulated metering revenue and other contestable works. Unregulated metering revenue represents the ongoing provision of metering services and metering data services for contestable metering assets (type 1 to 4 meters). Other contestable work relates to customer connection activity that can be performed by any accredited service provider. Other external revenue mainly represents rental income. Revenue is recognised over time when the services are delivered and/or the relevant performance obligations are satisfied.

3 Uses of estimates and judgements

During the half year ended 31 December 2018, the following significant events have occurred that provide further information on the estimates and judgements disclosed in the 30 June 2018 financial report:

- On 1 November 2018, the AER has issued the Draft Determination for the 2019 - 2024 regulatory period;
- On 8 January 2019, the Ausgrid Group submitted a Revised Proposal to the AER for the 2019 - 2024 regulatory period; and
- On 24 January 2019, the AER issued the Final Remade Decision for the 2014 - 2019 regulatory period.

(a) AER Draft Determination 2019 - 2024

On 1 November 2018, the AER issued the Draft Determination for the 2019 - 2024 regulatory period. The 2019 - 2024 regulatory period consists of the five financial years from 1 July 2019 to 30 June 2024. The AER's Draft Determination did not accept the Ausgrid Group's Initial Proposal for 2019 - 2024 regulated revenues, noting further substantiation would be required on the proposed capital expenditure. The Draft Determination also applied the AER's draft 2018 rate of return guideline, which had the impact of significantly reducing revenues compared to the Ausgrid Group's Initial Proposal submitted on 30 April 2018.

(b) Ausgrid Revised Proposal 2019 - 2024

On 8 January 2019, the Ausgrid Group submitted a Revised Proposal for the 2019 - 2024 regulatory period to the AER. The Revised Proposal applied the AER's final 2018 rate of return guideline and proposed to apply an operating expenditure productivity factor in line with the AER's operating expenditure productivity review from the second year of the 2019 - 2024 regulatory period. The Revised Proposal adopted the AER's operating expenditure review draft decision productivity factor of 1%. The Revised Proposal incorporated a capital expenditure forecast of \$2,690 million (\$393 million lower than the Initial Proposal, but \$363 million greater than the AER's Draft Determination). The Revised Proposal was developed in close consultation with the AER and consumer advocacy groups. Consumer advocacy groups are supportive of the Revised Proposal. The AER is due to issue its Final Determination by 30 April 2019.

(c) Remade Decision 2014 - 2019

On 24 January 2019, the AER issued the Final Remade Decision for the 2014 - 2019 regulatory period. As a result of the Final Remade Decision, the Ausgrid Group estimates it will have over recovered revenue relative to the AER's Final Remade Decision by approximately \$321 million at 30 June 2019. The true-up of this over recovered revenue will be incorporated into the AER's Final Determination for the 2019 - 2024 regulatory period.

4 Business combinations

(a) Acquisitions during the period ended 31 December 2018

No business combinations have occurred during the half year ended 31 December 2018.

(b) Acquisitions during the year ended 30 June 2018

On 1 November 2017, PES was established with initial partnership capital of \$20 (1,000 interests x \$0.02 per interest).



4 Business combinations (continued)

(b) Acquisitions during the year ended 30 June 2018 (continued)

On 8 November 2017, Plus ES Management 1 Pty Limited (**PES 1**) and Plus ES Management 2 Pty Limited (**PES 2**) were incorporated. PES subscribed \$10 for shares in PES 1 and PES 2 respectively (1,000 shares for \$0.01 per share).

On 30 November 2017, PES acquired 100% of the shares in Active Stream Pty Limited (**Active Stream**) for \$60.0 million (GST exclusive) and acquired the associated metering assets for \$105.3 million (GST exclusive).

These consolidated financial statements have been prepared on the basis the acquisition is considered a business combination under *AASB 3 Business Combinations*. PES has been identified as the acquirer.

Details of the business combination were disclosed in Note 2(a): Business combination in the Ausgrid Group's 30 June 2018 consolidated financial statements.

Accounting for the business combination is now complete. There were no further adjustments made as part of the finalisation of acquisition accounting.

5 Revenue

	Half year ended 31 December 2018 \$M	Half year ended 31 December 2017 \$M
Revenue components		
DUOS	753.2	762.7
TUOS		
Pass-through	181.7	164.6
Non pass-through	86.5	91.1
CCF: pass-through	49.7	76.1
NUOS	1,071.1	1,094.5
Transmission	26.8	24.6
SCS capital contributions	48.9	57.9
Other	2.8	0.2
Total SCS revenue	1,149.6	1,177.2
Street lighting	20.4	21.0
Ancillary network services	24.4	22.5
Metering	32.2	31.9
ACS capital contributions	0.1	8.4
Total ACS revenue	77.1	83.8
Unregulated revenue	75.3	52.1
Total unregulated revenue	75.3	52.1
Other	1.7	4.0
Total other revenue	1.7	4.0
Total revenue	1,303.7	1,317.1



6 Expenses

(a) Distribution of energy costs

	Half year ended 31 December 2018 \$M	Half year ended 31 December 2017 \$M
SCS regulated pass-through costs		
TNSP	109.0	147.6
CCF	67.8	69.2
Total regulated pass-through costs	176.8	216.8
Unregulated energy costs	0.3	0.6
Total distribution of energy costs	177.1	217.4

(b) Operating expenses

	Half year ended 31 December 2018 \$M	Half year ended 31 December 2017 \$M
Employee benefits expense	108.3	95.3
Superannuation expenses (defined benefit plan)	3.7	5.2
Superannuation expenses (defined contribution plan)	23.8	24.0
Reform costs	(6.5)	22.3
Employee benefits expenses	129.3	146.8
Contracted services	69.5	76.0
IT expenses	24.8	18.7
Materials	11.7	10.6
Land and other taxes	11.9	11.1
Acquisition costs	-	0.7
Operating lease rental	6.2	8.0
Bad debts	0.1	(0.7)
Other	7.5	7.4
Other expenses	131.7	131.8
Total operating expenses¹	261.0	278.6

- (1) Total operating expenses are made up of SCS operating expenses of \$176.5 million (half year ended 31 December 2017: \$207.8 million), ACS operating expenses of \$40.7 million (half year ended 31 December 2017: \$36.4 million) and Unregulated operating expenses of \$43.8 million (half year ended 31 December 2017: \$34.4 million).



6 Expenses (continued)

(c) Depreciation and amortisation expense

	Half year ended 31 December 2018 \$M	Half year ended 31 December 2017 \$M
Depreciation of property, plant and equipment	247.9	231.4
Amortisation of intangible assets	32.2	34.9
Depreciation reclassification	-	(4.8)
Total depreciation and amortisation expense	280.1	261.5

(d) Finance costs

	Half year ended 31 December 2018 \$M	Half year ended 31 December 2017 \$M
Notes		
Interest expense	224.5	222.8
Amortisation of loan transaction costs	11.6	17.7
Unwinding of discount	1.4	-
Finance lease interest	1.1	0.7
Capitalised interest	(1.5)	(2.9)
Hedge ineffectiveness	0.5	(4.4)
Net gain on amend and extend of Syndicated Facility Agreement (SFA) ¹ 9	(6.8)	-
Other	0.2	-
Total finance costs	231.0	233.9

(1) This is made up of a gain of \$7.0 million, offset by amortisation expense of \$0.2 million recognised during the half year ended 31 December 2018.



7 Property, plant and equipment

	Land and buildings \$M	Network assets \$M	Plant and equipment \$M	Total \$M
At 31 December 2018				
At cost	711.6	16,301.3	425.2	17,438.1
Accumulated depreciation	(22.8)	(897.1)	(87.7)	(1,007.6)
Net carrying amount	688.8	15,404.2	337.5	16,430.5

Period ended 31 December 2018

Net carrying amount at 1 July 2018	627.8	15,261.9	322.6	16,212.3
Additions	66.3	369.0	42.5	477.8
Disposals	-	(8.8)	(2.9)	(11.7)
Depreciation expense	(5.3)	(217.9)	(24.7)	(247.9)
Net carrying amount	688.8	15,404.2	337.5	16,430.5

At 30 June 2018

At cost	645.3	15,938.6	384.2	16,968.1
Accumulated depreciation	(17.5)	(676.7)	(61.6)	(755.8)
Net carrying amount	627.8	15,261.9	322.6	16,212.3

Assets under construction

At 31 December 2018, the assets under construction totalled \$589.4 million (30 June 2018: \$509.4 million):

Land and buildings	\$78.4 million (30 June 2018: \$37.1 million)
Network assets	\$471.3 million (30 June 2018: \$406.8 million)
Plant and equipment	\$39.7 million (30 June 2018: \$65.5 million)



8 Intangible assets

	Network assets \$M	Customer contracts \$M	Computer software \$M	Goodwill \$M	Total \$M
At 31 December 2018					
At cost	1,687.6	5.0	295.2	2,134.4	4,122.2
Accumulated amortisation	(33.3)	(2.0)	(100.6)	-	(135.9)
Net carrying amount	1,654.3	3.0	194.6	2,134.4	3,986.3

Period ended 31 December 2018

Net carrying amount at 1 July 2018	1,662.3	3.4	180.6	2,134.4	3,980.7
Additions	-	-	37.8	-	37.8
Amortisation expense	(8.0)	(0.4)	(23.8)	-	(32.2)
Net carrying amount	1,654.3	3.0	194.6	2,134.4	3,986.3

At 30 June 2018

At cost	1,687.6	5.0	257.4	2,134.4	4,084.4
Accumulated amortisation	(25.3)	(1.6)	(76.8)	-	(103.7)
Net carrying amount	1,662.3	3.4	180.6	2,134.4	3,980.7

Assets under construction

At 31 December 2018, the assets under construction for computer software was \$44.0 million (30 June 2018: \$62.2 million).



9 Borrowings

	31 December 2018 \$M	30 June 2018 \$M
Notes		
Current		
Finance lease liabilities	2.1	2.1
Total current borrowings	2.1	2.1
 Non-current		
Finance lease liabilities	16.5	15.3
Total non-current finance lease liabilities	16.5	15.3
 A\$ denominated interest bearing loans	6,325.7	6,237.5
A\$ denominated interest bearing notes	1,538.6	1,527.1
US\$ denominated interest bearing notes	3,659.0	3,424.8
EUR denominated interest bearing notes	1,071.9	1,034.3
Less: Transaction costs	(105.0)	(103.0)
Total loans and notes	12,490.2	12,120.7
9(a)		
 Total non-current borrowings	12,506.7	12,136.0

SFA

On 9 October 2018, Ausgrid Finance Pty Limited (**AFPL**) renegotiated its existing \$6,932.9 million SFA. \$3,763.5 million of SFA tranches were extended by two years at margins of 25 and 30 basis points below existing pricing. As a result of the amend and extend transaction, a gain of \$7.0 million is recognised (refer to Note 6(d)). This is made up of an accounting gain of \$20.0 million, comprising of the net present value of the reduction in future interest payments, offset by transaction costs of \$13.0 million.



9 Borrowings (continued)

(a) Loans and notes

	Original drawdown ¹ \$M	Foreign exchange movements \$M	Fair value adjustments ² \$M	Transaction costs \$M	Carrying value \$M
31 December 2018					
Fixed rate notes					
10 year US\$770M USPP	966.4	124.5	(39.8)	(5.6)	1,045.5
12 year US\$430M USPP	539.7	69.5	(24.9)	(3.9)	580.4
15 year US\$430M USPP	539.7	69.5	(28.7)	(5.0)	575.5
10 year A\$29M USPP	29.0	-	-	(0.2)	28.8
12 year A\$103M USPP	103.0	-	-	(0.7)	102.3
15 year A\$88M USPP	88.0	-	-	(0.8)	87.2
7 year A\$750M AMTN	750.0	-	18.6	(5.7)	762.9
7.25 year EUR650M	1,036.7	15.7	19.5	(4.9)	1,067.0
5 year US\$500M 144A	658.5	49.9	9.6	(4.9)	713.1
10.25 year US\$500M 144A	658.5	49.9	16.7	(9.0)	716.1
	5,369.5	379.0	(29.0)	(40.7)	5,678.8
Floating rate notes and facilities					
15 year A\$100M USPP	100.0	-	-	(0.9)	99.1
7 year A\$450M AMTN	450.0	-	-	(1.5)	448.5
Facilities B1 to B5, C and D	6,332.5	-	(6.8)	(61.9)	6,263.8
	6,882.5	-	(6.8)	(64.3)	6,811.4
Total loans and notes	12,252.0	379.0	(35.8)	(105.0)	12,490.2

- (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) Fair value adjustments of \$35.8 million (30 June 2018: \$116.2 million) are made up of hedge accounting adjustments of \$29.0 million (30 June 2018: \$116.2 million) and a net gain on the SFA amend and extend of \$6.8 million (30 June 2018: nil).



9 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 2018					
Fixed rate notes					
10 year US\$770M USPP	966.4	75.5	(60.4)	(5.9)	975.6
12 year US\$430M USPP	539.7	42.2	(36.7)	(4.0)	541.2
15 year US\$430M USPP	539.7	42.2	(40.0)	(5.1)	536.8
10 year A\$29M USPP	29.0	-	-	(0.2)	28.8
12 year A\$103M USPP	103.0	-	-	(0.8)	102.2
15 year A\$88M USPP	88.0	-	-	(0.8)	87.2
7 year A\$750M AMTN	750.0	-	7.1	(6.7)	750.4
7.25 year EUR650M	1,036.7	(13.2)	10.8	(5.7)	1,028.6
5 year US\$500M 144A	658.5	18.1	0.4	(4.9)	672.1
10.25 year US\$500M 144A	658.5	18.1	2.6	(8.6)	670.6
	5,369.5	182.9	(116.2)	(42.7)	5,393.5
Floating rate notes and facilities					
15 year A\$100M USPP	100.0	-	-	(1.0)	99.0
7 year A\$450M AMTN	450.0	-	-	(1.2)	448.8
Facilities B1, B2, B3, C and D	6,237.5	-	-	(58.1)	6,179.4
	6,787.5	-	-	(60.3)	6,727.2
Total loans and notes	12,157.0	182.9	(116.2)	(103.0)	12,120.7



9 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit \$M	Drawn \$M	Undrawn \$M	Rate in currency of issue ¹
31 December 2018					
10 year US\$770M USPP fixed rate	01 Oct 27	1,090.9	1,090.9	-	3.50%
12 year US\$430M USPP fixed rate	01 Oct 29	609.2	609.2	-	3.60%
15 year US\$430M USPP fixed rate	01 Oct 32	609.2	609.2	-	3.75%
10 year A\$29M USPP fixed rate	01 Oct 27	29.0	29.0	-	4.45%
12 year A\$103M USPP fixed rate	01 Oct 29	103.0	103.0	-	4.62%
15 year A\$88M USPP fixed rate	01 Oct 32	88.0	88.0	-	4.86%
15 year A\$100M USPP floating rate	01 Oct 32	100.0	100.0	-	BBSW+1.80%
Total USPP notes		2,629.3	2,629.3	-	
7 year A\$750M AMTN fixed rate	30 Oct 24	750.0	750.0	-	3.75%
7 year A\$450M AMTN floating rate	30 Oct 24	450.0	450.0	-	BBSW+1.22%
Total AMTN		1,200.0	1,200.0	-	
5 year US\$500M 144A fixed rate	01 May 23	708.4	708.4	-	3.85%
10.25 year US\$500M 144A fixed rate	01 Aug 28	708.4	708.4	-	4.35%
Total US144A notes		1,416.8	1,416.8	-	
7.25 year EUR650M fixed rate	30 Jul 25	1,052.4	1,052.4	-	1.25%
Total EMTN		1,052.4	1,052.4	-	
Term Facility B1 ²	01 Jun 22	917.2	917.2	-	BBSY+0.80%
Term Facility B2 ²	01 Dec 21	2,269.3	2,269.3	-	BBSY+1.35%
Term Facility B3 ²	01 Dec 23	900.0	900.0	-	BBSY+1.60%
Term Facility B4 ²	01 Dec 23	1,400.0	1,400.0	-	BBSY+1.05%
Term Facility B5 ²	01 Dec 25	600.0	600.0	-	BBSY+1.30%
Total term loans		6,086.5	6,086.5	-	
Capex Facility C ²	01 Jun 22	721.4	236.0	485.4	BBSY+0.80%
Working Capital Facility D ^{2,3}	01 Jun 22	125.0	10.0	115.0	BBSY+0.80%
Total liquidity		846.4	246.0	600.4	
Total⁴		13,231.4	12,631.0	600.4	

- (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) A\$ bank facility provided under the SFA.
- (3) Additional utilisations are in the form of bank guarantees and therefore not recognised as a liability. Refer to Note 16.
- (4) The Australian dollar weighted average cost of drawn debt for the half year ended 31 December 2018, including interest on drawn debt and net payments under its cross currency interest rate swaps (**CCIRS**) and interest rate swaps (**IRS**) portfolios was 3.64% (half year ended 31 December 2017: 3.50%).



9 Borrowings (continued)

(a) Loans and notes (continued)

	Maturity	Facility limit \$M	Drawn \$M	Undrawn \$M	Rate in currency of issue
30 June 2018					
10 year US\$770M USPP fixed rate	01 Oct 27	1,041.9	1,041.9	-	3.50%
12 year US\$430M USPP fixed rate	01 Oct 29	581.9	581.9	-	3.60%
15 year US\$430M USPP fixed rate	01 Oct 32	581.9	581.9	-	3.75%
10 year A\$29M USPP fixed rate	01 Oct 27	29.0	29.0	-	4.45%
12 year A\$103M USPP fixed rate	01 Oct 29	103.0	103.0	-	4.62%
15 year A\$88M USPP fixed rate	01 Oct 32	88.0	88.0	-	4.86%
15 year A\$100M USPP floating rate	01 Oct 32	100.0	100.0	-	BBSW+1.80%
Total USPP notes		2,525.7	2,525.7	-	
7 year A\$750M AMTN fixed rate	30 Oct 24	750.0	750.0	-	3.75%
7 year A\$450M AMTN floating rate	30 Oct 24	450.0	450.0	-	BBSW+1.22%
Total AMTN		1,200.0	1,200.0	-	
5 year US\$500M 144A fixed rate	01 May 23	676.6	676.6	-	3.85%
10.25 year US\$500M 144A fixed rate	01 Aug 28	676.6	676.6	-	4.35%
Total US 144A notes		1,353.2	1,353.2	-	
7.25 year EUR650M fixed rate	30 Jul 25	1,023.5	1,023.5	-	1.25%
Total EMTN		1,023.5	1,023.5	-	
Term Facility B1	01 Jun 20	917.2	917.2	-	BBSY+1.05%
Term Facility B2	01 Dec 21	3,669.3	3,669.3	-	BBSY+1.35%
Term Facility B3	01 Dec 23	1,500.0	1,500.0	-	BBSY+1.60%
Total term loans		6,086.5	6,086.5	-	
Capex Facility C	01 Jun 20	721.4	151.0	570.4	BBSY+1.05%
Working Capital Facility D	01 Jun 20	125.0	-	125.0	BBSY+1.05%
Total liquidity		846.4	151.0	695.4	
Total		13,035.3	12,339.9	695.4	



9 Borrowings (continued)

(b) Reconciliation of liabilities arising from financing activities

	1 July 2018	Cash Flows	Non-cash changes				Net gain on amend and extend of SFA	31 December 2018
	\$M	\$M	Fair value hedge adjustment \$M	Foreign exchange movements \$M	Amortisation \$M	Acquisition \$M	\$M	\$M
A\$ denominated interest bearing loans	6,237.5	95.0	-	-	-	-	(6.8)	6,325.7
A\$ denominated interest bearing notes	1,527.1	-	11.5	-	-	-	-	1,538.6
US\$ denominated interest bearing notes	3,424.8	-	67.1	167.1	-	-	-	3,659.0
EUR denominated interest bearing notes	1,034.3	-	8.6	29.0	-	-	-	1,071.9
Transaction costs	(103.0)	(13.6)	-	-	11.6	-	-	(105.0)
Finance lease liabilities	17.4	(1.8)	-	-	1.1	1.9	-	18.6
Total liabilities from financing activities	12,138.1	79.6	87.2	196.1	12.7	1.9	(6.8)	12,508.8

10 Provisions

	Employee benefits \$M	Restructuring \$M	Insurance \$M	Other \$M	Total \$M
Balance at 1 July 2018	284.8	92.7	19.7	74.9	472.1
Additional provision	86.7	5.5	1.9	2.0	96.1
Unwinding of discount	-	0.5	0.2	0.7	1.4
Amounts used	(70.6)	(33.8)	(2.9)	(3.0)	(110.3)
Amount reversed	(0.8)	(19.6)	(0.1)	(0.4)	(20.9)
At 31 December 2018	300.1	45.3	18.8	74.2	438.4
Current	263.7	37.6	4.2	19.5	325.0
Non-current	36.4	7.7	14.6	54.7	113.4
At 31 December 2018	300.1	45.3	18.8	74.2	438.4
Current	253.6	72.1	5.1	20.6	351.4
Non-current	31.2	20.6	14.6	54.3	120.7
At 30 June 2018	284.8	92.7	19.7	74.9	472.1

10 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, and long service leave. Amounts provided for in relation to long service leave and preserved sick leave are based on an actuarial assessment and associated formulae provided for intervening periods between assessments.

All other 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 \$11.0 million relating to the defined benefit plan liability (30 June 2018: \$5.6 million).

(b) Restructuring

The Ausgrid Group is in the process of implementing its transformation program, which involves restructuring parts of the business. The transformation program will result in a 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 2018 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 existing plans.

11 Derivatives

	31 December 2018 \$M	30 June 2018 \$M
Current asset		
IRS	1.4	-
Total current derivative financial asset	<u>1.4</u>	<u>-</u>
Non-current asset		
IRS	19.6	47.1
CCIRS	299.5	48.2
Total non-current derivative financial asset	<u>319.1</u>	<u>95.3</u>
Total derivative financial asset	<u>320.5</u>	<u>95.3</u>
Non-current liability		
IRS	(121.4)	(12.0)
CCIRS	-	(27.5)
Total non-current derivative financial liability	<u>(121.4)</u>	<u>(39.5)</u>
Total derivative financial liability	<u>(121.4)</u>	<u>(39.5)</u>
Net derivative financial asset	<u>199.1</u>	<u>55.8</u>



12 Partner capital

	AOP		AAP		PES	
	Number	\$M	Number	\$M	Number ¹	\$M
31 December 2018						
Ordinary capital interest	504	864.8	504	3,538.3	3,856	77.1
A class capital interest	496	851.1	496	3,482.2	3,794	75.9
Total contributed equity	1,000	1,715.9	1,000	7,020.5	7,650	153.0

30 June 2018

Ordinary capital interest	504	864.8	504	3,538.3	2,772	55.4
A class capital interest	496	851.1	496	3,482.2	2,728	54.6
Total contributed equity	1,000	1,715.9	1,000	7,020.5	5,500	110.0

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

On 31 October 2018, the Partners subscribed for an additional 2,150 million of partnership interests in PES (comprising of 1,083.6 million ordinary capital interests and 1,066.4 million A class capital interests) at \$0.02 per partnership interest, for a total of \$43.0 million.

13 Retained earnings

	AOP \$M	AAP \$M	PES \$M	Total \$M
Balance at 1 July 2018	(103.0)	(776.5)	(8.8)	(888.3)
Profit for the period	157.1	185.9	2.7	345.7
Distributions paid	(126.5)	(49.7)	-	(176.2)
Balance at 31 December 2018	(72.4)	(640.3)	(6.1)	(718.8)
Balance at 1 July 2017	(60.0)	(840.5)	-	(900.5)
Profit/(loss) for the period	25.7	291.5	(0.9)	316.3
Distributions paid	(103.4)	(162.4)	-	(265.8)
Balance at 31 December 2017	(137.7)	(711.4)	(0.9)	(850.0)



14 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 2018 \$M	30 June 2018 \$M
Within one year	395.6	315.4
Later than one year but no later than five years	2.3	6.0
	397.9	321.4

15 Leases

(a) Operating leases

(i) Lease commitments - leases as lessee

	31 December 2018 \$M	30 June 2018 \$M
Non-cancellable operating leases are payable as follows:		
Within one year	7.7	11.8
Later than one year but no later than five years	2.7	3.8
Later than five years	6.6	7.8
	17.0	23.4

The Ausgrid Group leases various premises under operating leases including depot and office facilities. Lease payments under these leases are subject to annual, biennial or triennial reviews to reflect market rentals.

The Ausgrid Group also leases some passenger fleet and some light commercial fleet under operating leases. The majority of the fleet leases are fully maintained leases and typically run for a period of three or four years dependent on business requirements.

(ii) Lease receivables - leases as lessor

The Ausgrid Group leases out its properties, including premises, land and communications towers, under operating 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 2018 \$M	30 June 2018 \$M
Within one year	7.8	6.5
Later than one year but no later than five years	7.4	8.4
Later than five years	2.5	4.3
	17.7	19.2



15 Leases (continued)

(b) Finance leases

(i) Lease commitments - leases as lessee

The Ausgrid Group has long term lease arrangements for land.

	31 December 2018 \$M	30 June 2018 \$M
Commitments in relation to finance leases are payable as follows:		
Within one year	2.1	2.1
Later than one year but no later than five years	8.4	7.8
Later than five years	86.3	84.4
Minimum lease payments	96.8	94.3
Future finance charges	(78.2)	(76.9)
Recognised as a liability	18.6	17.4

The present value of finance lease liabilities is as follows:

Within one year	2.1	2.1
Later than one year but no later than five years	6.4	6.1
Later than five years	10.1	9.2
	18.6	17.4

16 Contingent liabilities and contingent assets

	31 December 2018 \$M	30 June 2018 \$M
Contingent liabilities		
Guarantees provided to regulatory and statutory authorities	20.7	20.7
Guarantees provided to external parties	6.6	5.4
	27.3	26.1
Contingent assets		
Potential recoveries from claims	0.2	-

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.



17 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 2018 %	30 June 2018 %
Ausgrid Asset Partnership	100	100
Ausgrid Management Pty Limited	100	100
Ausgrid Finance Pty Limited	100	100
Plus ES Partnership	100	100
Plus ES Management 1 Pty Limited	100	100
Plus ES Management 2 Pty Limited	100	100
Active Stream Pty Limited	100	100

18 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

18 Fair value measurements (continued)

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

31 December 2018	Notes	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Recurring fair value measurements					
Derivatives	11	-	199.1	-	199.1
Total		-	199.1	-	199.1
Non-recurring fair value measurements					
Assets classified as held for sale		-	4.2	-	4.2
Total		-	4.2	-	4.2
30 June 2018					
Recurring fair value measurements					
Derivatives	11	-	55.8	-	55.8
Total		-	55.8	-	55.8
Non-recurring fair value measurements					
Assets classified as held for sale		-	9.5	-	9.5
Total		-	9.5	-	9.5

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.

19 Events subsequent to the half year end

On 8 January 2019, the Ausgrid Group submitted its Revised Proposal for the 2019 - 2024 regulatory period to the AER. On 24 January 2019, the AER issued the Final Remade Decision for the 2014 - 2019 regulatory period. Refer to Note 3 for further details.

On 30 January 2019, total distribution of \$82.2 million was made to the Partners of AOP and AAP. This comprised of a distribution of \$51.0 million made to the Partners of AOP, and a distribution of \$31.2 million was made to the Partners of AAP. There was no distribution made by PES. The distributions were approved by their respective Boards on 30 January 2019.



19 Events subsequent to the half year end (continued)

Other than the above mentioned matters, no 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 2018**

In the Directors' opinion:

- (a) the consolidated half year financial statements and notes set out on pages 1 to 31 are in accordance with the Partnership Deeds, and:
 - (i) comply with Accounting Standards *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 2018 and of its performance for the half year ended 31 December 2018; 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 134 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 black ink, appearing to read 'Helen Nugent', is written over the printed name and title.

Dr Helen Nugent AO
Director

26 March 2019

A handwritten signature in black ink, appearing to read 'Robert Wright', is written over the printed name and title.

Robert Wright
Chairman Audit Committee

26 March 2019



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 financial period, which comprises the consolidated statement of financial position as at 31 December 2018, 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 2018, a summary of significant accounting policies, other explanatory notes and the directors' 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. It also includes reading the other information included with the half-year financial report to determine whether it contains any material inconsistencies with the half-year financial report. 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.

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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*.

Other matter

The financial report has been prepared by the directors to meet the information needs of the partners of AAP, AOP and PES. 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 2018 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 blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'B Entwistle'.

Brett Entwistle
Partner

Sydney
26 March 2019